



Environmental, Social & Governance (ESG) Report

2023



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Chairman Statement

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In 2023, Mekorot, Israel's National Water Company, reaffirmed its role as a steward of Israel's water resources, guided by principles of sustainability, social responsibility, and operational excellence. This ESG (Environmental, Social, and Governance) report embodies our unwavering commitment to creating a sustainable future for the generations ahead and to enhancing the quality of life for the communities we proudly serve.

This year, Mekorot supplied 1.78 billion cubic meters of water to our diverse customers – marking a 1.8% increase from 2022. With 99.97% of water quality tests meeting regulatory standards, we demonstrated an uncompromising commitment to delivering water quality and service excellence. As part of this journey, Mekorot's Board of Directors and management refined the company's vision, centered on the core mission: to develop, operate, and maintain Israel's national water system. This vision aligns Mekorot with a global leadership role in the water sector, emphasizing excellence, professionalism, and innovation. Through our accumulated expertise, we work to secure Israel's water future, crafting advanced water solutions not only for Israeli society but also for the local environment and the global community, while responsibly preserving natural resources for future generations.

The past year presented us with a profound challenge as we navigated the national crisis of the "Swords of Iron" war. Despite the adversity, our team remained steadfast, ensuring an uninterrupted water supply across all regions, including those under threat. Our strategic investments of approximately 1.5 billion NIS annually into infrastructure for water production, conveyance, and treatment, as part of our 2023-2025 development plan, enabled us to meet these challenges with resilience and efficiency.

Moreover, we are deeply committed to fostering an inclusive workplace, with women constituting approximately 43% of our Board – a testament to our dedication to advancing gender equality and diversity within our organization.

Mekorot remains resolute in its responsibility to manage resources wisely and to strive for excellence, whether in times of peace or crisis. We are committed to meeting Israel's immediate and long-term water needs and to sustaining our high standards, even during the most challenging circumstances.



A stylized handwritten signature in black ink, consisting of a large 'Y' and 'A' intertwined.

Yitzhak Aharonovich

Chairman of the Board of Directors, Mekorot
National Water Company

CEO Statement

It is a privilege to present the fourth ESG (Environment, Society, and Governance) report of Mekorot, Israel's National Water Company, for 2023.

The events surrounding the "Swords of Iron" war posed unprecedented challenges for both Mekorot's leadership and its dedicated employees. In response, we ensured an uninterrupted and secure water supply for our customers, taking comprehensive measures to safeguard business continuity, fortify cybersecurity defenses, and protect the welfare of our team. This is not merely our responsibility – it is our unwavering commitment, one that we are resolute in upholding in the years to come.

Throughout 2023, Mekorot continued to solidify its position as a leader in environmental stewardship and sustainability. For the fourth consecutive year, the company earned the highest Platinum+ rating from the Maala ESG Index, securing the top position in the infrastructure and energy category. Furthermore, Mekorot's commitment to employee well-being and a supportive, safe, and professional work environment was recognized with a 10th-place ranking among "100 Best Companies to Work For" by The Marker and BDI.

In environmental initiatives, we advanced energy efficiency policies and reinforced our commitment to conserving natural resources. This year, we finalized our inaugural climate risk assessment and began implementing climate adaptation measures, leading to an approximate 50 million NIS in energy savings.

In corporate governance, Mekorot's Board and management team refined the company's strategic vision, bolstered risk management and oversight mechanisms, and expanded our innovation programs, marked by record investments of approximately 2.8 million NIS in startup ventures.

At Mekorot, our management and employees share a belief that ESG investments are not only a moral imperative but a strategic approach to creating enduring value for the company and its stakeholders. The dedication, resilience, and sense of mission our team exhibits—both in times of peace and in crisis—are underpinned by a profound sense of Zionism and national responsibility.



A handwritten signature in black ink, which appears to read 'Amit Lang', written over a horizontal dotted line.

Amit Lang
CEO of Mekorot
National Water Company

Opening Statement

We are honored to present Mekorot's 2023 ESG Report, which highlights the company's activities across Environment, Society, and Corporate Governance. Mekorot has long been committed to responsible, transparent, and excellence-driven operations. This report affirms our steadfast dedication to stakeholders, shareholders, and the broader public.

This year, we encountered extraordinary challenges as the "Swords of Iron" war imposed a new and unpredictable reality on Israeli society – and on Mekorot in particular. Despite these immense trials, we upheld our commitment to safeguarding employee health and safety while ensuring an uninterrupted and reliable water supply. We are resolute in our belief in the sanctity of life, and we extend our hopes for the safe return of all hostages, the recovery of the wounded, and the peaceful return of our soldiers. As the impacts of the climate crisis grow more pronounced, the criticality of a secure, continuous water supply has become clearer than ever. This report underscores our proactive response to these evolving challenges, reaffirming our commitment to providing reliable, high-quality water to all citizens of Israel and neighboring countries while advancing the principles of our renewed ESG vision.

