



Nofar

ESG 2022



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01

GENERAL



1.1

WORDS FROM OUR SENIOR MANAGEMENT

We are happy to present you with O.Y. Nofar Energy Ltd.'s ("Nofar", "Nofar Energy") second corporate ESG report, for 2022.

Nofar is a global leading renewable energy and storage solution provider our main goal is to help the world reach zero emissions by 2050 through clean renewable energy - replacing old, expensive and polluting technologies.

In the past 11 years we have been growing rapidly and consistently, with an extensive portfolio of projects across 7 territories with 185 employees worldwide as of the end of 2022. Due to an upswing in business, we are anticipating a substantial increase in our workforce in the near future.

Nofar utilizes advanced technologies in ground-breaking solar projects, on rooftops, water reservoirs and land, all of which will enable countries to reach a more effective, environmentally friendly, and stable energy market.

The year 2022 was characterized by a slowdown in global economic activity and inflationary pressures against the background of the war in Ukraine that began at the beginning of the year.



Nadav Tenne
CEO

Ofer Yannay
Chairman of the
Board of Directors

1.1

WORDS FROM OUR SENIOR MANAGEMENT

The resulting energy crisis in Europe, the slowdown in China and continued disruptions in the supply chain caused by the Corona epidemic, were slightly eased towards the end of the year. The rise in inflation in turn led central banks in the world to raise interest rates during the year.

We are deeply committed to changing the environmental landscape and to effectively work on solving sustainability issues, supporting climate-change mitigation, and achieve the UN's SDGs for 2030. In addition to our positive environmental impact through our core activity, we will continue to expand our positive impact in the environmental, social, and corporate-governance arenas, together with our stakeholders who include customers, suppliers, investors and employees.

Furthermore, we expanded our supervision and monitoring mechanisms, helping us to better oversee the hundreds of projects within our portfolio. This progress, combined with our global presence, allowed us to update our multi-year plan and set a target for 2025: 5 gigawatts of connected renewable energy projects and 2.5 gigawatts of connected storage systems addition, we set a goal of strengthening our managerial infrastructure, in order to ensure our long-term stable growth.

On 7 October 2023, Israel suffered a deadly attack perpetrated by a terrorist organization targeting communities and military bases in the south of Israel, the Israeli government declared the "Iron Swords" war. This is as of the ESG report approval date and publication, the War is still

ongoing. Nofar 25% workforce was called for duty, and we have been ever sense dedicated to the national effort, assisting employees and their families in any way we can, and are proud of our human resources those who stayed home and continued working hard and doing what is needed in order to make sure the Nofar business remains the same. We are sending our sincere condolences to the families of the fallen and murdered, hope for the safe release of the hostages and missing people, and wish fastest recovery to all those injured.

We would like to take this opportunity to thank you for your trust and partnership and to commend Nofar Energy's employees across the world for their dedicated, professional, and ongoing work, which allows us to

continue attaining great successes and impressive achievements.

We wish you all a productive successful and quite year of activity!

Ofer Yannay, Chairman of the Board of Directors and Nadav Tenne, CEO

1.2

ABOUT OUR REPORT

Nofar Energy is delighted to present its second ESG report to all of our stakeholders. The report is an overview of the company's 2022 activities.

In this report, Nofar is proud to shed light on the environmental, social, and governance impacts of our policies and actions on our day-to-day activities. We supply renewable energy and help fight climate change. We believe that in addition to applying environmentally friendly technological solutions, we must conduct ourselves in accordance with ESG principles and practices throughout our activities and implement these principles and practices in our relationships with our stakeholders.

We are more devoted than ever to the creation of positive value for our stakeholders. We continue to invest resources to manage and measure

our ESG impacts, while adopting more actions steps to manage improve Nofar's performance in all aspects.

As part of our commitment, we continue to promote several initiatives designed to meet the UN's Sustainable Development Goals (SDGs), which will be further discussed throughout this report.

This report covers the Company's ESG activities in Israel and abroad. This report is prepared with reference with the Global Reporting Index (GRI) Standards. The report was written with the assistance of the ESG Unit at BDO Israel Consulting Group.

Nofar is dedicated to continue and strive to improve our work, and we are committed to sharing our progress with our stakeholders on an annual basis.

For further questions regarding this report or other ESG matters that may involve the Company, please contact:
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Senior Director of Investor Relations and Head of ESG, Nofar Energy
shir@nofar-energy.co.il

1.3

ABOUT NOFAR ENERGY

O.Y. Nofar Energy LTD is a public, global, entrepreneurial company in the field of renewable energy. Founded in 2011, the Company has evolved at an incredible pace thanks to multidisciplinary capabilities that enable it to be agile and nimble, while executing projects independently. Nofar Energy is proud of its technological innovation and its extraordinary human capital; the Company employed 185 employees globally in 2022, of which 108 in Israel.

In December 2020, Nofar Energy IPO'd on the Tel Aviv Stock Exchange, and positioned as the third-largest renewable energy company in Israel in terms of market value.

The Company was founded on strong organizational infrastructure which includes a highly experienced

management team and dedicated employees worldwide. It operates in three main areas – project development, EPC (engineering, procurement, and construction) and O&M (operation and maintenance) – based on its strong capabilities for development, permitting, planning, financing, construction, operation, and maintenance. The integration of these capabilities enables the Company to promote projects throughout the value chain while complying with strict standards. The Company then aims to maintain its holdings of the projects.

The Company's activities include ground-mounted solar projects, floating solar projects on water reservoirs, rooftop solar projects, and electricity storage projects. Nofar Energy has developed an impressive portfolio of projects in these realms

in Israel, Europe and the US with a combined production capacity of thousands of megawatts hours. The Company's activities are based on joint ventures with local developers abroad and with kibbutzim, real-estate companies and RIET funds in Israel and the US. Abroad, the collaborations are mainly with local developers who have proven knowledge, experience, and ability to set up and execute projects.

Nofar Energy establishes long-term partnerships to maximize value for all parties. Over the years, the Company has developed hundreds of partnerships with leading companies and other real-estate-rich entities.

Israel's electricity sector is in the process of evolving from a centralized and monopolistic sector controlled by

one vertically integrated government-owned utility to an industry comprised of a variety of manufacturers and sales mechanisms. Over the past few years, the Israeli authorities have been working intensively to increase the amount of electricity produced from renewable energy sources, especially photovoltaics. Some of the measures taken were removing bureaucratic and regulatory barriers, increasing quotas for the construction of renewable-energy-based facilities, and opening the market for the sale and supply of electricity to competition.

During the last year, the Company, together with Milgam company, established Enova Energy, which deals with providing energy management and supply solutions and charging electric vehicles. The purpose of the partnership is to provide an end-to-

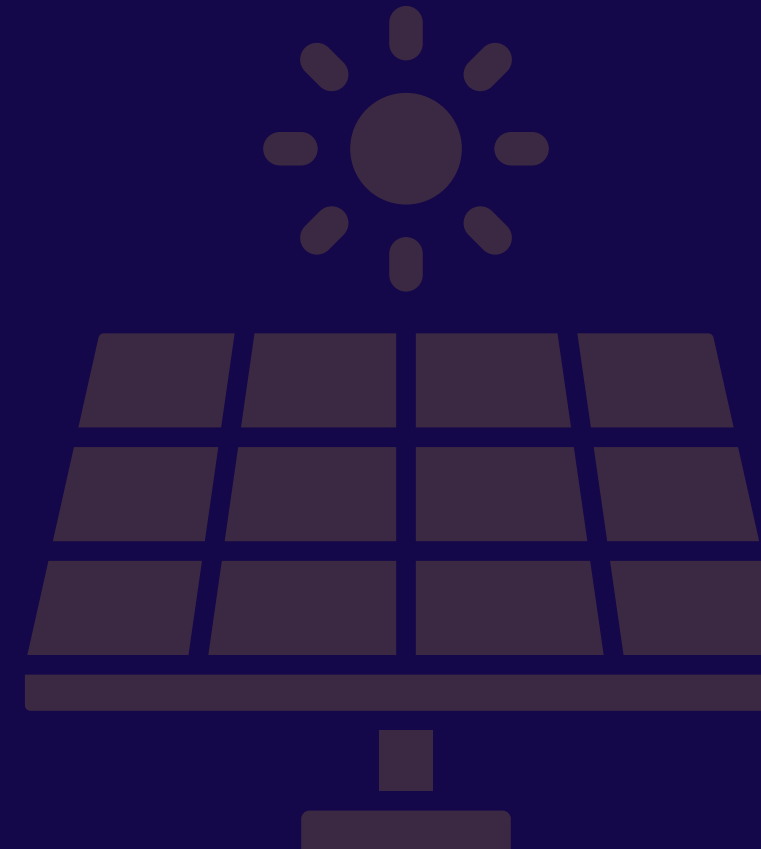
end solution for energy management through unique energy management technologies, which will allow the partnership to sell the Company's electricity to the end customers, private and business.

Also, as part of the transaction to establish Enova Energy, Milgam transferred to Enova Energy its holdings in Milgam EV-EDG, which is engaged in charging solutions in the municipal space. In this framework, the Company will have extensive access to the municipal authorities in the field of solar systems and energy storage.

At the same time, the Company continues to promote the initiation and establishment of charging stations for vehicles, in the territories of its partners, among other things, with the aim that the charging stations will make use of the electricity produced in the systems.

The Company has published an update to its goals regarding the supply of storage and production from renewables in 2025, in which it increases the goals.

O.Y. Nofar Energy LTD is a public, global, entrepreneurial company in the field of renewable energy

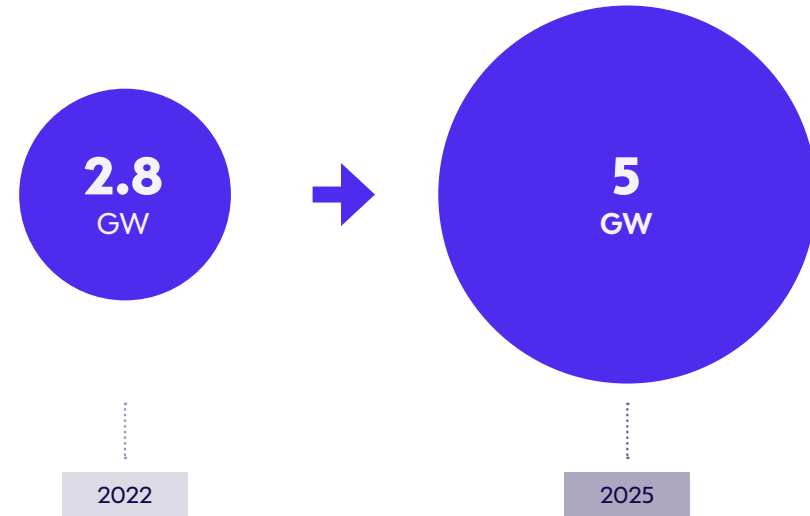


Company's goal for 2025 – increasing goal

Storage



Solar PV



Nofar Energy's numbers - Creating green growth globally

After eleven years of successful value creation, the Company went public in December, 2020.

As of the end of 2022 Nofar is active in 8 territories with 611 MW connected.

A Leading force in the renewable energies industry.

853 MW

Solar energy is connected and ready to be connected

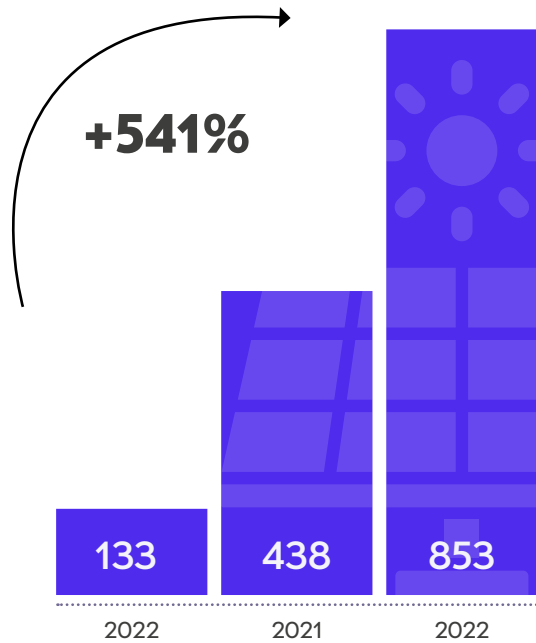
1,506 MW

Solar energy is under construction and pre-construction

993 MWh

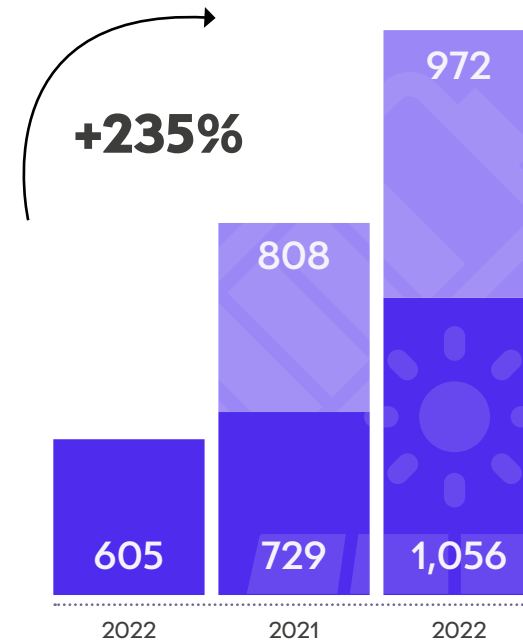
Storage energy is connected, ready to be connected, under construction and pre-construction

Capacity of solar connected and ready to be connected projects, MW



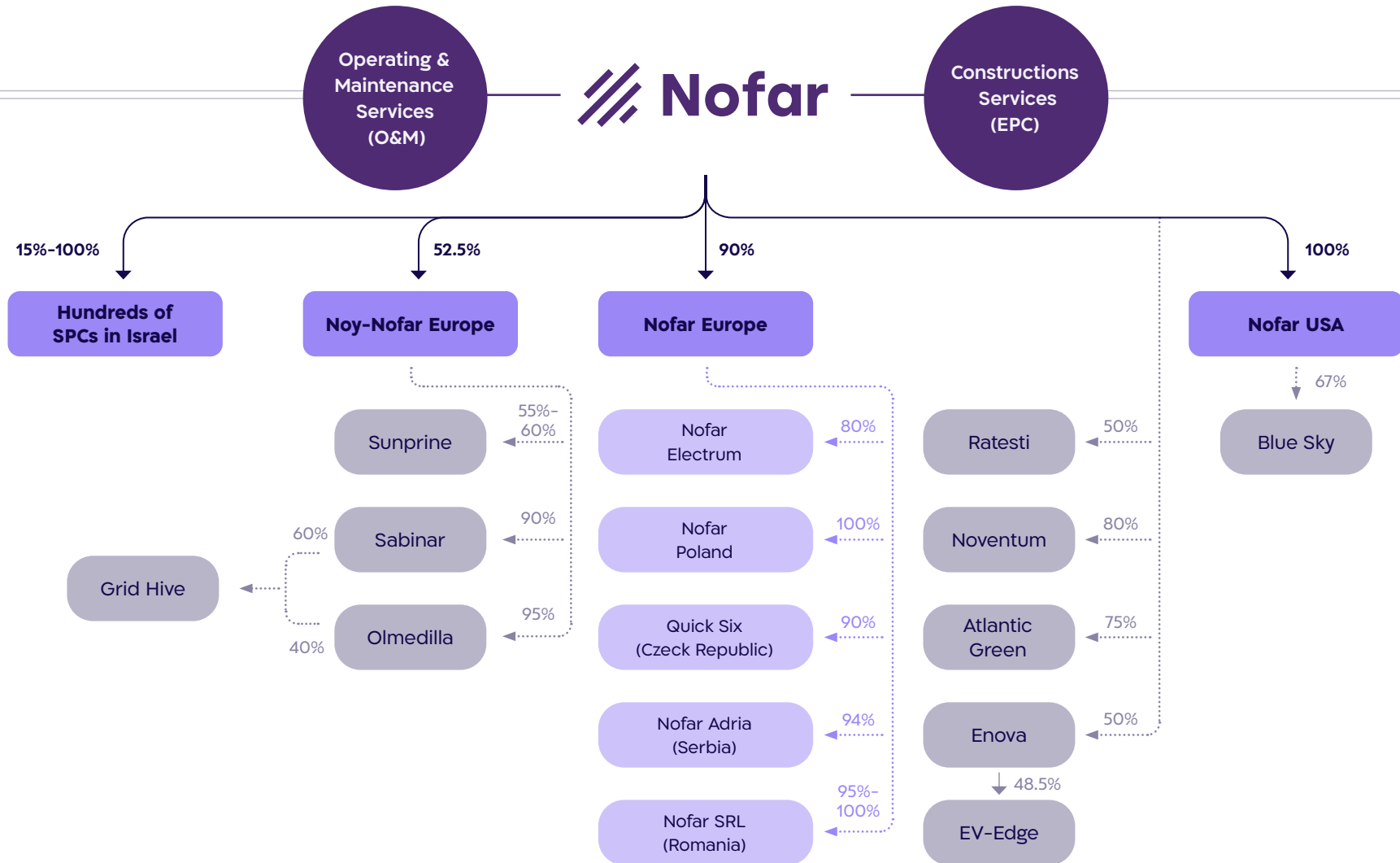
 Solar PV

Capacity of projects under construction and pre-construction, MWh/MW



 Solar PV
 Storage

Company Holdings Chart



Acting strategically to achieve sustainable growth

The Company initiates long-term investments in clean electricity generation systems based on solar energy and battery storage in Israel, the United States, and Europe. The Company is also active in engineering, procurement, and construction (EPC) and operation and maintenance (O&M) of PV systems in Israel, mainly for corporations in which it has an ownership stake. In Europe, the systems include utility-scale projects connected to the ultra-high-voltage transmission network, with a capacity of hundreds of megawatts. In Israel and the US, the systems are mainly C&I (commercial and industrial) and floating systems connect to the distribution grid.

The Company's objective is to become a global green electricity producer (IPP), taking an active and leading role in the green energy revolution, focusing on producing and storing electricity from photovoltaic and wind energy, in Israel and abroad. In accordance with this strategy, during the reporting period, the Company continued to promote:

1

.....
 Maintaining its position as a key player in the renewable energy sector in Israel in general, and in particular, in solar energy production and storage

2

.....
 Increasing its backlog of projects

3

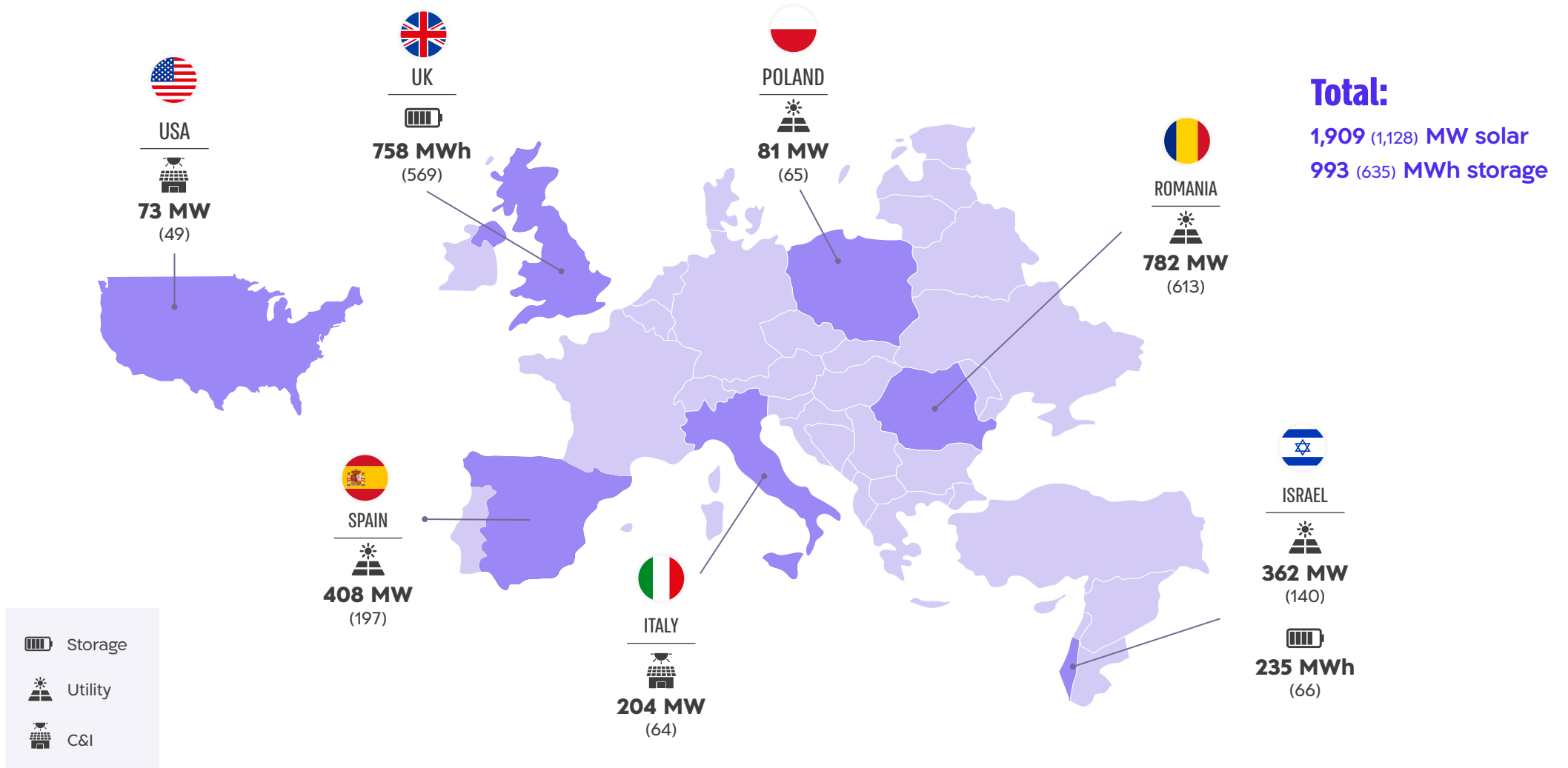
.....
 Expanding the Company's asset portfolio abroad

4

.....
 Developing the Company's portfolio of storage projects in Israel and abroad, as well as the usage of storage technology, both in combination with solar energy production systems and a stand-alone systems

A Significant pipeline of generating, under construction and pre-construction projects

(100% holdings, the Company's share presented in parentheses)



Energy Storage Leader



The growing scope of renewable energy usage increases the demand for supplementary systems to secure the electricity supply, alongside grid stabilization capabilities. One flexible energy supply solution is battery electricity storage. Battery energy storage system (BESS) can store electricity generated by renewable energy sources, and then release it when needed. This can help to bridge the gaps when renewable energy systems are not generating electricity, such as at night or when the wind is not blowing. BESS systems can also help to stabilize the grid by providing backup power in the event of a temporary decrease in supply or demand.

During the last year, the Company has worked to initiate battery power storage projects in the territories of its partners and by this it offers to its partners a combined system of photo voltaic power generation and storage.

Nofar sees the energy storage business as a key growth engine to its global Renewable energy activity. As such, Nofar was the first entrant to the BESS segment in the Israeli electricity market, by installing and operating the first commercial BESS in Israel. In 2022, Nofar keeps leading the BESS segment, with the largest number of systems under operation and installation, and is expected to maintain this position in the future.

The growing scope of renewable energy usage increases the demand for supplementary systems to secure the electricity supply, alongside grid stabilization capabilities.



Nofar operates in the field of electricity storage through three types of activity:

Renewable energy facilities that include storage facilities

Storage on the consumer's premises

Standalone storage facilities connected to ultrahigh voltage transmission networks or to high voltage transmission networks

Operations in Israel

The Company's activity in the field of initiation in Israel focuses on solar roofs, solar systems on water reservoirs and behind-the-meter storage facilities. The Company's growth engine in Israel is based on a significant array of partnerships with

real estate intensive entities - kibbutzim and companies. The Company's growth strategy in Israel is based on expanding the existing activity within the existing partnerships, creating new partnerships and expanding into new

areas of activity. Group Companies have a license to supply electricity which, in the Company's estimation, along with its ability in the worlds of charging electric vehicles, allows it to offer a comprehensive value proposition to end customers.

These activities are synergistic can create added value when combined together.

Initiating and investing in renewable energies and energy storage outside Israel

The Company's global development plans are focused on four main aspects:

1. Expansion in the C&I sector through the existing growth platforms, and potentially through new platforms.

2. Entry into early-stage projects in the utility segment through the Company's local platforms.

3. Expansion in the storage sector, while evaluating the integration of the activity in the Company's existing platforms.

4. Evaluating entry into new fields of activity such as wind power generation, charging stations for electric vehicles, hydrogen generation, geothermal and more.

The Company will continue to promote and expand its portfolio of projects, as follows:

Spain

The Company owns three solar projects which are connected or under construction in the country with an aggregate capacity of 408 MW. There are 3 main projects in Spain: The Olmedilla project - a solar project with a total capacity of about 169 megawatts, which is held indirectly, at a rate of about 50% by the Company and is in the operating stages, Sabinar project - A solar project with a total capacity of about 238 megawatts. The Sabinar projects contains two projects, the first is Sabinar I, a project with a total capacity of 155 megawatts, which by the end of 2022 was at the running stages and Sabinar III, a project with a scope of 83 megawatts, which is in construction phases and is expected to completed in 2023.

Poland

In October 2021, Nofar Europe engaged in an agreement with Electrum SP Z O.O. ("Electrum"), with regard to the establishment of Electrum Nofar, which is indirectly held at a rate of 72% by the Company, and is engaged in the initiation, development, and holding of solar and wind systems with a capacity of up to 1,250 megawatts in Poland. In November 2021, Nofar Europe contracted in an agreement to purchase a portfolio of projects in Poland with an estimated capacity of up to 185 megawatts and in March 2022, Electrum transferred to Electrum Nofar projects with an estimated capacity of up to 412 megawatts in Poland. In addition, as of the 2022 annual report date, Electrum Nofar is engaged in initiating additional projects in Poland.

Romania

During 2022, the Company completed the construction of the Ratesti project with a capacity of about 155 megawatts. To the best of the Company's knowledge, this project, which is 50% held by the Company, is expected to be the largest solar project in the country. The project is expected to be connected to the grid during 2023 and transition into the running stages. At the same time, the Company is preparing to start construction in the coming months of four solar projects with a total capacity of about 627, which are expected to position Nofar as a leading renewable player in the Romanian photovoltaic market. Beyond that, the Company is considering the initiation, purchase and development of additional solar projects and storage projects.

Italy

The Company operates in Italy through Sunprime (Sunprime HoldCo S.R.L.), which specializes in rooftop projects with high feed-in-tariff (FIT) rates. Sunprime holds a quota of approximately 204 megawatts at an average rate of approximately EUR 93 per megawatt hour. Sunprime has also accumulated projects with a capacity of approximately 270 megawatts in advanced development stages, to further expand the Sunprime portfolio in the field of roofs and other areas.

United States

In July 2021, the Company completed the acquisition of 67% of the rights in Blue Sky, which is engaged in the initiation, development, licensing, planning, management, construction and holding of solar projects on the roofs of commercial buildings and storage systems in the USA. Blue Sky's operating model focuses on the establishment of solar systems on rooftops of commercial centers, while selling credits for the electricity produced in the systems to stores in the complex at retail rates higher than the rates at which electricity is sold under the PPA agreements of utility projects. As of the report date, Blue Sky owns a portfolio of projects in various stages of development.

As of the report date, Blue Sky owns a portfolio of projects in various stages of development. As of the report date, Blue Sky focuses on expanding operations, while strengthening the organizational infrastructure, strengthening the collection system, increasing partnerships with REIT funds, creating new partnerships and closing agreements with tax partners. In addition, Blue Sky is engaged in the initial development of behind-the-meter storage projects. Blue Sky has accumulated projects with a capacity of approximately 69 megawatts in advanced development stages.

Nofar Europe, a platform of O.Y Nofar Energy, oversees operations in western Europe and manages projects from Romania, Poland, and Serbia. It has implemented Nofar's corporate ESG policy since 2022 and continues to expand this policy at the SPV level in 2023.

This centralized ESG policy establishes Nofar Europe's overall standards for environmental, social, and governance practices. As part of the ongoing adoption of ESG standards, Nofar Europe will have a procurement policy in place for each of its sub-units by the end of 2023, tailored to location and project requirements.

However, Nofar Europe grants its sub-units the flexibility to adapt the procurement policy and other ESG-related policies as needed.

The full Nofar Europe ESG Policy is available on our website.

1.4

SETTING STRATEGIC ESG GOALS AND TARGETS

As part of Nofar’s commitment to ESG values, the Company set strategic goals in the area of ESG, aligned with its business strategy and core objectives. The goals were established in collaboration with the relevant people at the Company, in order to integrate environmental, social, and governance aspects into the Company’s core activities. The goals were approved by the CEO. The Company is committed to the achievement of these goals.



Environment

As its core business is clean energy, the “E” part of the Company’s ESG goals focuses on the production of clean energy and the elimination of emissions. Nofar operates worldwide; its environmental impact is significant. Aside from the main goal of renewable energy production and the prevention of carbon emissions worldwide Nofar works continuedly to reduce its environmental footprint.



Social

The business model determines the “S” part of the Company’s ESG goals: supplying clean energy and promoting shared values with the partners and the communities where the Company operates, while assuring the safety of its employees and contractors’ workers. Nofar is committed to the communities where it works.

For example, Nofar sees the disposal of hazardous materials, such as asbestos found on C&I rooftop sites, as an opportunity to promote the well-being of these communities and strength its engagement with them. The Company have an obligation to respect human rights throughout their operations, including in their supply chain.



Governance

Promoting gender equality within our executive management and board is a significant topic for the Company, as is mitigating governance risks. In 2021-2022, the Company conducted a risk assessment to establish a multi-year work plan for risk management.

2021 is the base year for the goals that were set for the end of 2025. The Company will update the status of the goals in its annual ESG report. To achieve the goals, the Company intends to amend its policies and procedures and develop work plans for dedicated projects. This work will be described in the annual ESG reports.

	Goal	2021	2022	2025 (Targets)
	Capacity of renewable power connected and ready to be connected (GW)	0.4	0.85	5
	Capacity of storage connected and ready to be connected (GWh)	0	0.1	2.5
	C&I (dual usage) (MW)	268	374	1,000
	Prevention of GHG emissions (TCO2e) ^{1 2}	247	634	1,000
	Safety – fatal accidents (number of accidents including contractors)	0	2	0
	Responsible disposal of hazardous materials within the community (m2)	45,000	9,241	96,000
	Local economic development (number of jobs)	110	185	450
	Gender diversity in board and executive management (% women)	20%	20%	40%
	Mitigating risks according to 2022 risk assessment (number of "Red" topics)	1.5	1	0

* All numbers refer to 100% holdings of the projects.

1 The produced electricity enables a prevention of GHG emissions from the alternative conventional production

2 A modification was made to the methodology used to calculate the Prevention in greenhouse gas emissions in 2022

1.5






CONTRIBUTION OF NOFAR TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS



In 2015, the UN published the "2030 Agenda for Sustainable Development." This agenda is comprised of 17 Sustainable Development Goals (SDGs).