This year, we are also proud to increase the alignment to the "GRI Standards", following a thorough optimization, expansion, and update of our disclosures. The report continues to align with the United Nations Sustainable Development Goals (SDGs) and is accessible on Mekorot's website in both Hebrew and English.

Our enduring role as a cornerstone of reliable and safe water provision for households, farmers, and industry across Israel is exemplified in this report. Mekorot views Environmental, Social, and Governance considerations as integral to our strategic objectives and deeply weaves them into our activities. This approach ensures we are not only addressing present challenges and crises but also preparing for future demands.

We invite you to review the report and see firsthand how Mekorot contributes to national resilience and the pursuit of a sustainable future.



A handwritten signature in black ink, reading "Riki Mor".

Riki Mor

Head of Customer Relations and ESG



A handwritten signature in black ink, reading "Eyal".

Eyal Ben David

Acting VP Infrastructure Development
and Customer Relations

ESG highlights for 2023



Environment

8%

Energy expenses reduction in 2023, achieving record savings of approximately **57 million ILS**

9.54%

Reduction in total Scope 1 and 2 greenhouse gas emissions was recorded compared to 2022

40.5%

of the vehicle fleet is hybrid or electric, compared to **27.6%** in 2022

99.97%

of water quality tests conducted were found to be in compliance with regulatory standards

2.35 billion kWh

Total of electricity was consumed, with **0.59%** being self-generated



Society

10th

The company rank on BDICode's "100 Best Companies to Work For" list in 2023, an improvement from **14th** place in 2022

1.8%

Water supply increase, totaling **1.78** billion cubic meters in 2023

12,606

Volunteer hours contributed by employees, and **10,335** served reserve duty days

81

hours of training per employee on average, compared to **74** in 2022

96%

of all procurement in 2023 was sourced locally

7.5%

of Mekorot's workforce is composed of individuals from underemployed population groups



Governance

43%

Women representation of the Board of Directors

26,271

Total of audit hours conducted in 2023, with **64.7%** being internal audits and **35.3%** external

2.8 million NIS

A record investment in startups

3 new ISO standards

The company received certification for three new ISO standards in 2023: **ISO 9001** (Quality Management), **ISO 14001** (Environmental Management), and **ISO 45001** (Occupational Health and Safety Management)

"Swords of Iron" War

The "Swords of Iron" war introduced a complex and challenging reality for Israeli society. In response to the immediate challenges, Mekorot acted swiftly, in alignment with its corporate responsibility values, to safeguard the health and safety of its employees while ensuring a steady, uninterrupted water supply to the national grid.

Despite significant obstacles, Mekorot remained steadfast in delivering a continuous and safe water supply to all residents of Israel, even amid direct security threats, including attacks on its facilities and infrastructure. The company faced a profound loss when Aviad Cohen, a Mekorot employee, lost his life in battle on October 7th in the "Pri Gan" settlement while serving on the emergency response team of the "Shlomi" settlement. Additionally, other employees suffered personal losses, with some being evacuated from their homes due to security risks. Numerous employees were called for extended reserve duty, while others supported family members who were also mobilized. Mekorot continues to regularly assess the war's impact on its operations, adapting its approach to protect the well-being of its employees while maintaining operational continuity.

Mekorot views the preservation of human life as a supreme value and strictly adheres to the principle that human life takes precedence over all else. Following an initial assessment on the evening of October 7th, the company implemented daily security guidelines based on the evolving situation. These guidelines ensured employee safety while maintaining the continuous water supply, even under extreme emergency conditions. On October 8th, a dedicated command center was activated to manage the unfolding events. Throughout October, Mekorot focused on repairing facilities damaged in the attacks, collaborating closely with local communities and the IDF to restore infrastructure and address critical needs. In early November, as ground operations commenced, Mekorot worked 24/7 to address issues in the field and at facilities to restore them to full operational capacity.



The company operates around the clock to provide comprehensive water, logistics, and repair solutions to local authorities, farmers, and military forces. Mekorot has been instrumental in supplying drinking water, hot showers, and electricity to forces in staging areas in the south and north. Furthermore, Mekorot has prioritized the supply of agricultural water, recognizing its importance in maintaining stability along Israel's borders and viewing agriculture as a strategic national asset during times of crisis.

Due to the war, development projects were paused, procurement was disrupted, and contractors faced labor shortages. Consequently, Mekorot adjusted its development plan for 2024, with the updated plan approved by the Governmental Authority for Water and Sewage. However, thanks to long-term investments in routine maintenance, there were no disruptions to the water supply in 2023, despite the mobilization of many employees and the relocation of others due to security concerns. Nonetheless, operating under emergency conditions necessitated a focus on emergency preparedness, which led to a reduction in energy efficiency.