Israel, along with the 192 UN member states, adopted the goals and the subgoals, covering a wide range of social, economic, and environmental issues.

As one of Israel's leading renewable energy companies, Nofar's operations align with some of these goals, as presented in this report and summarized in the table below.

	SDG 	RELEVANT SUB- GOAL	OUR ACTIVITY
	GOAL 7 ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL	7.1. Universal access to modern energy – by 2030, ensure universal access to affordable, reliable, and modern energy services. 7.2. By 2030, increase substantially the share of renewable energy in the global and local energy mix.	Nofar produces clean and available energy. Installed capacity in 2022: 853 MW Solar energy is connected and ready to be connected. By 2025, the installed capacity globally is expected to increase to 5,000 MWp, thereby helping to meet the goal of transitioning to renewable energies.
	GOAL 13 MITIGATING CLIMATE CHANGE AND ITS EFFECTS – TAKING MAJOR MEASURES AND WORKING TO COMBAT CLIMATE CHANGE AND ITS CONSEQUENCES	13.1. Strengthening resilience and adaptive capacity to climate-related disasters and natural disasters in all countries.	Reducing greenhouse-gas emissions through the production of clean electricity in the countries where Nofar operates. In 2022 Nofar has entered the fields of electric vehicle and charging stations.
	GOAL 8 DECENT WORK AND ECONOMIC GROWTH – PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH	8.5. By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. 8.8. Protect labor rights and promote safe and secure working environments.	Nofar sees its human capital as the most significant resource for its success. At the end of 2021, the Company recruited its head of human resources, who supports the Company's growing need for qualified manpower and is responsible for hiring employees according to the values of diversity and equal opportunities in the workplace
	GOAL 15 PROTECT, RESTORE AND PROMOTE SUSTAINABLE USE OF TERRESTRIAL ECOSYSTEMS, SUSTAINABLY MANAGE LAND, AND HALT BIODIVERSITY LOSS.	15.5. Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and protect and prevent the extinction of threatened species	In accordance with Nofar's policy, 100% of the areas and facilities where Nofar generates electricity in Israel are dual-use (25% outside Israel), thus contributing to efficient and sustainable management of the land resource.

1.6

NOFAR'S MATERIAL TOPICS

As part of a preliminary process for the preparation of this ESG report, the Company identified and reviewed its material topics – the topics that have the most significant impact on its various stakeholders, according to the process required by the GRI Standards.

The methodology used to identify the material topics included the following stages:

1. Identifying topics that are material to the renewable energy sector

- A sector overview (benchmark research) of the most material topics as reflected in reports issued by four leading Israeli and global companies.
- A review of the common topics and concerns raised by stakeholders as reflected in investors' ESG ratings that surveyed companies' ESG performance. In addition, analysis of the main topics covered by global reporting standards (GRI, SASB).

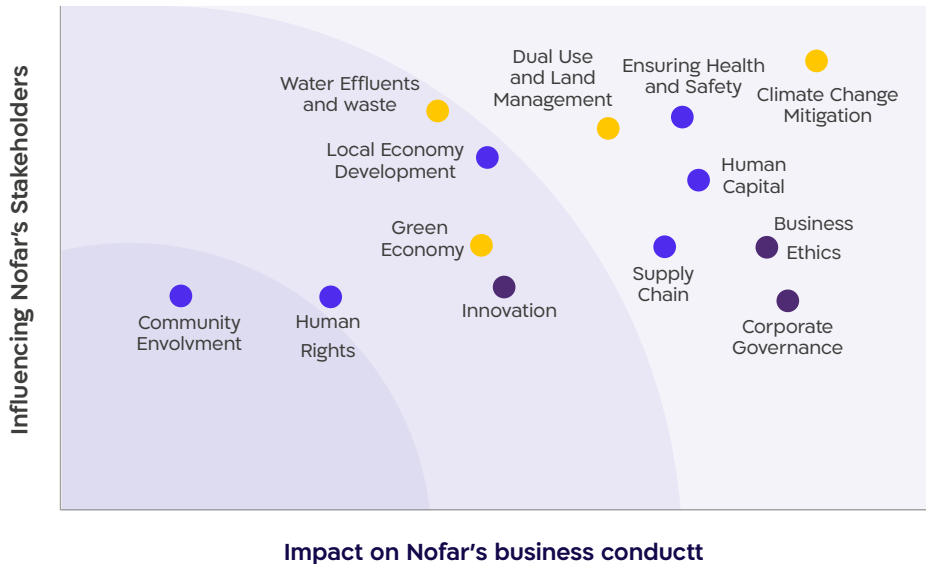
2. Rating and prioritization of the topics by Nofar

The list of material topics assembled in stage one was discussed by the company's management. Following a discussion, the top six topics that are material both to the Company and to its stakeholders were chosen.



Materiality matrix

The materiality matrix presents the topics that the Company considered to be material, highlighting the eight final topics material to Nofar’s operations, based on each topic’s importance. The topics are positioned based on relevance to Nofar’s business conduct according to management (horizontal axis), combined with their impact on its stakeholders (vertical axis).



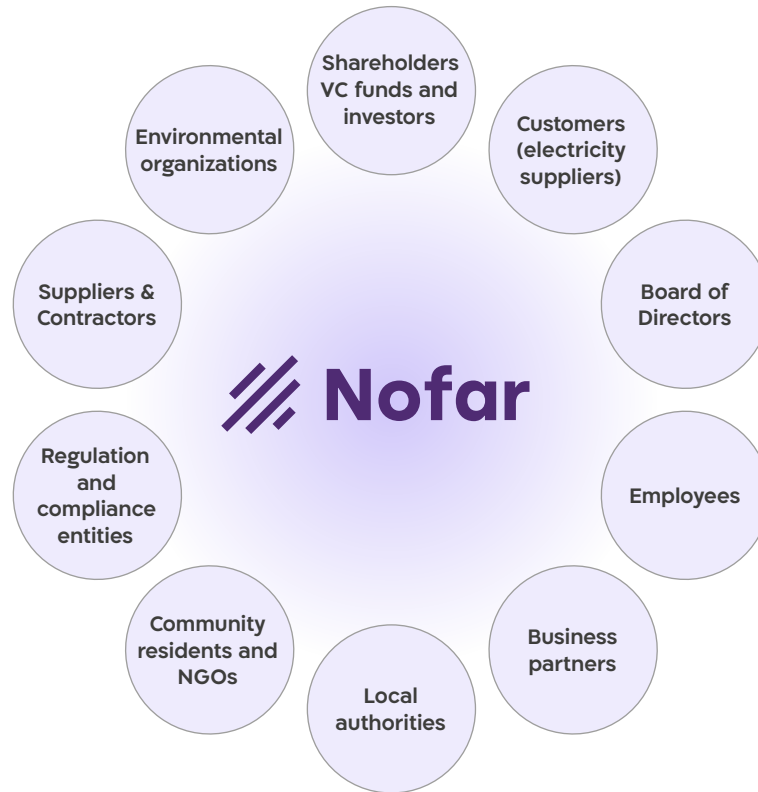
Breakdown of material topics and impact boundaries (by rating)

Topic	GRI indicator	Main impacts
1. Climate change mitigation and green energy solutions	GRI 302: Energy 2016 GRI 305: Emissions 2016	Outside the organization
2. Human capital, equality, diversity, and inclusion	GRI 401: Employment 2016 GRI 404: Training and Education 2016 GRI 405: Diversity and Equal Opportunity 2016	Within the organization
3. Ensuring health and safety at our Company and through our supply chain	GRI 403: Occupational Health and Safety 2018 GRI 204: Procurement Practices 2016	Within and outside the organization
4. Ethics and business transparency; prevention of corruption and bribery	GRI 205: Anti-corruption 2016	Within and outside the organization
5. Adequate corporate governance	GRI 2: General Disclosures 2021	Within the organization
6. Dual Use, land management & Biodiversity	GRI 304: Biodiversity	Outside the organization

1.7

DIALOGUE WITH OUR STAKEHOLDERS

The Company perceives its stakeholders as vital allies and partners to its success and future development. Nofar's various stakeholders have different expectations from the Company, according to their unique needs. Nofar strives to build and strengthen long-term relationships with its stakeholders, based on understanding and trust. Therefore, the Company accords high importance to listening to stakeholders' expectations and conducts an ongoing dialogue via the various channels presented below. Nofar's stakeholders include the entire supply chain – companies, contractors, consultants, raw-material suppliers, lenders, landowners, and customers.



Nofar regularly engage with main stakeholders – Nofar's partners in the energy production industry, Company employees, suppliers, customers, lenders, regulators, and government authorities, which contribute to the Company's success.

Partners in clean energy production

The working model is based on partnerships with local landowners (owners of rooftops, fields, agricultural areas, reservoirs, and fences), who benefit from the shared value of the ventures Nofar establishes on their land. These partnerships are built on transparency, fairness, and cooperation, from the conception stage to the operation stage. In Israel, Nofar usually operates through partnerships with kibbutzim, where it develops and builds its facilities. Among the global partners which is a combination of a local JV, subsidiary that engages with landowners, leaseholders, and local entrepreneurs. For further reading, please see the chapter Empowering our partners and creating indirect economic Impact on page 33.

Employees

The Company's employees represent its biggest asset, and it strives to provide them with an optimal work environment for growth and development. Nofar maintains a regular, open dialogue with its employees through formal and informal channels. For further reading, see the chapter Our employees on page 44.

Suppliers

The Company's suppliers consist of three main categories: essential equipment suppliers,³ project operation contractors, and service providers. The Company's project managers maintain regular contact with project operation contractors, including visits to the facilities during the construction work.

Customers

Nofar's main customer in Israel is the Israel Electric Corporation (IEC), in addition to local electricity suppliers, mainly kibbutzim. Nofar's subsidiaries abroad used to enter into PPAs with third parties or sell the electricity in the electricity markets.

Regulators and government authorities

The main government entities that affect the Company's operations are Ministries of Energy, the Israel Electricity Authority, distribution and transmission system operators, the Israel Securities Authority, Nature and Parks Authority, the Ministry of Environmental Protection, the Planning Administration, Ministries of Agriculture, Ministries of Health, Government Water and Sewage Authorities, Israel Antiquities Authorities, and the draining authorities. The Company complies with the demands of regulators and government authorities, and believes in transparency and openness in all its dealings.

³ Panels, converters, storage systems, construction infrastructures, etc.

Stakeholders	Responsible party at Nofar	Nofar's main goal	Dialogue channels	Main issues raised in the dialogue
Employees	Management, human resources, office managers	Employees' professional skills, personal development, satisfaction, and retention	<p>Ongoing meetings and conversations with managers in different levels</p> <p>Safety Committee meetings</p> <p>Daily Company-wide communication (via e-mail and designated Company WhatsApp groups)</p> <p>Company policies such as sexual harassment prevention policy</p> <p>Company retreats and leisure activities</p> <p>Anonymous inquiries and complaints box</p> <p>Meetings with the CEO</p> <p>Visits and Regular meetings with subsidiaries' staff abroad</p> <p>Participation in conferences and exhibitions</p>	<ul style="list-style-type: none"> • Involvement and participation • Inclusion and diversity • Labor relations • Learning and development • Safety and health • Personal development and enrichment • Business development
Business partners in Israel	Company management, business development managers, project managers, partnership and property manager	<p>Maximizing shared value</p> <p>Trust relations</p> <p>Creating business advantages</p>	<p>Regular contact with the business partners/ kibbutzim managements</p> <p>Annual meetings</p> <p>Ongoing dialogue with relevant startups in the renewable energy sector</p>	<p>Shared value</p> <p>Utilization of land resources</p> <p>Energy efficiency</p> <p>Implementation of innovative technologies and increasing efficiency in the work process z</p>
Business partners abroad	Company management, Business development managers, Directors of subsidiaries	<p>Maximizing shared value</p> <p>Maintaining agreed schedules</p> <p>Trust relations</p> <p>Creating business advantages</p>	<p>Regular meetings with partners, EPC contractors and landowners</p> <p>Landowners - public participation and initiation of development processes</p> <p>regulatory processes</p> <p>Recruitment of local management</p> <p>Local regulatory conduct</p>	<p>Creating shared value</p> <p>Utilization of land resources</p> <p>Energy efficiency</p> <p>Implementation of innovative technologies and increasing efficiency in the work process</p>

Stakeholders	Responsible party at Nofar	Nofar's main goal	Dialogue channels	Main issues raised in the dialogue
Procurement suppliers and Contractors	Chief Operating Officer	Purchasing Manager Chief Operating Officer, Project Managers	Contractual engagements, bidding, and negotiating Ongoing visits and audits in various projects Round-table discussions Safety training and workshops	Implementation schedules Price Workers' Safety Workers' rights Business ethics and anti-corruption
Regulatory and governance bodies	Company management, business development, licensing, municipal field manager, subsidiary company managers, Legal department	Establishing and developing the green-energy economy	Ongoing dialogue and work meetings Environmental impact reports and reviews submission Submission of clarifications to the hearings and calls for proposals published by the regulators Intensive work with planning and construction committees Participation in conferences, seminars, and joint workshops	Compliance with regulatory requirements Reducing environmental damage Technological innovation and energy efficiency
Shareholders, investors, and financiers	Company management, Investor relations, legal department	Maximizing shared value Maintaining discretion	Reports in the Magna system Ongoing work meetings and investor conferences Tours and visits to the Company's sites Investor relations mini site on the Company's website	Economic performance Corporate governance Business ethics and anti-corruption Work plans and strategy

Stakeholders	Responsible party at Nofar	Nofar's main goal	Dialogue channels	Main issues raised in the dialogue
Community and local authorities	Company management, marketing department, project managers	<p>Creating shared value for the community</p> <p>Reducing any kind of negative impacts on the local community caused by the Company's operations</p>	<p>Hearings and public participation processes</p> <p>Holding workshops and conferences with regional councils near production sites</p> <p>Sponsorships and Voluntary activities with NGOs and relevant social organizations</p>	<ul style="list-style-type: none"> • Local economic development • Promoting the welfare of local communities • Reducing damage to the environment • Donations and sponsorships
Environmental organizations	Company management, marketing	Promoting a green economy	<p>Holding an open channel for public inquiries and complaints</p> <p>Holding lectures at seminars initiated by environmental bodies</p>	<p>Reducing negative environmental impacts</p> <p>Dual use of land units (roofs, reservoirs)</p> <p>Promoting renewable energy</p>
Energy suppliers, electricity companies	Company management Legal department	Energy supply	Contracting processes	<p>High quality and clean energy</p> <p>Continuous and reliable supply</p>

1.8

ESG HIGHLIGHTS

Environment



- Prevention of emissions equivalent to 634 tons of carbon dioxide (metric ton CO2e) in 2022
- Approximated prevention of emissions equivalent to 1000 tons of carbon dioxide (metric ton CO2e) until 2025
- 7,500 GWh clean electricity generation forecast in 7 countries by 2025
- 853 MWh clean electricity production capacity in 2022
- 2.87 square km of land in dual use worldwide
- 100% of the projects in Israel are in Dual Use
- 139 ton of asbestos were dismantled and treated from roof installation in 2022
- 9241 m² of asbestos expected to be removed and properly disposed from old rooftops in 2022

Social



- 2 women in senior management
- 44% of new hires are women
- 0 workplace accident of Nofar employees in 2022
- Over hundreds of Safety inspections
- 500 suppliers
- 10% of the suppliers are responsible for 80% of procurement
- 80% of the suppliers are from Israel; 10% of suppliers are small and medium-sized enterprises (SMEs)
- 50% of employees are from peripheral regions in Israel
- Partnering with 102 Kibbutzim of which the partnership continues to expand

Governanace



- 8 board members
- 25% women on the board
- 86% attendance in board of directors' committees
- 25% external directors; 37.5% expert external directors



02

ENVIRONMENT



2.1

ENVIRONMENTAL IMPACT

A trailblazer in the field of solar energy in Israel.