Actions Taken by Mekorot During the "Swords of Iron" War to Maintain Business and Operational Continuity:

- **Annual Situation Assessments:** Management conducted regular assessments and risk surveys to ensure business resilience and operational continuity. The goal is to maintain a continuous water supply while adjusting the company's actions to align with evolving needs and threats.
- **Security Protocols:** Security protocols were adapted to safeguard employees while maintaining a steady water supply.
- **Exercises and Audits:** The company performed exercises, simulations, and external audits to ensure preparedness and compliance with standards.
- **Information Security and Cybersecurity:** Mekorot reinforced its cybersecurity measures, strengthened system protections, and established contingency plans for operational continuity.
- **Communication with Security Forces:** Mekorot maintained continuous coordination with security forces, assisting in infrastructure protection and fire extinguishing efforts.
- **Facility Maintenance and Repairs:** Repairs were conducted to restore damaged facilities and ensure uninterrupted water supply.

- **Procurement and Emergency Inventory:** Mekorot increased its emergency stock of materials and diesel reserves to support continuous operations during potential disruptions.
- **Protection of Employees and Facilities:** The company acquired personal protective equipment and armored vehicles to ensure employee safety in hazardous areas.
- **Remote-Control Systems:** Mekorot is implementing a remote monitoring system for real-time oversight of facilities, ensuring consistent water supply and quality control.
- **Communicating the Company's Activities to the General Public:** Mekorot's efforts were communicated to the public through articles, social media publications, and presentations at various business events. These communications primarily focused on delivering a message of business continuity and operational excellence, highlighting the company's commitment to maintaining water supply and supporting national resilience during the war.

Support and Protection for Employees, Families, and the Public During the "Swords of Iron" War:

- **Security Risk Assessment:** The company assessed risks in every operation, conducting repairs only after ensuring employee safety with military support where necessary.
- **Mental Support:** The company expanded its mental support package for employees and their families. Mekorot employees and their families received ten therapy sessions through the "Shai" psychological institute, fully funded by the company. Additionally, a 24/7 hotline was established, led by the institute's experts, for employees and their families, offering unlimited and free consultations. The company also conducted organization-wide workshops and lectures for employees and managers to assist with mental resilience, and support circles were held for reservists and evacuees in collaboration with professionals.
- **Meetings and Personal Conversations:** Mekorot's management conducted frequent meetings with employees and their families who were evacuated to hotels across the country. Additionally, bi-weekly online open discussions were held with all employees to foster open communication and provide updates. In parallel, company managers, along with the Human Resources team, engaged in individual conversations with employees to assess their wellbeing and address any specific needs.
- **Assistance with Employee Needs:** Mekorot provided comprehensive support to employees who were evacuated from their homes. This assistance included purchasing washing machines, distributing computers to children, providing food and clothing vouchers, and organizing educational programs for the children of evacuees. These efforts aimed to ensure that displaced employees and their families were supported during this challenging time.
- **Support for Reservist Employees and Their Families:** Mekorot ensured the delivery of hot meals, fruit, and gift vouchers to the families of employees called up for reserve

duty. The company also organized relaxation and recovery activities at the "Dream Island" resort for reservists. In addition, weekly online resilience activities were held via Zoom for employees' children, alongside lectures offering tools for coping with the new and challenging circumstances. In cases of bereavement, Mekorot provided support and assistance to affected families.

- **Support for Managers:** Mekorot equipped its managers with communication skills to better engage with employees and identify signs of distress. A senior management forum, "Forum 100," was held under the theme "Management Under Fire" at the Sderot Community Center. This event provided managers with crisis management tools and a platform to share and reflect on their experiences in managing during the war.
- **Community Volunteering:** Mekorot's management engaged in multiple volunteer efforts across the south and north of the country, delivering meals to IDF soldiers. Employees were also given the opportunity to volunteer in their communities for up to two days per month, with activities including assisting farmers in the Gaza Envelope region and distributing flowers to bereaved families.
- **Providing Economic Security for Employees:** In collaboration with the workers' union, Mekorot established an assistance fund that distributed grants amounting to hundreds of thousands of NIS to employees evacuated from their homes. The company also ensured job security by continuing to pay all employees their full salaries, avoiding layoffs or unpaid leave, ensuring no employee was financially impacted during the crisis.
- In 2023, Mekorot employees completed 10,335.5 reserve duty days. Despite the war, the company remained committed to supporting its workforce and ensuring operational continuity across Israel.