Nofar promotes an alternative to carbon-intensive energy sources, thereby stepping up to fight climate change. Nofar is committed to protection of the environment and the natural landscape, and integrates environmental, social, and economic considerations in its decision-making processes, in all areas of activity, to preserve the environment for both current and future generations.

While the Company's core activity supports the environment by its very nature and added value, Nofar believes that it is its responsibility to maintain environmental sustainability throughout the value chain. Environmental factors are taken into consideration when constructing and operating solar and storage systems. Considerations include wise use of land, preservation of landscapes and biodiversity, and reduction of water, soil, and noise pollution risk. Environmental aspects relating to the Group's activities include appropriate planning of photovoltaic and storage

systems, proper maintenance of the panels, and efficient and clean disposal of waste at the end of the systems' lifecycle.

The Company complies with environmental regulation in all territories in which it operates and works alongside regulatory advisors and representatives in order to maximize its protection of the environment.

As a fundamental component of its responsibility, the Company's employees undertake to act

responsibly and in a manner that minimizes environmental harm or risk. All processes of setting up solar facilities at the various sites are carried out while safeguarding the environment as much as possible and providing solutions for the removal of hazardous materials found on the sites, as part of the construction process.

The Company's environmental policy applies to all of its activities and aims to prevent environmental damage while fully complying with the requirements of relevant

environmental laws and regulations and reducing the use of natural resources

Supporting the transition to a low carbon economy

853 MW
Solar energy is connected and Ready to be connected in 2022

7,500 MWh
projected generation capacity of renewable electricity in 2025

683 MT CO2e
avoided emissions compared to generation of conventional technologies⁴ in 2022

2.87 square km
of land in dual use worldwide

139 ton
of asbestos were dismantled and treated from Solar roof installations in Israel and Italy in 2022

As its business activities mainly focus on the development and construction of renewable energy systems as an alternative to fossil fuels, Nofar is effectively implementing the transition from polluting energy sources to green energy sources, through a wide range of applications and technologies. As part of its business activities, the Company is taking part in the Israeli government's endeavor to increase the renewable energy component in Israel's energy mix, as well as in the global effort aimed at transitioning to renewable energies and reducing greenhouse gas emissions. The global transition to renewable energy supports the Company's activity and the regulation that guides it.

.....

Nofar believes that the initiation, development, and construction of renewable energy systems should meet the needs of people and of the environment in which they live, while safeguarding resources and reducing pollutants, for the benefit of future generations.

.....

⁴ Emissions prevention from Israel is based on emission intensity data of the Israeli economy at BDO.

Nofar is safeguarding the environment by:

1 // Initiating and developing renewable energy projects.

2 // Enabling efficient use of land by promoting dual-use solar projects on water reservoirs, rooftops, etc.

3 // Integrating storage facilities to better capture renewable electricity for peak power usage hours.

4 // Developing additional services as part of the green energy transition.

Leading the field of behind-the-meter storage in Israel and growing

Power generation from renewable energy reduces the emission of pollutants, and is also the cheapest way to generate electricity. However, alongside those advantages, and in view of the current dependency on natural resources as part of the process of generating electricity, in order to meet renewable energy targets for 2030, countries are required to accelerate the integration of electricity storage facilities into electricity generation facilities. The storage technologies are integrated into electricity generation systems that use renewable energies, allowing the power plants to supply electricity 24/7, like conventional electricity generation facilities. In the future, long-term storage technologies will be required to allow energy storage between seasons.

Dual use and land use

6.11 square km. of connected dual-use photovoltaic facilities in Israel and globally

640 MW dual-use connected and ready to be connected projects

100% of the projects in Israel are dual use

One of the main environmental costs relating to solar energy production is the vast areas of land it requires, and the price of developing extensive solar infrastructures in open spaces.

To address this, Nofar specializes in dual-use solutions in the field of photovoltaic energy: energy generation facilities using photovoltaics on rooftops and reservoirs. Nofar is the pioneering local renewable energy producer in building photovoltaic facilities on reservoirs.

Nofar's investment in the development of dual-use solutions has made it the leading company in this field in Israel. In 2022, Nofar held approximately 640 MWp of operating dual-use photovoltaic facilities worldwide.

Nofar thereby supports reduced use, to the extent possible, of large open areas for the generation of renewable energy and works tirelessly towards finding solutions that reduce the use of soil and damage to ecological corridors and animals. As part of that approach, all Nofar projects in Israel are dual-use, built on roofs of factories, buildings, and water reservoirs.

Reducing negative environmental impact

In order to best mitigate and minimize the impact of its activity on the environment, and to promote and integrate advanced environmentally friendly technologies, the Company works to reduce its carbon footprint.

Environmental impact aspects are built into the planning processes, prepared by industry experts. Such processes include environmental landscaping, water run-off management, restoration of the site such that it can once again be used as farmland (where necessary), and a landscaping scheme where required. The environmental impact aspects that are taken into consideration by the Company include landscape, ecology (including biodiversity), land pollution, radiation, drainage, dust, and light nuisances.

The storage systems used by the Company are based on batteries

using LFP (lithium iron phosphate) technology and are considered the safest of all existing lithium batteries. However, there is a potential fire hazard associated with the batteries, which may be caused by uncontrolled discharge/charging and overheating. To the best of the Company's knowledge, all battery packs are cooled and monitored to prevent combustion of any kind; if necessary, the system halts its operations to prevent overheating that could cause a fire. If such a fire occurs, the enclosures are constructed so that they internally control the fire and can allow the cells to burn safely and without causing environmental damage. In addition, Tesla's cooling systems are based on cooling by liquid in a closed system which is remotely monitored for any leakage. The system also contains a spill pallet for receiving the liquids.

Compliance with environmental regulation

The Company works according to environmental laws and regulations in Israel and in the countries in which its sites are located. The Company is fully committed to obeying the laws in force in the countries where it operates and complying with the instructions and regulations of authorized government bodies, such as the ministries of agriculture and energy, municipalities, local councils. In all stages of a project – planning, construction, and operation of the facilities – environmental considerations are taken into account, including efficient use of land; landscape preservation; reducing negative effects on the environment – noise, sea, water, and land; damage to the owners; transition obstacles; and more.

There were no environmental violations by Nofar in 2020-2022.

Energy consumption and GHG emissions

Electricity consumption

Table 3: electricity consumption at Offices in 2021-2022

Electricity consumption KWh	2021	2022
From renewable sources	Negligible undocumented self-consumption of the facilities	Negligible undocumented self-consumption of the facilities
From IEC	59,948 ⁵	114,840

The company's electricity consumption in increased in 2022 due to the expansion of its office space in Israel.

Fuel consumption

Table 4: Fuel consumption in 2021-2022

Fuel consumption (liters)	2021	2022
Gasoline consumption for transportation	37,728	223,571
Diesel fuel consumption for transportation	104,329	98,167
Total	142,057	321,737

Project managers and other Company employees are given a company car, as part of their job, for use in their day-to-day activities. Due to the sharp increase in the volume of activity at Nofar, its fuel consumption has grown as well. The company had 62 vehicles in 2021, and 85 vehicles in 2022.

By 2028, Nofar intends to transition to electric or hybrid vehicles to reduce its fuel consumption.

⁵ The data in the previous report from 2021 was modified due to an alteration in the calculation method.

Carbon footprint

Table 5: Nofar Energy's carbon footprint, in metric tons CO2e

Total carbon footprint - Metric tons CO2e	2021 ⁶	2022
Scope 1 – direct energy consumption ⁷	421	950
Scope 2 – indirect energy consumption ⁸	28	54
Total emissions Scopes 1+2	449	1,004
Scope 3	4,037	908

Scope 3 emissions are a consequence of the activities of the Company but derive from sources not owned or controlled by the Company. The Company's Scope 3 includes emissions due to air travel, hotels and waste.

Table 6: Breakdown of Scope 3 emissions for 2022⁹

Scope 3 components - Metric tons CO2e	2021	2022
Air travel	59	79
Hotel	Information wasn't gathered	3
Waste treatment ^{10 11}	3978	825
Total Scope 3 emissions in tons	4037	908

⁶ The data in the previous report from 2021 was modified due to an alteration in the calculation method.

⁷ Total greenhouse gas (GHG) emissions.

⁸ Emissions as a result of energy consumption due to fuel used for travel. Consumption of energy supplied by the Israel Electric Corporation to the Company's facilities for the operation of solar facilities and Company offices.

⁹ DEFRA conversion coefficients.

¹⁰ Asbestos collection decreased in 2022 compared to 2021, as discussed later in this chapter.

¹¹ The data in the previous report from 2021 was modified due to an alteration in the calculation method.

¹² According to the area of the offices in Israel.

Emissions intensity

Table 7: Emissions intensity in 2020-2021

Emissions intensity - (Scope 1+2)	2021	2022
Revenue (MT CO2e / NIS million)	1.25	3.100
Employee (MT CO2e / FTE)	4.08	5.43
Area ¹² (MT CO2e / m2)	0.802	0.419

Goals and targets

Nofar aims to reduce its GHG emissions by 2030:

- To decrease Scope 1 emissions to zero by 2030 by means of the electrifying of all company vehicles.
- To decrease Scope 2 emissions by 30% by 2030 (vs. 2021) through changes in the purchased electricity mix.
- Furthermore, Nofar is taking steps to expand its reporting on Scope 3 supply-chain emissions by 2025.

Solid waste

All solid waste reported by Nofar derives from the activities of the Company's offices. Nofar's solid waste is treated according to law and is transported to landfills and recycling facilities.

Table 8: solid waste treatment (tons)

2021	2022
17.8	11.5

Hazardous waste

As part of the Company's policy of dual use, many facilities are installed on old roofs, many of which are made of asbestos. Therefore, the Company first dismantles this hazardous material.

Dismantling of asbestos roofs in Israel is carried out in accordance with the provisions of the Israeli Law for the Prevention of Hazards from Asbestos and Harmful Dust, 2011, by an asbestos contractor with an appropriate license and after obtaining demolition and evacuation permits from the Ministry of Health and Welfare. In 2021, 44,753 square meters of asbestos were dismantled from the roofs of hundreds of buildings in Israel and Italy. This decreased to 9,240 square meters in 2022.

Regarding system component wear and tear in Israel, the Environmental Treatment of Electrical and Electronic Equipment and Batteries Law, 2012, provides that non-private owners of

electronic equipment and batteries must contact a recognized competent contractor to dispose of equipment waste.

Table 9: Hazardous waste treatment (tons)

2021	2022
671	139

The decrease is due to the fact that fewer square meters of asbestos were dismantled in 2022 compared to 2021.



Life cycle analysis (LCA)

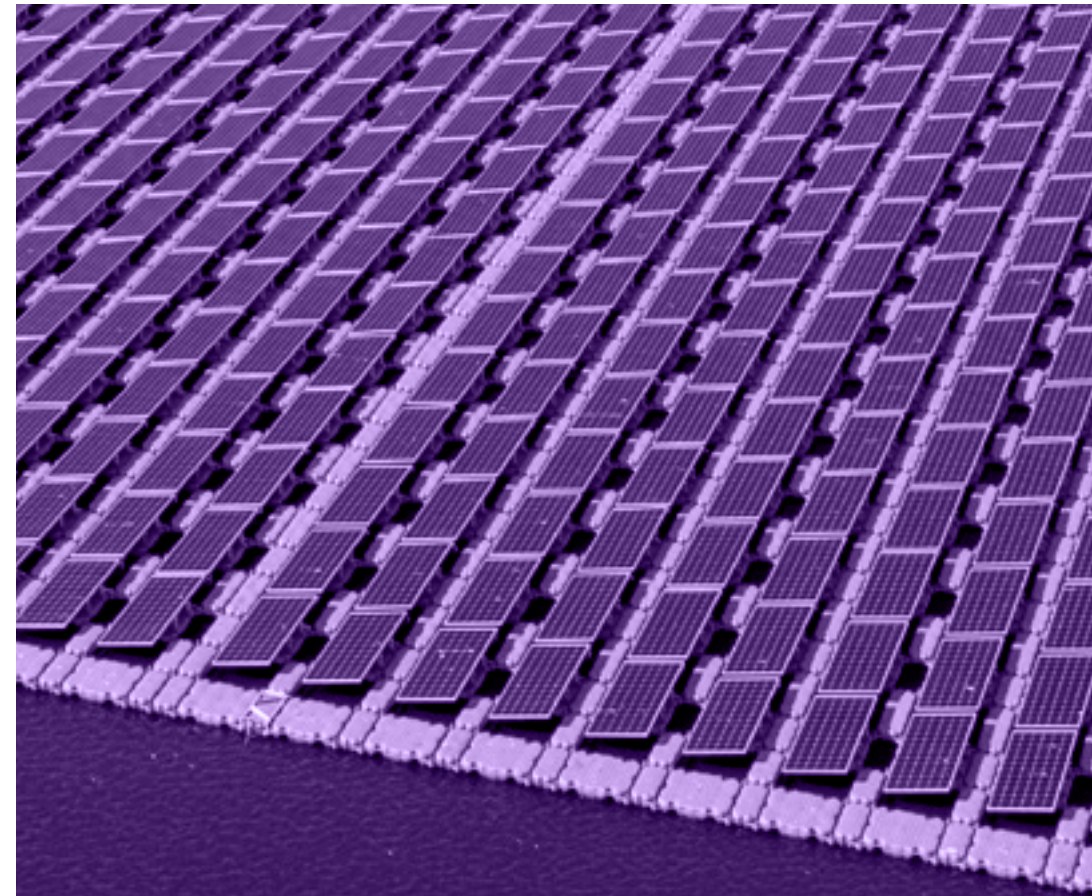
The Company intends to study and develop the issue of product life cycle analysis (LCA) in order to handle the electronic waste generated as a result of wear, end of use, etc. of its various products in a way that reduces the damage to the environment. The Company has celebrated a decade of activity; as its products have an expected life of thirty years, it does not have any products that are out of use.

Today, the only cases of electronic waste are faulty components, and the Company operates according to the relevant laws and guidelines for their disposal.

Table 10: Nofar's water consumption in 2021-2022

Water consumption	2021	2022
Nofar facilities total water consumption (m3)	5,000 ¹³	6,000
Nofar offices total water consumption (m3)	800	2,540
Total	5,800	8,540

The increase in Nofar's water consumption reflects the increase in the company's activity as well, especially due to the move to new offices in Israel.



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¹³ The data in the previous report from 2021 was modified due to an alteration in the calculation method.

Preserving Biodiversity

In the construction and operation of its facilities, the Company considers the impact it has on the local fauna and flora and puts mechanisms in place to mitigate potential negative consequences. Nofar considers preserving biodiversity and responsible use of nature an ethical and legal obligation. In all its activities, the Company uses an approach of “avoid, minimize and restore” when operating in areas in close proximity to critical biodiversity.

In addition, as required by the regulation, projects located near areas that are sensitive in terms of the effect on biodiversity by the Planning Authorities and the Ministry of Environment Protection undergo environmental landscape impacts review in accordance with the guidelines of the Ministry of Environmental Protection. The company takes all the necessary steps to reduce the expected impact reviews that map the anticipated environmental effects of the facility's

construction. The Company works with the authorities and according to the regulations of the Ministry of Agriculture, the Nature and Parks Authority and other relevant regulators and the required actions are taken to minimize the adverse effects. Nofar is not and will not be active in areas that involve deforestation in any way.

In 2022, the Company operated (at different stages of project development) in 150 sites in Israel, Great Britain, Spain, Italy, Romania, and the USA. Of the total activity areas (6.11 km²), 4747% are dual-use areas (while 100% of all the company's facilities in Israel are dual-use).