IN MEMORIAM Aviad Cohen

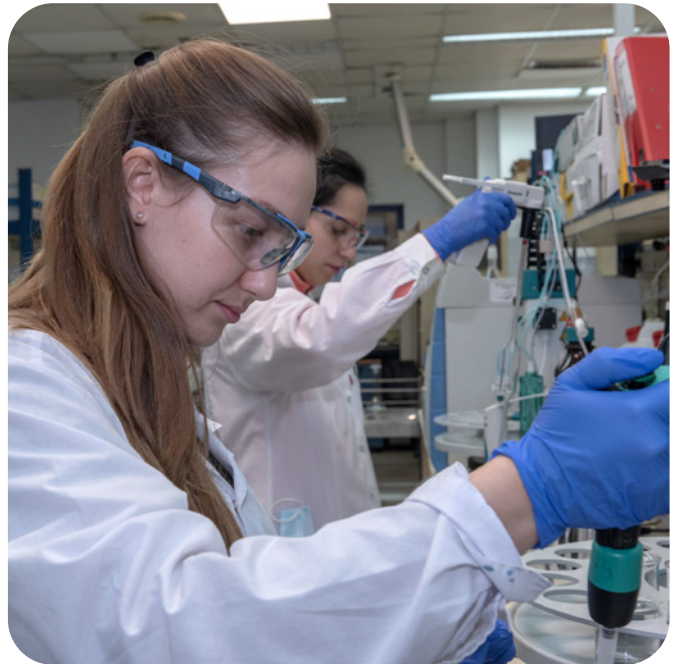


About Mekorot

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Mekorot Water Company Ltd., established in 1937, serves as Israel's national water company, playing a critical role in the development of the country's water economy and strengthening its economic and political resilience. Mekorot oversees water production, drilling, collection, treatment, transmission, and supply to all citizens, while ensuring the protection and security of Israel's water sources. The company also constructs and maintains water supply facilities, offering consultancy, construction, operation, and project initiation services within the water sector. Its headquarters are located at 9 Lincoln Street, Tel Aviv.

As Israel's primary water supplier, Mekorot is responsible for producing, treating, and desalinating approximately 48% of the country's water, while transmitting and supplying around 64% of Israel's total water supply, including 77% of the water consumed domestically. Through integrated and intelligent water management, Mekorot ensures maximum availability, reliability, and quality, operating with a national and sustainable outlook on the country's diverse water sources.



Mekorot's Vision

In 2023, Mekorot's Board of Directors and management developed a new vision for the company, centered on its core mission: the development, operation, and maintenance of Israel's national water system. Mekorot is dedicated to ensuring an available, high-quality, and reliable water supply for all residents of the country while optimizing and preserving water resources. The company actively supports the growth of settlements, industry, and agriculture, and aims to be a leader in water solutions and technology, both locally and globally.

The company's vision is to become **a global leader in the water sector, focusing on excellence, professionalism, and innovation. The company seeks to leverage its expertise and experience to secure Israel's water supply while developing advanced water solutions** for both the country and the international community, with a strong commitment to preserving natural resources for future generations.

In 2024, Mekorot will concentrate on embedding this vision throughout the organization. To support this effort, the company established an implementation team with representatives from all divisions. This team is responsible for developing a detailed work plan, which includes divisional integration, training, and internal and external communication, ensuring visibility and alignment with the company's goals.

“A Global Leader in Excellence, Professionalism, and Innovation – Leveraging its Experience, Capabilities, and Advanced Technologies to Create Cutting-Edge Water Solutions.”



Let's Stay in the Environment

Mekorot's Commitment to Responsible Environmental Management, Respecting Natural Resources, the Nation, and its Neighbors



Clearly Mekorot

Ethical and Fair Human-Centered Business Management, Upholding the Highest Professional Standards.



Stronger Together

Building Partnerships and Collaborations with Our Stakeholders, Clients, Business Entities, and the State to Ensure Optimal Water Management and Maximize Economic Value.



Always Thinking Ahead

Embracing Learning, Out-of-the-Box Thinking, Forward Vision, Business Development, and Growth to Achieve Superior Business Outcomes.



Excellence Starts Here

Delivering Water with Quality, Availability, and Reliability, to Every Location with Utmost Priority.

Mekorot's ESG Commitment

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As part of Mekorot's commitment to excellence and responsibility in water resource management, the company has established a clear framework for Environmental, Social, and Governance (ESG) priorities.

Commitment to the Environment

- Protecting the environment and responsibly managing natural resources, particularly water, while adhering to strict environmental standards.
- Reducing the company's environmental footprint across all operations, the supply chain, and through technological innovation.
- Preparing for the impacts of climate change.

Commitment to Society

- Ensuring a reliable water supply for all consumers, both now and in the future.
- Upholding the stability and quality of the water sector by guaranteeing continuous access to high-quality water during both routine and emergency situations.
- Safeguarding the health, safety, and security of employees, customers, suppliers, and contractors.
- Fostering employee retention and development by creating a respectful, inclusive, and equitable work environment.
- Developing shared value with the community.

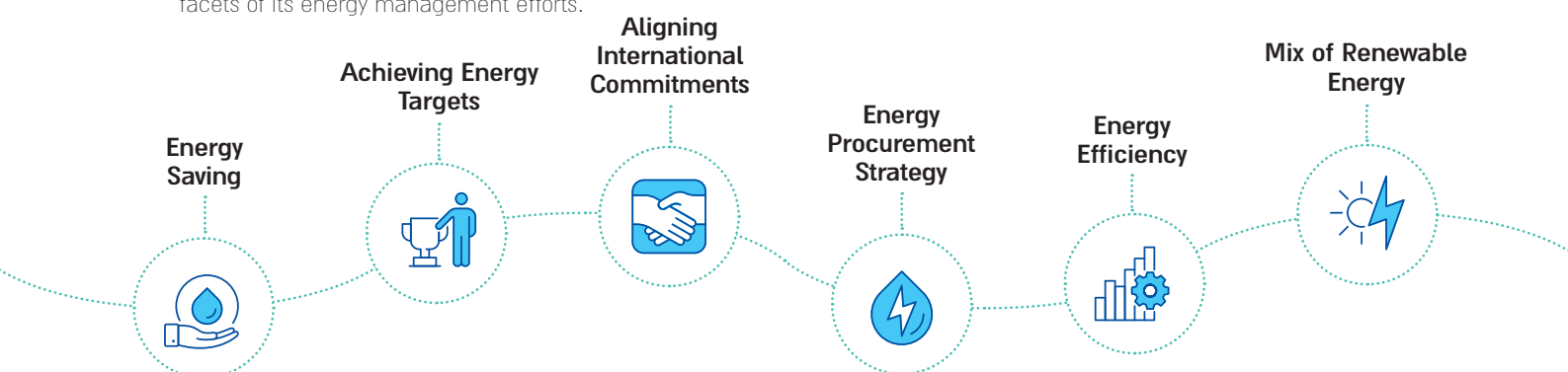
Commitment to Proper and Effective Corporate Governance and Economic and Regional Development

- Maintaining integrity, preventing corruption and fraud, and complying with all legal regulations.
- Managing company risks while identifying innovative solutions and technologies.
- Operating with full transparency and cooperating with regulatory authorities.
- Ensuring the required water supply to neighboring countries.
- Establishing Mekorot as a center of expertise in the water sector and expanding international relations through strategic collaborations.

Policy Documents

In 2023, as part of its commitment to integrating ESG aspects into its operations, Mekorot developed two policy documents focused on energy management and environmental quality and protection.

- **Energy Management Policy** - This policy reflects Mekorot's commitment to balancing a reliable and high-quality water supply with environmental and sustainability goals. As Israel's leading water management company and one of the country's largest electricity consumers, Mekorot views energy efficiency and the reduction of reliance on non-renewable energy sources as both a national and business imperative. The company is actively integrating green technologies and advancing projects aimed at expanding the use of renewable energy, including generating electricity from water and solar energy. Mekorot is dedicated to full compliance with laws, regulations, procedures, and accepted norms, both within Israel and internationally, while meeting regulatory requirements. The company is also focused on fostering a green organizational culture, promoting energy conservation, and raising awareness among employees and suppliers. Every project and activity undertaken is evaluated holistically, considering its environmental, public, and economic impact. Mekorot is committed to continuous improvement, adopting a risk-based management approach to energy efficiency. The company is focused on reducing greenhouse gas emissions and its overall carbon footprint, working to achieve sustainability in all facets of its energy management efforts.



- **Environmental Protection Policy** — Mekorot is committed to preserving the environment and protecting natural resources for future generations, while ensuring compliance with legal requirements, regulations, and environmental protection standards. The company works to reduce its environmental footprint while preserving natural water sources and promoting advanced environmental technologies. Mekorot operates a comprehensive environmental enforcement program that includes control mechanisms and instructions for implementing environmental regulations at all company facilities. As part of its commitment to a circular economy, Mekorot integrates advanced mechanical, biological, and technological processes to enable the reuse of wastewater. Additionally, in accordance with the international agreements to which Israel is a party, Mekorot is committed to joint activities with research institutions and academia to promote environmental innovation through support, guidance, and participation in environmental studies.

**Restoration of
Streams and
Returning
Water to Nature**



**Reduction of
Chemical Use and
Waste Across the
Country**



**Preserving
and Reducing
Water Loss**



**Increasing the
Use of Renewable
Energy**



**Improving
Energy Efficiency**



Maala Rating

Since 2011, Mekorot has participated in the Maala Corporate Responsibility Rating, which evaluates the management of environmental, social, and governance (ESG) issues among Israel's leading public and private companies. Mekorot is proud to have maintained the highest rating, Platinum+, in the 2024 Maala Rating, reflecting its outstanding performance in 2023. This is the fourth consecutive year Mekorot has achieved this top rating. Additionally, the company was ranked first in the 'Infrastructure and Energy' category, underscoring its commitment to sustainability, responsible management, and its significant impact on both the community and the environment.