Yet, when dual-use or land projects occur in sensitive areas, the company follows the environmental impact report to mitigate potential impacts on radiation, soil balance, hazardous materials, waste, soil and water pollution, and air quality. The company is careful to fully comply with all the

requirements of environmental laws and regulations and to reduce the use of natural resources in all its range of activities. All the processes of setting up solar facilities at the various sites are carried out while maintaining the natural environment as much as possible and providing solutions for removing hazardous materials present on the sites as part of the construction process.

In the year of 2022 the company prepared an environmental impact document for electricity storage facility in Tze'elim.

The installation of an energy storage facility can have a significant impact on biological diversity. In order to mitigate these impacts, several measures have been taken into account during the planning and construction of the facility. For example, hazardous materials will be properly managed and stored to prevent any potential harm to the environment. Additionally, an evaluation was conducted to

determine whether measures were necessary to prevent winged animals from being attracted to and settling on the facility.

The drainage system for this project has been designed to maintain the natural flow direction of the soil. A layer of bedding 20 cm thick with a slope of 2% towards the outer fence of the kibbutz will be used to ensure proper drainage. This will help to minimize any potential impacts on the local ecosystem.

The lighting for the facility will be used for maintenance purposes only and will be turned off as a rule. This will help to minimize any potential impacts on nocturnal animals and their behavior.

Overall, these measures taken during the planning and construction of the energy storage facility demonstrate a strong commitment to protecting biological diversity and ensuring that the project is carried out in an environmentally responsible manner.

Our Climate policy for a better future

Nofar is a leader in Israel's sustainable renewable energy sector, and aspires to be a global leader.

To that end, Nofar initiates, constructs, and maintains renewable energy systems on rooftops, water reservoirs, and land, as well as energy storage facilities. The Company's business model is based on the delivery of sustainable solutions focused on mitigation and adaptation to climate change. Nofar promotes the adoption of ambitious global targets for a low-carbon economy, and includes sound management of climate-change risks and resulting opportunities in its operating model.

Nofar's approach to climate-change opportunities and risks focuses on four pillars:

1. Physical risks

extreme weather conditions pose significant threats to Nofar's activities, through the potential for physical damage to PV installations. By careful site location selection and design, this risk is thoroughly analyzed and assessed. Nofar also has a positive impact on climate change through the dual use of rooftops reservoirs and fields.

2. Transition risks

Nofar is an active player in the renewable energy global ecosystem, and aspires to increase its renewable energy project portfolio.

3. Biodiversity

by implementing dual use of land, Nofar is mitigating harmful unintended consequences to local wildlife and biodiversity. Additionally, water reservoir installations lower evaporation rates and rises in temperature.

4. Regulation

Nofar closely monitors regulation recommendations and changes in the countries in which it operates. This relates to all on-grid and off-grid electricity supply; prices; water usage; raw and recycled material use; waste disposal, including electronic and construction waste; and any other requirements.

Nofar already set two main climate goals for 2030:

Reduce GHG emissions compared to the base year 2021 by 100% of Scope 1 emissions and 30% of Scope 2 emissions¹⁴.

90% of all systems constructed by the company based on dual land use model.

in addition, Nofar is planning to expand the scope 3 GHG emissions reporting and include the extensive supply chain, mainly construction constructors and core equipment production. This will allow the Company to set base values and targets for its central supply chain as well.

Nofar intends to measure, monitor, and report on its progress in achieving these goals.

¹⁴ Where possible to offset Scope 2 GHG emissions



03

SOCIAL

3.1

OUR SOCIAL IMPACT

Our people

108
employees in Israel

77
additional employees worldwide in 2022 through our platforms.

37
new employees were hired in 2022.

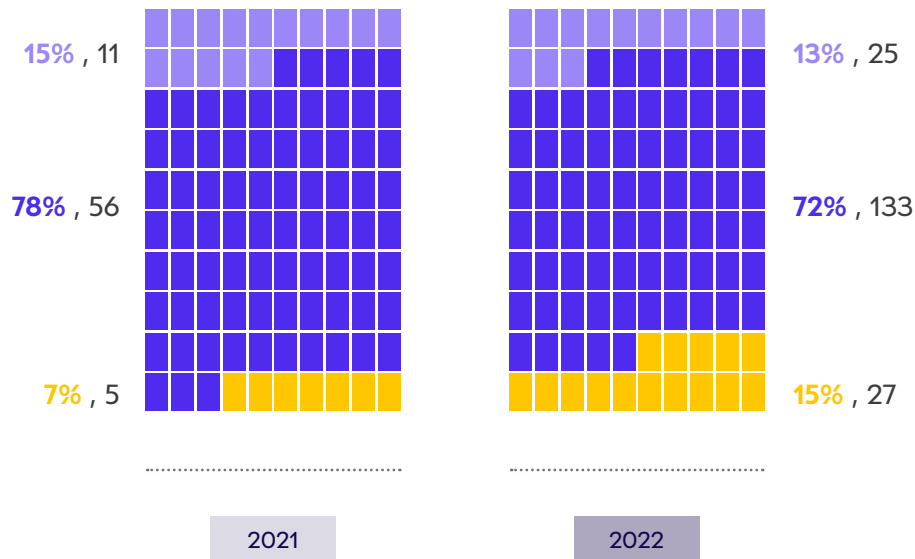
Nofar is a growing company with an entrepreneurial spirit. Our human capital is the engine that enables us to achieve our goals. Our employees have the professional skills and reliability to develop our business, and we invest resources to provide a respectful work environment, so that all workers have the opportunity to fulfill their potential.

The Company places high importance on the retention and development of its employees. Nofar believes in the value of highly skilled, dedicated, and motivated employees who feel connected to Nofar's green vision for a sustainable future. Therefore, as a direct outgrowth of the trust-based labor relations at Nofar, the Company provides its employees with a flexible, pleasant, supportive, and nurturing work environment.

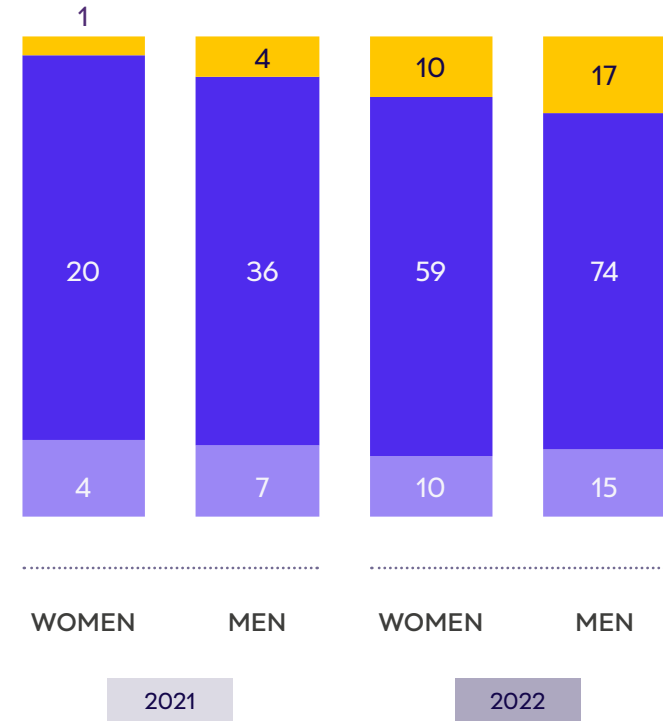
Nofar's Head of Human Resources together with the department heads are in charge of employee recruitment and development.. The Head of Human Resources was appointed in the beginning of 2022' and she oversee human capital and well-being aspects of the Company's activity going forward and works to ensure that Nofar remains a safe and nurturing workplace, aspiring to be a second home for its employees.

Breakdown of the Company's employees by age and gender

TOTAL BY AGE



BY AGE & GENDER



● under 30 ● 31-50 ● 50+

Terms of employment

Employment is established through personal contracts that vary from employee to employee and reflect each employee's qualifications, education, and position. The employees' personal contracts regulate salary terms.

Employees are entitled to benefits, including contributions to provident funds, pension and severance pay funds, vacation, sick days, recuperation pay, and other benefits (such as a company cars, laptops and phones).

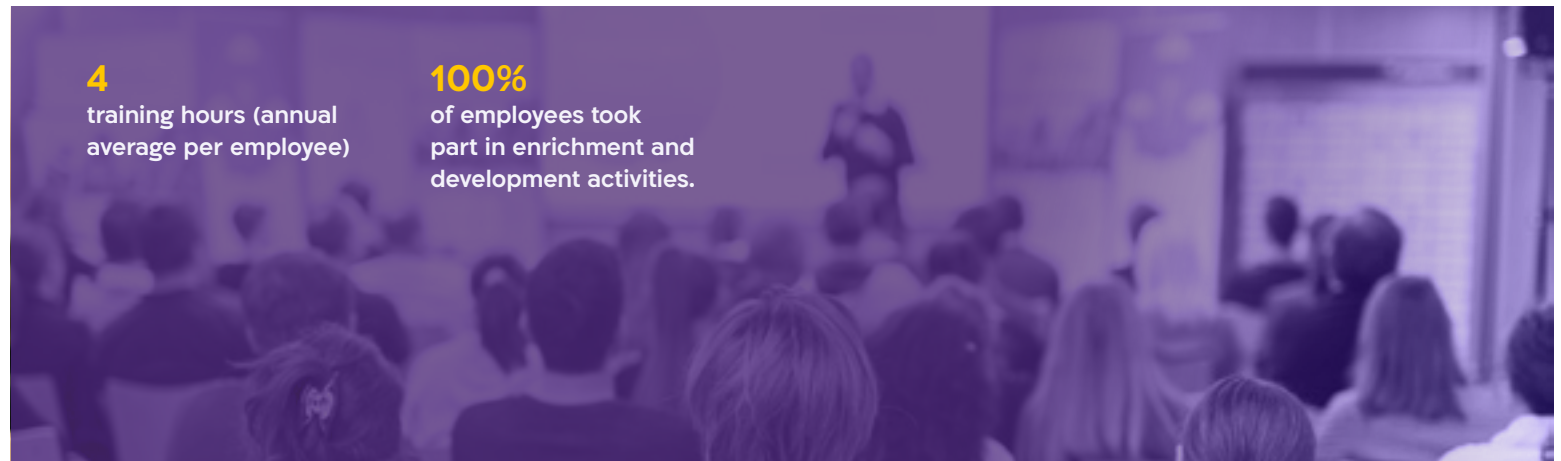
All the Company's employees are signatories to Section 14 of the Severance Pay Law. The Company contributes to the employees' funds from the first month of their employment. Employees at Nofar's subsidiaries abroad are employed in accordance with all relevant labor laws and regulations in each territory.

The Company has a clear policy of equal remuneration and it abstains from any form of discrimination between employees.

As a rule, bonuses are paid at the discretion of the company. However, some project development managers are eligible for variable pay based on the quality and outcome of project execution, and/or the classification of the company's rights in those projects.

Human capital is the engine that enables Nofar to achieve its goals; the Company therefore invests in the development and growth of its human capital. When recruiting employees, the Company takes their identification and engagement with the Company's activity and vision into consideration. The Company and its management place great importance on offering employees various career development options within the Company. Employees in the different departments can choose from a range of training and enrichment

programs and conferences, etc. New employees participate in an orientation day where they are introduced to the Company's activities and vision, in addition to its values and expected employee conduct. The Company's management encourages employees to enroll in courses at the Company's expense, take part in private external training specific to their specialization, participate in conferences, and complete internal tutorials regarding regulations and other subjects.



Diversity, equality, and respect as the cornerstones of employment

Average age 38.5

42% women

14% of the employees are over 50

Nofar believes that a talented and diverse workforce increases the value it provides for stakeholders, by delivering innovation and creativity. These factors will strengthen the Company and its position as a leading entity in the renewable energy sector. Therefore, it strives to increase diversity in the company

Gender equality

The Company also strives to increase women's representation in all levels and positions, including the Board of Directors. In line with women's representation rate in management, information on the gender earning gap in the company can be found in our public earning gap report for 2022. The Company predicts that further steps aimed at increasing women's representation in senior management will affect the gender pay gap in the coming few years.

Despite our operation in the field of renewable energy infrastructure, we have a relatively high proportion of women in business development roles (approx. 39%). We have set ourselves the goal of increasing their representation to 25% by 2025. Nofar posts open positions in relevant women's forums. In 2022, the Company increased the number of women candidates and women recruited; out of 37 new employees, 16 were women.

On International Women's Day, in a collaborative effort with Sheba Hospital, the company arranged a series of TED lectures featuring five female doctors. These accomplished professionals shared their remarkable journeys, highlighting the pioneering achievements of women in their respective fields. The event not only celebrated the achievements of women but also provided valuable insights and inspiration to the female employees of Nofar. It served as a powerful reminder of the potential for success and innovation that lies within all individuals, regardless of gender, while fostering a culture of inclusivity and support within the company.

In addition, in honor of Women's Day, the company invited its female employees to a fun day that included delicious breakfast and a movie screening

Inclusion and diversity

Nofar's goal is to enhance the representation of employees from underrepresented segments in the job market, such as Israelis with Ethiopian heritage, Arabs, and ultra-Orthodox Jews. Thanks to the deployment of the Company's business in Israel and abroad, it attracts workers who come from various regions, including social and geographical peripheries.

Nofar plans to place more emphasis on aspects of diversity in its recruitment processes, especially regarding the inclusion of people with disabilities.

Work-life balance

The Company has adopted a hybrid work model, so that employees can work from home on some days of the week. This model leads to more flexible working hours and contributes to employees' ability to balance their work, leisure activity, and family needs.

A healthy lifestyle is one of the key targets at Nofar; we strongly believe that maintaining a good work-life balance contributes to the physical and mental health of our employees.

A safe and pleasant work environment

Open door policy

Nofar has zero tolerance for any kind of harassment, particularly sexual harassment, by managers, employees, suppliers, and partners. To fight this unwanted behavior, the Company has appointed a sexual harassment officer, Head of HR and adopted regulation for preventing sexual harassment which was written in accordance with the law for the prevention of sexual harassment, and distributed the regulation to all employees.

0 sexual harassment complaints of employees

The Company's efforts to prevent sexual harassment, bullying, and discrimination in the workplace are enforced by its open-door policy. At Nofar, this policy is practiced throughout all managerial ranks, from department heads to the chairman of the board. Any employee who feels uncomfortable or bullied is welcome to contact any member of the Company's management or its CEO.

Preventative measures

Nofar, being aware of the severity of the issue of harassment and sexual harassment, requires each of its employees to avoid acts of harassment in relating to their coworkers and to do everything in their power to prevent these acts, in order to take part in the Company's creation of a work environment free of harassment. The Company requires anyone appointed on its behalf to take an active part in prevention of harassment and sexual harassment.

Complaint management process

A complaint may be filed by an employee, any person who feels harassed by a Company representative, or another person filing a complaint on their behalf. The complaint can be filed orally or in writing, and the manager who receives the complaint must inform the complainant how it will be addressed, according to law. Nofar provides the complainant full protection throughout the process.

The manager must decide within seven days how the person named in the complaint should be dealt with.

Goals and targets

1 /

We aim to increase women's representation in the Company, the Board of Directors, and management to 40 % by 2025.

2 /

In 2022, our HR function underwent further development, with an internal Head of Human Resources being tasked with responsibilities including employee recruitment, development, and well-being. These functions were overseen by the Company's management.

3 /

In 2022, the Company held periodic employee assessment conversations with all its employees, conducted by the department managers.

Managing workplace safety and transportation safety

0 road accidents in 2022

2 work-related accidents of contractor

260 safety inspections at work sites

4 training hours for 100% of the employees

over 80 safety trainings for contractors

0 incidents where work was suspended as a result of internal inspections of contractors

Maintaining safety and health at Nofar's sites, as well as preventing physical harm to the Company's employees, its customers, contractors and suppliers, and passersby and damage to property is at the top of Nofar's priorities.