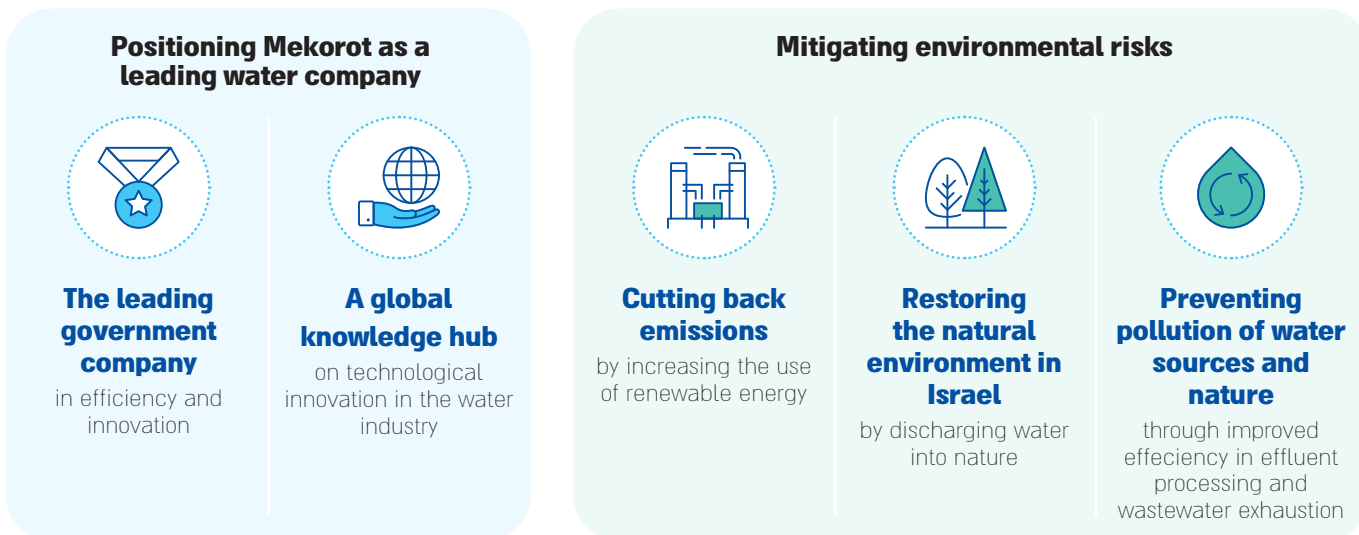
Company: **Mekorot**
2024 Index: **Platinum+ | AA**



Mekorot's ESG Strategy

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As part of its longstanding role as Israel's national water company, Mekorot is committed to integrating its ESG strategy into the broader company strategy. Mekorot's ESG strategy has been carefully aligned with the company's overall strategic plan and focuses on the following key areas:



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Organizational Structure

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Mekorot is a government-owned company operating under the Ministry of Energy, with its activities regulated by the Governmental Authority for Water and Sewage, in accordance with the Water Law. As the designated national water company, Mekorot's operations are supervised by the Authority on behalf of the state.

Following a government decision in 2007, Mekorot operates as a group of companies. The parent company, "Mekorot Water," manages all aspects of water supply, construction, operation, and maintenance of water facilities across the country.

The company's structure includes its central headquarters in Tel Aviv-Yafo, three regional operational divisions – Northern, Central, and Southern – and the National Water Carrier.

Under "Mekorot Water," two subsidiaries operate¹:

- "Shaham Mekorot Execution" – These subsidiary functions as the company's contracting and execution arm, specializing in the development and renovation of water facilities and performing maintenance work for Mekorot. It also undertakes projects for external clients, including water production, electromechanics, drilling, laying large-scale pipelines (up to 108 inches), constructing pumping stations, and rehabilitating reservoirs and buildings.
- "Mekorot Development and Initiatives" – This subsidiary serves as Mekorot's international business arm, focused on initiating, promoting, and consulting on water projects related to desalination and wastewater treatment, both in Israel and globally. It also operates in the energy sector, aiming to reduce Mekorot's operational costs while supporting the company's ESG goals².

Mekorot's Ownership Structure³:

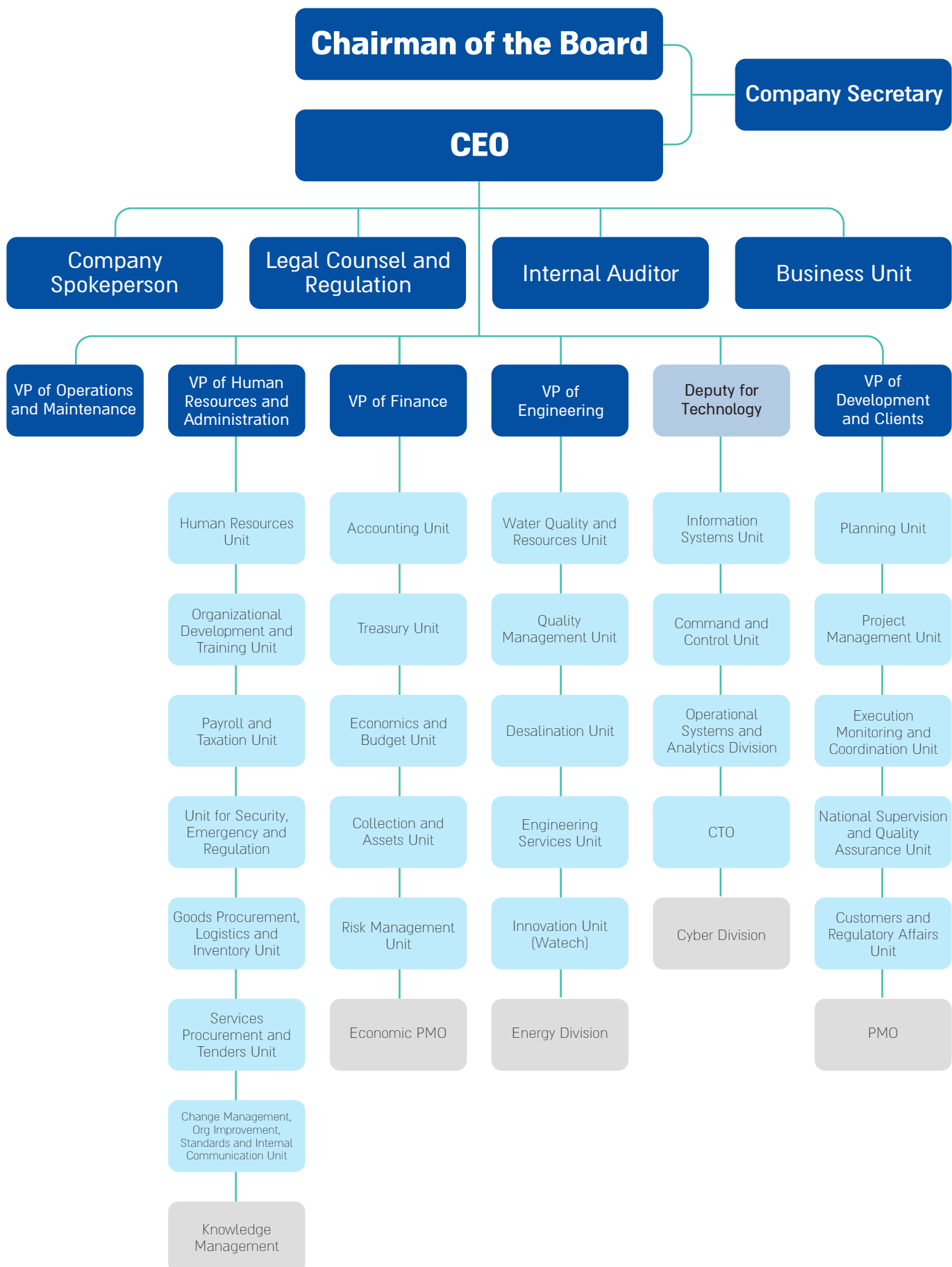


¹The two subsidiaries operate independently. Accordingly, their reporting and control mechanisms are conducted separately and independently from "Mekorot Water."

² The activities of the development company in this field are subject to discussions with the Government Companies Authority.

³ For further details on Mekorot's ownership structure, see the annual report for 2023, page 6.

Mekorot's Organizational Structure:



Material topics

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Materiality analysis is a critical process in implementing ESG (Environmental, Social, Governance) practices within companies. The goal of this process is to identify the most significant operational issues in the areas of economics, governance, environment, and society, providing a strategic foundation for the company's ESG activities.

In 2023, as part of its ESG reporting and in accordance with GRI Standards, Mekorot conducted a materiality analysis that included the following steps:

■ Identification of Potential Material Topics

In the initial stage, a thorough review was conducted among stakeholders relevant to the company's operations. This assessment included an examination of peer surveys, reviews of company policy and procedure documents, interviews with management, media analyses, and the review of specific reporting initiatives and standards such as GRI, SASB, and SDGs, with a focus on the water and infrastructure sectors and local ESG regulations. This process resulted in a comprehensive list of potential material issues in ESG, which was then presented to the company's management for further review and discussion.

■ Prioritization and Rating of Material Topics

The second stage aimed to identify the most significant issues for the company and its stakeholders. Mekorot's management prioritized and rated the list of potential material issues based on established methodologies. This step helped highlight the key issues that require attention and action.

■ Validation of Material Issues

In the final stage, Mekorot's management validated the selected material issues. This involved analyzing the ratings to identify any outlier issues and engaging in comprehensive discussions to confirm the final list of material issues. This validation ensured that the selected issues would serve as the foundation for the company's ESG reporting and activities.

The results of the materiality analysis process are the ten material issues for the company, as detailed in the table below, which serve as the foundation for this report and the company's activities in the areas of environment, society, and governance:

#	Material Topics	Report Section
1	Water Supply Management	Environment
2	Climate Change	Environment
3	Environmental Management and Resource Efficiency	Environment
4	Human Capital Management	Society
5	Occupational Health and Safety	Society
6	Customer Service	Society
7	Business Strategy and Operational Resilience	Governance
8	Innovation and Technological Leadership	Governance
9	Integrity, Ethics, and Anti-Corruption	Governance
10	Compliance and Regulation	Governance

Stakeholder Dialogue

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Mekorot engages with a diverse range of stakeholders who both impact and are impacted by its operations, either directly or indirectly. The company maintains regular dialogue with these stakeholder groups through various channels, with different levels of engagement and frequency. The primary focus of these interactions is centered on the water sector in Israel and Mekorot's ongoing activities. Mekorot believes that adopting a comprehensive and sustainable approach, supported by collaboration and open dialogue with its stakeholders, is essential to effectively addressing the sustainability challenges in the water sector.