As part of this approach, the Company is obligated to comply with all requirements of the law and to manage safety risks of its activities. For this purpose, the Company takes great care to cultivate and preserve a culture of safety in its activities. Company management places great emphasis on maintaining the qualifications of employees and contractor employees through training, lessons-learned from incidents, and improving processes, and is meticulous in promoting internal enforcement programs in the field.

At the same time, the obligation to ensure a safe working environment falls on all employees and managers

of the Company. For this purpose, it is ensured that the Company's employees familiarize themselves with the general factors and rules regarding safety relevant to their role and function, and observe them fully; understand the risks and safety hazards involved in every action they perform and the causes of accidents and injuries; take action in any case where another person puts themselves or others at risk; and report without delay to the safety manager in the group or another relevant manager any safety hazard or event that may cause bodily injury or property harm.

All Company employees are committed to their personal safety and the existence of a safe environment for all stakeholders. Therefore, the Company maintains a high level of safety awareness and maintains full compliance with the safety policy and procedures, without compromises, exceptions, or any casualties.

The construction and operation services that Nofar provides are subject to the safety and labor laws applicable to the execution of the relevant work, as well as the orders and regulations established pursuant to them, in Israel and in the various countries where it operates.

Nofar Energy has entered into an agreement with a third-party safety officer in order to meet the requirements of the law (the Occupational Safety Ordinance [New Version], 2017-1970]) and the regulations and orders of the Israel Labor Inspection Organization relating to aspects of safety at work, including work at height, construction work and electrical work, appointment of a safety committee and safety commissioner, and appointment of a professional project manager, all in accordance with the provisions of the Safety Ordinance. In addition, from 2022, our UK platform has a comprehensive safety policy.

The Company's occupational health and safety policy

The Company's safety plan was recently updated, in January 2021. The Company's plan emphasizes the following elements:

- A. Management involvement:**
Senior managers are required to demonstrate their involvement in the occupational safety and health policy by participating in safety patrols, holding safety talks, taking part in accident investigations, and meeting the safety targets specified below. Each manager sets a personal example in being careful about safety and health issues.
- B. Employee participation:**
Management actively participates with employees in all issues of maintaining occupational safety and health, within the Safety Committee and through the participation of the employees or their representatives in safety patrols, investigating accidents, writing or changing safety procedures, and in management meetings where the issues of occupational safety and health are discussed.
- C. Providing information to employees about risks:** The Company's management informs all employees of risks to which they are exposed in their work, and instructs them on how to defend themselves against these risks.
- D. Safety procedures and safety instructions:** For each activity that has risk factors, the Company has formulated procedures or work instructions that teach the employee work methods to will prevent injury:
1. Training procedures and safety and health training programs relevant to the employee;
 2. Safety hazard detection procedure;
 3. Procedure for approval and control of the introduction of new risk factors;
 4. Work procedure and employment of subcontractors;
 5. Procedure for locating, identifying, and eliminating hazards;
 6. Excavation work procedure;
 7. Procedure for working at height;
 8. Electrical work procedure;
 9. Procedure for work in an enclosed space;
 10. Procedure for operating mechanical engineering equipment;
 11. Work procedure for the use of electric tools;
 12. Procedure for safe use of lifting tools;
 13. Reporting and evacuation procedure in case of emergency;
 14. Behavioral procedure in case of emergency;
 15. Work procedure for extreme weather conditions;
 16. Fire safety and fire prevention procedure;
 17. First aid procedure;
 18. Procedure for work during darkness (night);
 19. Child and youth employment procedure;
 20. Prohibition of eating and drinking in the workplace.
- E. Safety risk management and activities to lower the level of risks at the Company:** Nofar conducted a comprehensive safety survey as part of the safety plan at the beginning of 2020, which is updated on an annual basis. The main safety risks as revealed in the latest safety risk survey and detailed in the Company's safety plan are: risks of working at height and falling, risks of lifting and conveying works, risks of electric shock, and risks of injury from heavy mechanical equipment. The Company uses all of the means at its disposal to reduce significant risks that have been identified to an acceptable level of risk.
- F. Safe work equipment and personal protective equipment:**
The Company provides employees with proper and safe equipment and tools to use, which meet the requirements of the standards, and all personal protective

equipment required by law, standards, procedures, and the manufacturer's or supplier's instructions.

- G. Conducting regular safety inspections: The Company's management conducts regular safety inspections at its activity sites to examine various deficiencies and the degree of compliance with the safety requirements. The results of the tests are recorded and discussed in the safety committee.
- H. Projects abroad: Local management are in charge of all safety procedures and are committed to the safety regulation in each geography, and are reported to us on a regularly basis.
- I. Determining an acceptable level of risk: Work that requires certification holders is performed only by employees with valid certification.

Jobs with a high and medium risk level are only approved by the Company's CEO or COOCOO. Jobs with a low risk level are approved by a department manager.

The safety management system at the Company

As part of Nofar's commitment to safety, it operates a safety system headed by the Chief Operating Officer. The Company has established a safety committee comprised of management representatives, employee representatives, and the safety trustee.

To ensure the realization of the Company's safety goals, within its safety plan, the Company conducts a series of tests and audits to supervise the observance of safety instructions at the various Company sites. In the event of a safety-related incident, the Company conducts a series of investigations. Findings are reported directly to the CEO of the Company.

Management of safety at the Company's sites is carried out by the Company's safety advisor and project managers, who monitor the activity of subcontractors, ensure high-altitude work refresher courses are conducted for contract employees

of the subcontractors, ensure that project execution and work on the ground are not carried out without holding a proper safety briefing for the relevant employees, and conduct unannounced inspections. In 2022, 4 safety courses for contractors were conducted by the Company's safety officer.

At the beginning of 2022, the Company's safety committee was comprised of eleven representatives: three members of management and eight employee representatives. The safety committee meets twelve times a year.

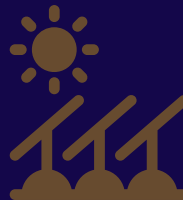
Any safety-related incidents are reported to the Chief Operating Officer and CEO immediately. Any safety-related complaints of employees are referred to the Company's safety officer, who, in turn, refers them to be addressed by management. Safety-related complaints of contractor employees are referred to the project managers.

In 2022, during these inspections, 33 cases were documented in which contractors' work was suspended due to inadequate conduct on site, and contractor employees were allowed to return only after all flaws were remedied. In case of repeated safety violations, the contractor employees are prohibited from working on Nofar's sites.

Table 9:
Workplace accidents 2019-2021

Index	2019	2020	2021	2022
Number of workplace accidents of employees and contractors' employees ¹⁵	2	3	1	2
Number of road accidents			2	0
Absence days of Nofar employees due to workplace/road accidents		0	0	0
Lost-time injuries frequency rate (LTIFR) ¹⁶	439.6	412.1	76.3	59.4

Goals and targets:
Zero accidents in all sites.



Empowering our partners and creating indirect economic Impact

102 partnering Kibbutzim and expanding these partnerships going forward

50% of the workforce in Israel comes from the periphery

The Company's operations model and its policy focus on peripheral regions, in view of the business opportunities these areas offer and the availability of land.

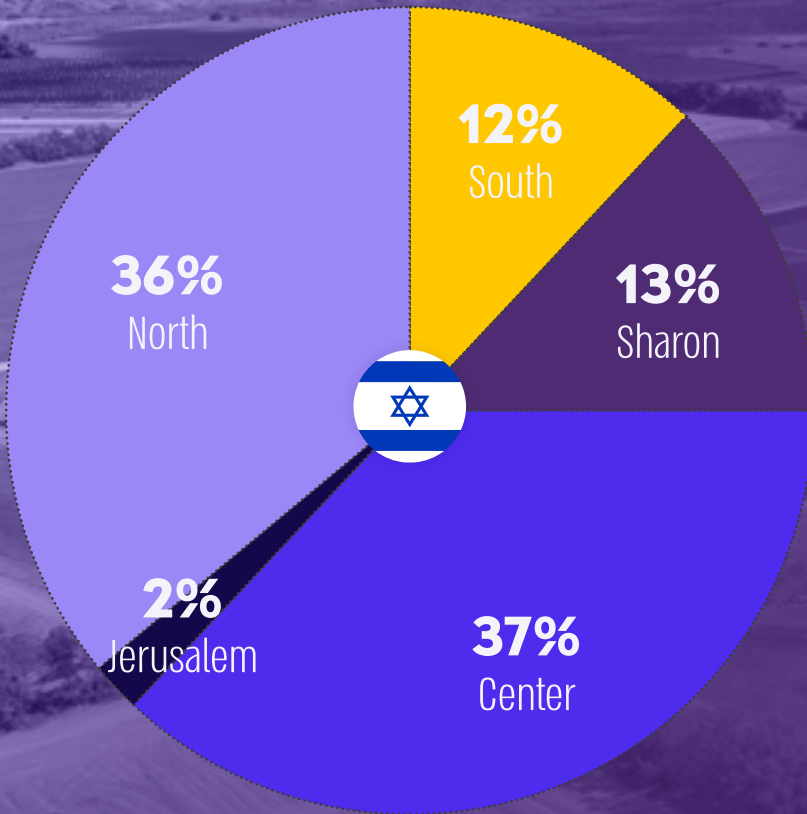
Most of the Company's business activities take place in rural areas, and its operations generate shared value for the Company and its partners and customers in those regions, mainly 102 partnering kibbutzim in Israel.

Furthermore, Nofar's activities generate extensive employment opportunities directly and throughout the supply chain, due to the need to employ a wide range of suppliers and employees in every project.

¹⁵ In the years 2019-2022, all workplace accidents solely involved contractors' employees.

¹⁶ Lost-time injuries frequency rate (LTIFR) – Any work-related injury that results in the company employee or third-party contractor employee not being able to return to work the next scheduled work day/shift. The LTIFR is the number of lost-time injuries per million hours worked, calculated using the formula: $LTIFR = (\text{number of lost-time injuries}) / (\text{total hours worked in accounting period}) \times 1,000,000$.

Geographical distribution of Israeli employees by place of residence (%)



The Company's business development department in Israel works to expand activity and generate transactions in kibbutzim in Israel, in addition to those in which the Company already operates.

Electricity infrastructures have been upgraded at almost all kibbutzim in which Nofar builds and operates projects. Moreover, in a considerable proportion of installations on rooftops, the work also includes the replacement of old asbestos roofs that can potentially cause lung diseases and other health issues. In addition, in some cases, some of the profits of the joint corporations are donated to local communities.

Responsible supply chain

490 suppliers in Israel

10% of the Company's procurement is from small and medium-sized enterprises (SMEs)

26 suppliers worldwide

Nofar's procurement activities focus mainly on engagements with construction contractors for building projects, purchases of equipment such as solar panels and converters, and engagements with various professional advisors.

Nofar's suppliers are the pillars of its business success. We see our suppliers as partners and therefore work to create a mutual, continuous and respectful relationship that is reflected in timely payment and an open and regulated channel for raising various problems and claims to improve communication. As much as possible, we work to procure products and services from local suppliers according to the country of operation, as well as procurement from small and medium-sized suppliers.

In Israel, the suppliers are located throughout the country, from the Galilee in the north to the far south. Nofar places emphasis on purchasing from local suppliers, and specifically strengthening suppliers from peripheral

The Company engages with first-class suppliers in long-term agreements. With its essential suppliers and contractors, the Company carry out a risk management process and examine financial aspects, product quality, corporate governance, corruption cases and safety.

The company has a public policy on responsible supply chain management and is working to expand it by including specific questionnaires for suppliers in certain countries. Additionally, the company uses databases of prohibited suppliers to ensure that it does not engage with suppliers who have violated environmental, safety, human rights, or labor rights standards.

In cases where there are concerns about human rights violations, we conduct additional tests as needed. If the risk is high, we engage in dialogue with the supplier to allow them to improve their practices and mitigate the risk. If the supplier is unable to take the necessary steps to address the concerns, we will terminate the contract.

Nofar has many contractors and views work safety as a top priority. The Company's CEO therefore heads its safety committee. Contractors who do not meet Nofar's high standards cannot work with the Company. Since the Company's IPO in December 2020, the scope of procurement increased significantly, due to the significant expansion of its operations; this increase is set to continue during 2022.

Goals and targets

In 2022 The Company worked to adopt a procurement procedure that applies ESG criteria in the process of selecting suppliers for its material projects, mainly local and green procurement; the criteria also include certain aspects of employee rights and safety.

In 2022 The target was achieved



Projects in the local community

Disposal of hazardous material

Nofar is committed to the local communities in which its sites are located. This mutual engagement is a significant part of the EPC and O&M activities. When hazardous material is discovered onsite, Nofar is committed to removing and disposing of it responsibly, which has a direct, beneficial impact on the wellbeing of the people of the community. Removal of hazardous materials is undertaken by Nofar as part of its contractual duties.

Disposal took place in 2022 in Israel and in Italy. In total, the Company disposed of 9,241 m2 of asbestos.

Nofar is committed to dealing with the disposal of hazardous materials in its future projects. The estimated number of hazardous materials to be removed by 2025, is 96,000 m2 of asbestos.

Supporting sports initiatives and community activity in Israel

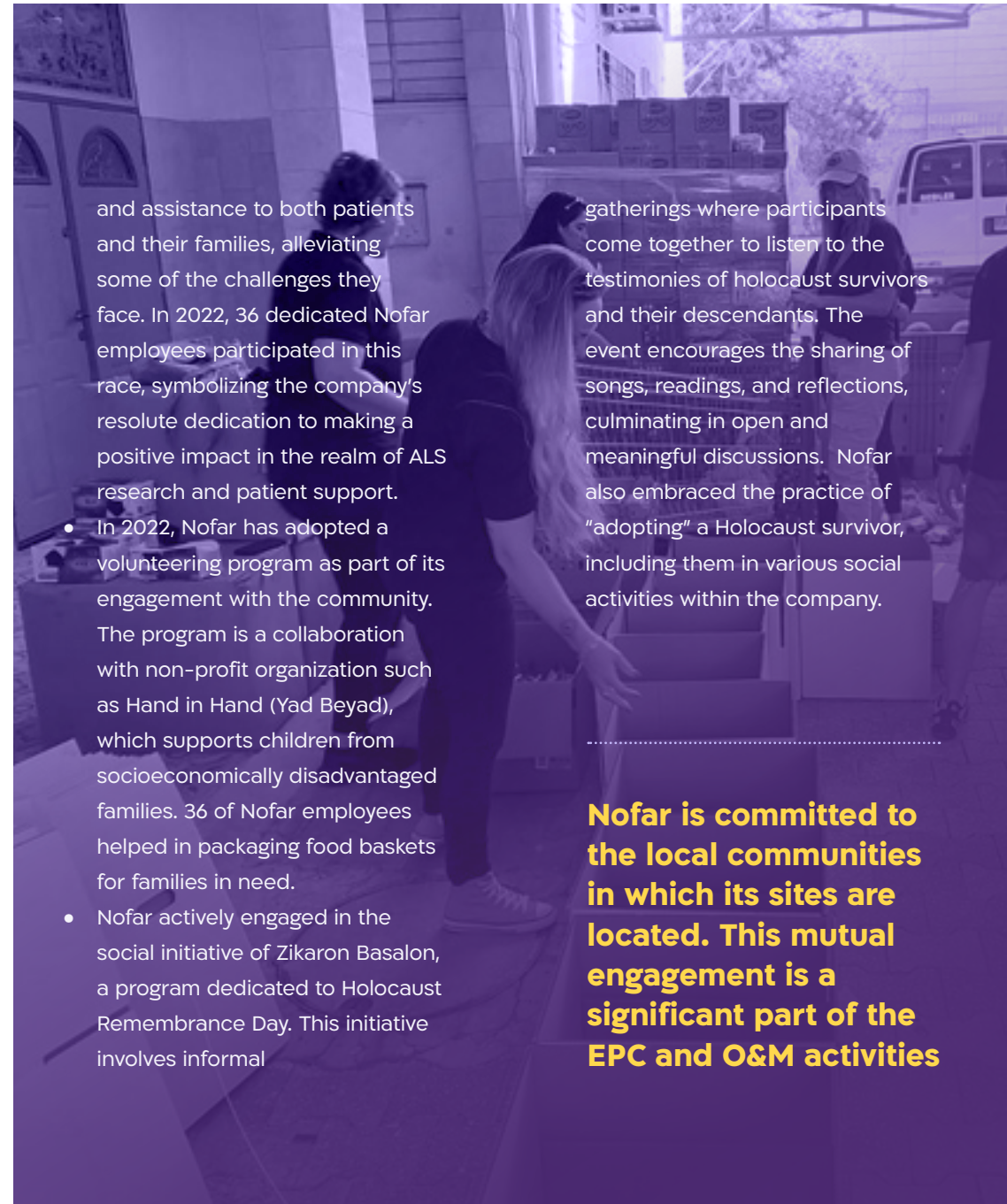
- Nofar is a sports enthusiast who promotes community ties and support by improving infrastructure and sponsoring sports teams and outstanding athletes. Nofar was an official sponsor of Maccabiah Games of 2022.
- The annual Friends Race for ALS patients stands as a cornerstone in Nofar's commitment to societal well-being and healthcare advancement. This event serves as a dedicated to increasing awareness about ALS, while concurrently mobilizing essential donations for crucial research endeavors. These initiatives are propelled by the collective aspiration to discover a cure for this debilitating disease. Moreover, the race offers invaluable support

and assistance to both patients and their families, alleviating some of the challenges they face. In 2022, 36 dedicated Nofar employees participated in this race, symbolizing the company's resolute dedication to making a positive impact in the realm of ALS research and patient support.

- In 2022, Nofar has adopted a volunteering program as part of its engagement with the community. The program is a collaboration with non-profit organization such as Hand in Hand (Yad Beyad), which supports children from socioeconomically disadvantaged families. 36 of Nofar employees helped in packaging food baskets for families in need.
- Nofar actively engaged in the social initiative of Zikaron Basalon, a program dedicated to Holocaust Remembrance Day. This initiative involves informal

gatherings where participants come together to listen to the testimonies of holocaust survivors and their descendants. The event encourages the sharing of songs, readings, and reflections, culminating in open and meaningful discussions. Nofar also embraced the practice of "adopting" a Holocaust survivor, including them in various social activities within the company.

Nofar is committed to the local communities in which its sites are located. This mutual engagement is a significant part of the EPC and O&M activities





04

CORPORATE GOVERNANCE

4.1

ROBUST CORPORATE GOVERNANCE AT NOFAR

“We input our vision and the highest professional standards and generate value”

Ofer Yannay



The Board of Directors comprises six men and two women

25% of the directors are external

37.5% of the directors are independent ¹⁷

50% of directors possess accounting and financial expertise, 25% have experience in the field of renewable energy, one member has ESG experience

15 board meetings and 7 committee meetings took place in 2022

86% attendance rate at Board of Directors committees' meetings

9 men and 2 women are part of the Company's senior management

Nofar aims to fully comply with corporate governance terms and conditions. The relevant legislation for Nofar is the Electricity laws and regulations, planning and building laws and regulations, health and safety laws and regulations and the Securities law, 1968, and rules issued thereunder, as well as the decisions made by the relevant authorities and governments. Nofar's activity across the world – in the USA, Italy, Poland, Romania, Spain, and the UK – is subject to the relevant laws and requirements, both at federal and state levels and at the local levels, as enforced in these countries.

In addition, Nofar's activity in Israel and worldwide is subject to the approvals of regulatory bodies and various institutions, and to resolutions, procedures, and standards enacted by entities on their behalf, which are mainly required before the construction of a facility and the start of its commercial operation. The extensive legislation, standards, and regulations with which Nofar is required to comply have led the Company to adopt intra-organizational procedures to ensure their proper management.

¹⁷ Independent and external directors

Structure of the Board of Directors

8 directors

2 Female directors

6 Male directors

5 Five directors over the age of 50

3 Three directors aged 30-50

3 Independent directors¹⁸

2 External director

2 directors who are active kibbutz members

50% Risk management, accounting, and financial expertise



Nofar's Board of Directors is composed of eight directors, of which six are men, and two are women. Most directors started serving on the Board of Directors after the Company's IPO.

Directors are appointed based on their experience and potential contribution to the Company's growth and impact. In the process of appointing the directors, the Company's CEO, board of directors or the control shareholder highlighted the importance of business expertise, particularly in areas such as renewable energy, engagement with agricultural settlements (primarily kibbutzim), financial operations, procurement and ESG.

To select the external directors, the board of directors examined the affidavits of the potential candidates, in which they detailed their

education and business experience in accordance with the Companies Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise and a Director with Professional Qualifications).

During 2022, Nofar's Board of Directors is diverse in terms of directors' skills and capabilities- two board members possess experience in the field of renewable energy (Ofer Yanai and Tzvi Levin), four board members possess accounting and financial expertise. In addition, all board members have many years of business experience.

Per the requirements of the law and the Company's procedures, Nofar's Board of Directors has two external directors and one independent director. The Chairman of the Company's Board serves as an Executive Chairperson of the Board.

For the Company's Board of Directors to fulfill its role optimally, it is open to receiving inquiries directly at the general meeting and through the VP of Legal Affairs. No inquiries were received in 2022.

Members of the company's board of directors as of December 31, 2022:

Ofer Yanai Executive Chairperson¹⁹

Dafna Cohen

Yoni Tal

Moshe Bar Siman Tov

Gili Cohen

Tzvi Levine

Uri Orbach

Yonit Partuk

¹⁸ Two external directors to one independent director

¹⁹ Controlling Shareholder of the Company

Board of Directors committees

Nofar’s Board of Directors exercises judgment to deal with the management of material issues in the Company in accordance with the recommendations and resolutions of its committees and the requirements of the law:

Financial Statement Review committee

the committee consists of three directors, of which two are external directors, and one is an independent director. The Company’s management presents to the committee a review of the Company’s operating results, financial position, cash flows, critical events in the reporting periods, valuations, statement of sources and uses, and more. 4 committee meetings were held in 2022; meetings were attended by 66% of the members.

Audit committee

The committee consists of three directors, of whom two are external directors, and one is an independent director. The committee is engaged, among other things, in the approval of transactions, maintaining an ongoing dialogue with the internal auditor, monitoring and supervising the internal auditor’s work plans, Compliance Officer, assessing deficiencies in the management of the Company’s businesses, assessing the management of the Company’s risks, including the effectiveness of risk management and more. 12 committee meetings were held in 2022; meetings were attended by 86% of the members.

Compensation committee

the committee consists of three directors, of whom two are external directors, and one is an independent director. The committee formulates the compensation policy and sets the employment terms of the Company’s controlling shareholders and officers. 2 committee meetings were held in 2022; the meeting was attended by 66% of the members.

Management of ESG performance by the Board of Directors

Nofar's management is responsible for the Company's development, approval, and revision of its vision, values, strategy, policies, and sustainability and corporate governance goals. The Company already set several strategic ESG long-terms goals regarding climate, safety, and workforce diversity.

A key measure taken by management is the appointment of the Senior Director of Investor Relations as Head of ESG. The Head of ESG, who reports to the CFO on an ongoing basis, is expected to report to the board on an annual basis.

In addition to the ESG strategic goals approved by the Company, the board acts continually to promote achievement of ESG goals as part of the Company's growth, and sets guidelines for the Company's management and employees to improve ESG aspects, in light of the risks and opportunities facing the Company, including:

Environment



Nofar addresses environmental issues, including climate change and its economic ramifications, as a green energy company. The escalation of climate-related events globally, alongside geopolitical tensions, emphasizes the critical importance of renewable energy installations in Israel and worldwide. At least once every quarter, the Company's CEO presents the Company's operations to the Board of Directors, including environmental and climate issues, global developments, market trends, and opportunities. Currently, Nofar promotes large-scale projects that include mostly photovoltaic power generation and energy storage. The Company continues to promote the initiation and establishment of charging stations for vehicles, in the territories of its partners, among other things, with the aim that the charging stations will make use of the electricity produced in the systems.

Nofar's policy regarding environmental risk management, as outlined by the Board of Directors, focuses on adapting its systems to legal requirements to minimize possible adverse effects on the environment. Risk management is mainly conducted by the CFO and the head of Risk through ongoing monitoring of regulatory developments relating to the Company's operations. As well as a risk assessment held by a third party reporting the board of directors. This methodology is also relevant to locating business opportunities by identifying market trends, new relevant regulation and legislatives procedures, etc. Nofar's Board of Directors reviewed the ESG Report to ensure that it covers all the issues that are significant for the Company and for its stakeholders.

Social



Nofar's activities to promote social impact include:

- Partnerships with the agricultural sector, which promote remote communities in peripheral regions in Israel, create jobs and stable incomes for the coming years, and contribute to the development of the local workforce.
- Invest in, develop, construct, and operate projects in Eastern European countries that will create jobs and stable incomes for the foreseeable future, support the development of the local workforce, and reduce reliance on the Russian oil and gas industry. From time to time, Nofar arranges fundraising events dedicated to marginalized communities and individuals.

Nofar's controlling shareholder and the active chairman of the board, Mr. Ofer Yannay, in 2022 was the sponsor of Hapoel Upper Galil basketball team, various athletics competitions, and the Maccabiah Games, and as the date of this report is the owner of Hapoel Tel- Aviv basketball team.

Governance



Nofar's code of ethics, which was adopted by the Company and approved by the Board of Directors, presents the Company's vision, values, and code of conduct.

The Board of Directors, through the Audit Committee, frequently discusses the Company's risk management, including sustainability risks, and in any case at least once a year. The Company is in late stages of adopting an internal enforcement plan that constitutes a voluntary mechanism that is supported by a set of organizational procedures. The plan will apply to all officers and employees of the Company, who will be required to sign it every year, as well as to relevant external consultants. In addition, as part of the plan, the Company's enforcement officer will review the effectiveness of the board of directors.

Managing the Company's risks

The Company's operations expose it to various financial and operational risks, including safety and environmental risks. Our risk management is supervised by our board of directors and Audit committee. Different members in the Company management perform the risk management itself. Financial, business interaction related and cyber risks are managed by the CFO and operational risks and safety risks by the Chief Operating Officer and Chief Engineering Officer. The VP of Legal Affairs also supervises different risks. As part of its risk management, the Company performed in 2021 a sensitivity analysis by the internal Auditor. The analysis focused on operational risks, market risks, strategic business risks, and compliance risks, from which two topics emerged as requiring improvement. To address those risks

and others, the Company appointed an internal head of risk and project finance and head of risk who reports to the CFO and is in charge of monitoring all risk assessments under the purview of the CFO as detailed above and manage internally to make sure that the relevant actions and measurements are in place. All of which are implemented to continue and strengthen the formal risk culture at Nofar.

In addition, the Company is insured by various liability insurance plans, which reduce the Company's risk in multiple scenarios (those are elaborated in our annual report for the year 2022).

Ethical business practices at Nofar



Nofar is committed to the highest standards of business ethics. In 2021 Nofar completed the adoption of an organizational Code of Business Conduct and Ethics that was approved by the Board of Directors and management that was implemented amongst the employees at the beginning of the second half of 2022. The code of ethics dictates policy that has already been partially implemented at the Company, and became an integral and clear procedure for all stakeholders in the Company, to ensure ethical business and personal conduct. The Code of Business Conduct and Ethics is under the responsibility of the Legal counsel

of the Company. The Company believes that ethical conduct in its business is a supreme value and is required not only of the Company's management, but also of all of the Company's employees and suppliers. All Nofar employees received training about the Code of Business Conduct and Ethics.

The Code of Business Conduct and Ethics guides the Company's personnel in all that they do. The code, which is based on the company's values, provides basic guidelines of business practice, as well as professional and personal conduct, that all employees are expected to adopt and uphold.

Political engagement at Nofar

Guided by Nofar’s Code of Business Conduct and Ethics and its commitment to compliance with all applicable laws, Nofar abstains from any type of political activities, including lobbying to shape public policy, legislation and other governmental actions, and corporate contributions to electoral candidates, political organizations, or political campaigns. Nofar does respond to various requests for comments and similar requests issued by relevant regulators in so far as these are relevant to the Company’s business, such as hearings held by the Israel Electric Authority.

Like many corporations, Nofar is a member of various industry

trade organizations. Some of these organizations engage in lobbying activities, and some operate their own political action committees. Nofar may not necessarily agree with every position taken by each organization of which it is a member or of the other members of such organizations; however, Nofar believes that, on a whole, membership in and contributions to such organizations are consistent with promoting the public good, which is aligned with the company’s overall business objectives. When Nofar makes payments to these organizations, including membership fees and dues, it instructs the organization not to use the funds for any election-related activity, in every country in which we operate.

List of industry trade organizations:²⁰

- The Federation of Israeli Chambers of Commerce
- The Israeli Association of Publicly Traded Companies
- The Green Energy Association of Israel
- Israel Builders Association
- The Manufacturers Association of Israel
- IIRF- The Israeli IR forum

The Company’s Code of Business Conduct and Ethics covers how our employees may engage in the political process and how we interact with representatives of government on behalf of Nofar.

Decisions about joining trade unions and membership fee payments are made by Nofar’s CEO, and CFO.

Payments to trade associations which may be used for political purposes are monitored by Nofar’s CFO. We are committed to complying with internal policies, all relevant state, federal, and international laws and regulations, and applicable state and local restrictions on corporate political activity.

²⁰ During the years 2022, Nofar paid annual membership fees in the amount of 29,825 NIS.

Compliance with legal requirements

Nofar complies with the requirements of all laws, standards, and regulations applicable to its activities in the countries in which it operates. As of 2022, Nofar is in full compliance with environmental laws and regulations, and no sanctions or fines were imposed on the Company. Nofar strives to ensure proper conduct pursuant to the requirements of the law, and has further adopted an internal voluntary compliance mechanism. Furthermore, Nofar promotes training and compliance on issues relating to the requirements of the laws and regulations.

As noted, in 2022, 100% of the Company's employees received two hours of training on regulatory compliance, corruption prevention, and insider information. Another aspect of Nofar's compliance is its IT system protocols and the access permissions given to its employees. Where needed, Nofar separates positions and responsibilities and avoids giving a single worker too many permissions, especially if they are not directly relevant to the employee's duties.

Nofar complies with the requirements of all laws, standards, and regulations applicable to its activities in the countries in which it operates.

Remuneration policy

In December 2020, the Company's board of directors and the general meeting of the Company's shareholders approved its remuneration policy for the officers of the Company. In July 2021, the Company's board of directors decided on the adoption of an option plan for employees and officers. The Company's Board of Directors reviews the policy from time to time in order to adapt it to the changing needs of the Company, the input received from stakeholders, and the provisions of the law.

The policy sets guidelines as to the manner of compensating the Company's executives managers while supporting the execution of Nofar's goals, its business plan, and its policies in the long run. The remuneration policy aims to create a reasonable and appropriate set of incentives to align the Company's executives with Nofar's operations, its risk-management policy, and its working relations with stakeholders while recruiting and retaining excellent managers, which are the foundation of Nofar's performance and the driver of its future development and success.

Nofar's remuneration policy is mainly based on measurable criteria, quantitative tests, and the personal targets of all officers.

The policy comprises a fixed component with respect to base salary, social benefits, and other related benefits, and variable components - sign-on/retention bonus, adaptation grants, and retirement terms, bonuses, special discretionary bonuses, the award of which is subject to the approval of the Compensation Committee.

The ratio set between fixed compensation components and variable compensation components as of:

Criterion Role	Maximum value fixed component of remuneration (monthly)	Ratio of cost of employment to average wage	Ratio of cost of employment to median wage
Chairman of the Board	NIS 120,000 *	3.08	3.28
CEO	NIS 80,000 *	2.44	2.6
CEO-subordinate executives	NIS 80,000 *	1.8	1.92

* Indexed to CPI for December 2020

The variable component

Apart from the fixed component in the executives' terms of employment, they are eligible for post-retirement savings, severance pay, disability insurance, vacation days, sick days, convalescence pay, and travel expenses as required by law. Executives are also eligible to receive a car at the Company's expense, a telecommunications package, holiday gifts, extra vacation days, professional training, professional bureau membership fees, and reimbursement of other expenses relevant to their position.

The variable component of remuneration is based on various parameters for the Company's or the executive's performance. For the Chairman of the Board and the CEO, this component shall not exceed 75% of the amount of their total fixed component. For the CEO-subordinate executives, this component shall not

exceed 50% of the amount of their total fixed component.

The variable component can be allocated based on one of the following:

- Measurable goals grants – Including financial goals, strategic goals, personal goals, and corporate governance goals. These goals are determined annually, before the end of the first quarter, and the executive must attain at least two of the goals. The grant paid for each goal shall not exceed 25% of the executive's total fixed component.
- Discretionary grants – The Company may determine that the variable remuneration, in whole or in part, shall be granted according to qualitative criteria that are not measurable, at its discretion, given the contribution of the executive to the Company.

- A one-time grant – The Company is permitted to give its executives a one-time grant based on outstanding contribution and/or noticeable efforts, and/or in cases of extraordinary business accomplishment. Grants to the CEO and the CEO-subordinate executives shall not exceed 25% of the executive's total fixed component.

In the incident of biased financial information within 3 years of occurrence, the executive shall return the grant to the Company (claw back).

Capital remuneration

The Company's authorized organs are permitted, from time to time, to allocate options, phantom options, restricted stock units, and blocked stock to executives as part of their remuneration package. The amount allocated is subject to the authorized organ's discretion. This part of the remuneration shall not exceed the sum of 12 monthly salaries.

In accordance with the approved compensation policy, as of the end of 2021, the ratio between the CEO's (approximate) average salary and that of all other employees was 4.7, and the ratio between the median salary and that of the CEO was 5.3. For more information about the Group's compensation policy, see chapter 8 at the Company's shelf prospectus on the TASE website ²¹ from the 8th of December 2020, as well as in the Company's immediate reporting as of 03.08.2022. In 2022, the ratio did not change significantly.

21 <https://maya.tase.co.il/reports/details/1337934/2/0>

Preventing conflicts of interest

Nofar is subject to all of the provisions of laws and regulations that ensure the prevention of conflicts of interest in the Group in general and in the Company in particular. Under the Company's Code of Business Conduct and Ethics, several internal organizational measures are being implemented to prevent conflicts of interest and ensure fair business practices, including when appointing directors; the directors will be required to fill out a questionnaire and statement relating to affiliation and conflict of interest.

In addition, the Company will adopt, as part of its internal enforcement plan, procedures for reporting to stakeholders and officers, under which, before issuing annual financial statements, the Company sends the directors questionnaires regarding affiliation and conflicts of interest.

The Company will adopt, as part of its internal enforcement plan, a procedure for transactions with interested parties, under which a list of the Company's stakeholders will be maintained.

Prevention of bribery and corruption; internal audit and supervision

As part of the internal enforcement program being adopted by Nofar, a procedure for preventing bribery is included. Under this procedure, the Company is committed to managing its business with fairness, integrity, reliability, and responsibility. This procedure is intended to ensure that the Company, the members of the Board of Directors, its managers, employees, suppliers, and other service providers do not violate these provisions or other provisions of the law. The procedure will be distributed to all relevant employees for their signature, and the Company also ensures that anti-bribery and corruption provisions are agreed to and signed by external parties, including service providers, contractors, and consultants, who act on its behalf and who serve as its representatives.

The Company also undertakes to comply with all applicable laws in the countries in which it conducts its business and activities to prevent bribery and corruption.

Mechanism for supervising and reporting of bribery and corruption incidents

The Company's Code of Business Conduct and Ethics includes a reporting mechanism for employees who are aware of or suspect a payment that may be considered bribery. Under the procedure, the employee will be required to report the matter to their supervisor as soon as possible, to the Company's CEO, CFO, corporate secretary or one of the law firms who represents the Company. Thereafter, the query will be investigated appropriately by the competent organ in the Company. The Company undertakes to protect the employee by all necessary means, including by maintaining anonymity, while promising no harm to the employee following submission of a complaint.

In 2022, no bribery and corruption incidents were reported or discovered at Nofar.

Internal auditing

As a public company, Nofar operates in accordance with the requirements of the law. In addition, based on the recommendations of the Audit Committee, the Board of Directors approved the appointment of an internal auditor who provides internal auditing services as an external service provider. The internal auditor prepared a multi-year plan, in cooperation with the Company's management, which was presented to the Audit Committee and Board of Directors and approved by the board. The multi-year plan is based on audits of key company processes according to the level of risk exposure, assessment of the probability of occurrence of an event, and potential scope of damage. The Internal Auditor does not have the discretion to deviate from the work plan; any change in this plan is subject to the approval of the Audit Committee.

Information security

Nofar has adopted a set of internal information-security rules that establish an organizational, managerial, and professional outline for decision making relating to information security, while creating an organizational framework for dealing with ongoing and unusual issues relating to the implementation and assimilation of information-security aspects at the Company. The information security officer is responsible for providing all of the Company's employees with annual training on information-security procedures and issues. External parties that engage with the Company are required to undertake to maintain confidentiality, insider information procedures, and information security.

In 2022, the company's auditor conducted an audit of the technological systems used by the finance department to verify their compliance with information security requirements.

the company has recently implemented a new Cybersecurity Policy to protect its data and systems from unauthorized access, use, disclosure, disruption, modification, or destruction.

Goals and targets

Increase diversity among the Company's Board of Directors and management;

Hold training sessions for all employees within the code of ethics implementation plan;

Review the manner of executing material transactions;

Maintain zero incidents of bribery and corruption and zero incidents of improper business conduct.

Legal disclaimer

An ESG report is not included in Nofar's financial, periodical, or immediate statements. This report includes forward-looking statements (according to the Securities law, 1968), including: expectations, forecasts, objectives, goals, assessments, and plans regarding the Company's activity. Statements made in this report might be subject to changes and revisions. All information and data presented in this report reflect the information regarding the Company's activity at the date of issue and the Company's knowledge. This document may include estimates, omissions, generalizations, errors, and/or inaccuracies. In any case of discrepancy or divergence between the information presented in this report and the information appearing in the Company's public financial statements published on the website of the Tel Aviv Securities Authority and the Tel Aviv Stock Exchange (TASE), the information appearing in publications by the Securities Authority will prevail.





05

GRI

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GRI CONTENT INDEX

This report references Standard Disclosures from the GRI Sustainability Reporting Standards (SRS). The following index lists the indicators from the guidelines that are met by the report:

GRI STANDARD	Index	Description	Location / response
GRI 2: General Disclosures 2021	2-1	Organizational details	About Nofar Energy Company Holdings Chart Operations in Israel
	2-2	Entities included in the organization's sustainability reporting	Company Holdings Chart
	2-3	Reporting period, frequency and contact point	About Nofar Energy
	2-4	Restatements of information	Environmental Impact
	2-6	Activities, value chain and other business relationships	<ul style="list-style-type: none"> About Nofar Energy Energy Storage Leader Operations in Israel Dialogue with our Stakeholders Supply chain Partners in clean energy production
	2-7	Employees	<ul style="list-style-type: none"> Our people Diversity, equality, and respect as the cornerstones of employment Empowering our partners and creating indirect economic Impact
	2-9	Governance structure and composition	Structure of the Board of Directors
	2-10	Nomination and selection of the highest governance body	Structure of the Board of Directors
	2-11	Chair of the highest governance body	Structure of the Board of Directors
	2-12	Role of the highest governance body in overseeing the management of impacts	Board of Directors committees

GRI STANDARD	Index	Description	Location / response
GRI 2: General Disclosures 2021	2-13	Delegation of responsibility for managing impacts	<ul style="list-style-type: none"> • Management of ESG performance by the Board of Directors • Managing the Company's risks
	2-14	Role of the highest governance body in sustainability reporting	<ul style="list-style-type: none"> • Nofar's Material Topics • Management of ESG performance by the Board of Directors - Environment
	2-15	Conflicts of interest	Preventing conflicts of interest
	2-16	Communication of critical concerns	<ul style="list-style-type: none"> • Employees Dialogue channels • Preventing conflicts of interest • Mechanism for supervising and reporting of bribery and corruption incidents
	2-17	Collective knowledge of the highest governance body	Management of ESG performance by the Board of Directors
	2-18	Evaluation of the performance of the highest governance body	Internal auditing
	2-19	Remuneration policies	Remuneration policy
	2-20	Process to determine remuneration	Remuneration policy
	2-21	Annual total compensation ratio	Remuneration policy
	2-22	Statement on sustainable development strategy	<ul style="list-style-type: none"> • Words from our Senior Management • Management of ESG performance by the Board of Directors
	2-23	Policy commitments	<ul style="list-style-type: none"> • Responsible supply chain • Ethical business practices at Nofar
	2-24	Embedding policy commitments	<ul style="list-style-type: none"> • Public policy on responsible supply chain • Ethical business practices at Nofar
	2-26	Mechanisms for seeking advice and raising concerns	<ul style="list-style-type: none"> • Preventing conflicts of interest • Mechanism for supervising and reporting of bribery and corruption incidents
	2-27	Compliance with laws and regulations	Compliance with legal requirements
	2-28	Membership of associations	Political engagement at Nofar
	2-29	Approach to stakeholder engagement	Dialogue with our Stakeholders
2-30	Collective bargaining agreements	There are not collective bargaining agreements	

GRI STANDARD	Index	Description	Location / response
GRI 3: Material Topics 2021	3-1	Process to determine material topics	Nofar's Material Topics
	3-2	List of material topics	Nofar's Material Topics
GRI 203: Indirect Economic Impacts 2016	3-3	Management of material topics	Empowering our partners and creating indirect economic Impact
	203-1	Infrastructure investments and services supported	Empowering our partners and creating indirect economic Impact
	203-2	Significant indirect economic impacts	Empowering our partners and creating indirect economic Impact
GRI 204: Procurement Practices 2016	3-3	Management of material topics	Responsible supply chain
	204-1	Proportion of spending on local suppliers	Responsible supply chain
GRI 205: Anti-corruption 2016	3-3	Management of material topics	<ul style="list-style-type: none"> • Prevention of bribery and corruption • internal audit and supervision
	205-1	Operations assessed for risks related to corruption	<ul style="list-style-type: none"> • Ethical business practices at Nofar • Compliance with legal requirements
	205-2	Communication and training about anti-corruption policies and procedures	<ul style="list-style-type: none"> • Ethical business practices at Nofar • Compliance with legal requirements
	205-3	Confirmed incidents of corruption and actions taken	<ul style="list-style-type: none"> • Ethical business practices at Nofar • Compliance with legal requirements
GRI 302: Energy 2016	3-3	Management of material topics	<ul style="list-style-type: none"> • Energy consumption and GHG emissions • Carbon footprint
	302-1	Energy consumption within the organization	<ul style="list-style-type: none"> • Energy consumption and GHG emissions • Carbon footprint
	302-2	Energy consumption outside of the organization	<ul style="list-style-type: none"> • Energy consumption and GHG emissions • Carbon footprint
	302-3	Energy intensity	Carbon footprint
	302-5	Reductions in energy requirements of products and services	Supporting the transition to a low carbon economy

GRI STANDARD	Index	Description	Location / response
GRI 303: Water and Effluents 2018	3-3	Management of material topics	Water consumption
	303-5	Water consumption	Water consumption
GRI 304: Biodiversity 2016	3-3	Management of material topics	Preserving Biodiversity
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Preserving Biodiversity
	304-2	Significant impacts of activities, products, and services on biodiversity	Preserving Biodiversity
GRI 305: Emissions 2016	3-3	Management of material topics	Carbon footprint
	305-1	Direct (Scope 1) GHG emissions	Carbon footprint
	305-2	Energy indirect (Scope 2) GHG emissions	Carbon footprint
	305-3	Other indirect (Scope 3) GHG emissions	Carbon footprint
	305-4	GHG emissions intensity	Carbon footprint
	305-5	Reduction of GHG emissions	<ul style="list-style-type: none"> • Carbon footprint • Reducing negative environmental impact
GRI 306: Waste 2020	3-3	Management of material topics	<ul style="list-style-type: none"> • Solid waste • Hazardous waste
	306-1	Waste generation and significant waste-related impacts	<ul style="list-style-type: none"> • Solid waste • Hazardous waste
	306-2	Management of significant waste-related impacts	<ul style="list-style-type: none"> • Solid waste • Hazardous waste
	306-3	Waste generated	<ul style="list-style-type: none"> • Solid waste • Hazardous waste
	306-4	Waste diverted from disposal	<ul style="list-style-type: none"> • Solid waste • Hazardous waste
	306-5	Waste directed to disposal	<ul style="list-style-type: none"> • Solid waste • Hazardous waste

GRI STANDARD	Index	Description	Location / response
GRI 401: Employment 2016	3-3	Management of material topics	<ul style="list-style-type: none"> • Our people • Gender equality
	401-1	New employee hires and employee turnover	<ul style="list-style-type: none"> • Our people • Gender equality
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Terms of employment
	401-3	Parental leave	In 2022, two employees took parental leave.
GRI 403: Occupational Health and Safety 2018	3-3	Management of material topics	<ul style="list-style-type: none"> • Managing workplace safety and transportation safety • The Company's occupational health and safety policy
	403-1	Occupational health and safety management system	<ul style="list-style-type: none"> • Managing workplace safety and transportation safety • The Company's occupational health and safety policy
	403-2	Hazard identification, risk assessment, and incident investigation	<ul style="list-style-type: none"> • Managing workplace safety and transportation safety • The Company's occupational health and safety policy
	403-3	Occupational health services	<ul style="list-style-type: none"> • Managing workplace safety and transportation safety • The Company's occupational health and safety policy
	403-4	Worker participation, consultation, and communication on occupational health and safety	<ul style="list-style-type: none"> • Managing workplace safety and transportation safety • The Company's occupational health and safety policy
	403-5	Worker training on occupational health and safety	<ul style="list-style-type: none"> • Managing workplace safety and transportation safety • The Company's occupational health and safety policy

GRI STANDARD	Index	Description	Location / response
GRI 403: Occupational Health and Safety 2018	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<ul style="list-style-type: none"> Managing workplace safety and transportation safety The Company's occupational health and safety policy
	403-8	Workers covered by an occupational health and safety management system	<ul style="list-style-type: none"> Managing workplace safety and transportation safety The Company's occupational health and safety policy
	403-9	Work-related injuries	The safety management system at the Company
	403-10	Work-related ill health	The safety management system at the Company
GRI 404: Training and Education 2016	3-3	Management of material topics	Terms of employment
	404-1	Average hours of training per year per employee	Terms of employment
GRI 405: Diversity and Equal Opportunity 2016	3-3	Management of material topics	Diversity, equality and respect as the cornerstones of employment
	405-1	Diversity of governance bodies and employees	Structure of the Board of Directors
	405-2	Ratio of basic salary and remuneration of women to men	Gender equality



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