Below is a list of communication channels through which Mekorot interacts with its stakeholders:

Stakeholders	Description of Key Stakeholders	Dialogue Channels
Government Offices	<ul style="list-style-type: none"> Ministry of Energy Ministry of Finance Ministry of Economy State Comptroller's Office Ministry of Foreign Affairs Ministry of Environmental Protection Ministry of Agriculture Ministry of Health Ministry of Defense Knesset Committees Ministry for Regional Cooperation 	<p>Mekorot maintains continuous communication with various government offices as part of its daily operations and professional discussions. These government offices and statutory authorities oversee several aspects of Mekorot's activities, including issuing permits, managing water allocations, and addressing infrastructure-related matters.</p> <p>Additionally, Mekorot representatives actively participate in the Infrastructure Companies Forum, which promotes ongoing dialogue aimed at overcoming barriers to advancing infrastructure development across the country.</p>
Statutory Authorities	<ul style="list-style-type: none"> Governmental Authority for Water and Sewage Nature and Parks Authority Keren Kayemet Le'Israel (Jewish National Fund) Israel Land Authority Regional Planning Committees Israel Antiquities Authority Drainage Authorities 	
Local Authorities	<ul style="list-style-type: none"> Academia Environmental Organizations 	<p>Mekorot maintains ongoing dialogue with academic institutions in Israel through collaborations that include research partnerships, joint initiatives, and support for the development of water-related courses. The company also provides mentorship to students working on their final projects and offers scholarships to those studying areas relevant to Mekorot's core activities.</p> <p>Additionally, Mekorot regularly updates the Society for the Protection of Nature and other environmental organizations on changes and innovations within the water sector, fostering transparency and collaboration in addressing environmental concerns.</p>
Customers	<ul style="list-style-type: none"> Local Authorities Water and Sewage Corporations Agricultural Associations Industry 	<p>Mekorot serves approximately 3,000 customers, with relationships primarily managed through its operational divisions.</p> <p>In 2022, the company conducted two customer satisfaction surveys: one for its water customers and another for customers impacted by Mekorot's infrastructure relocation services. The results of these surveys were analyzed and presented to management in early 2023, providing valuable insights for improving customer relations and service quality.</p>
Mekorot Employees	<ul style="list-style-type: none"> Employees at Mekorot Sites and in the Headquarters Departments 	<p>Mekorot provides several channels for employees to communicate with management. Employees can engage with the Human Resources unit, which centralizes their inquiries, or through employee representatives. Additionally, formal and informal meetings, such as "CEO Coffee" sessions, roundtable discussions, and employee conferences, are held throughout the year to foster open dialogue and facilitate direct interaction between management and employees.</p>

Stakeholders	Description of Key Stakeholders	Dialogue Channels
Communities	<ul style="list-style-type: none"> Environmental Activists Community Committees Local Authorities Volunteer Organizations in Areas Where Mekorot Has Significant Operations 	<p>Engaging in dialogue with local communities is a key element of Mekorot's management approach to public engagement. The company organizes awareness conferences and meetings with community members, while also publishing educational materials through social media and traditional media outlets. These efforts aim to enhance public understanding of Mekorot's activities and promote awareness of water-related issues.</p>
Suppliers	<ul style="list-style-type: none"> Suppliers Contracting Companies 	<p>Mekorot engages in dialogue with suppliers through various channels, including supplier conferences, roundtable discussions, and regular communication with the procurement and bidding units, as well as with operational division representatives responsible for contracts. As part of its sustainability strategy, Mekorot also promotes a commitment to ESG values among its suppliers during the contracting process, encouraging responsible and sustainable practices across its supply chain.</p>

As part of its ongoing dialogue with stakeholders, Mekorot held various meetings aimed at fostering collaboration and creating shared value:

- **Israel Electric Corporation:** In 2023, Mekorot held quarterly meetings with a dedicated team to remove barriers and strengthen collaboration between the two organizations.
- **Netivei Israel:** Mekorot engaged in a unique partnership focused on infrastructure development.
- **Inter-Ministerial Forum for Standardization:** Mekorot participated in this forum for the construction and infrastructure sectors in Israel, contributing to the development of supporting systems for infrastructure planning and supplier rating.
- **Government Companies Infrastructure Coordination Forum:** Mekorot is an active participant in this forum, working alongside other government companies to advance national infrastructure projects, including transportation, electricity, and water. The forum enables collaboration, joint learning, barrier removal, and the development of solutions to common challenges.
- **"Leading for Infrastructure" Program:** Mekorot participates in this joint initiative by the Jewish Agency and the State of Israel, aimed at developing a network of change agents for national infrastructure. The program addresses current and future infrastructure challenges, promoting more efficient project execution.




United Nations Sustainable Development Goals - SDGs

The United Nations Sustainable Development Goals (SDGs) are 17 global goals focused on sustainability. The goals were adopted by world leaders in 2015 as an urgent call to action by nations, with the intention of achieving them by the end of 2030. The goals reflect the most significant global challenges identified by the international community, encouraging governments, corporations, and non-profit organizations to collaborate on their resolution. The issues addressed by the goals are diverse and include, among others, gender equality, promoting responsible consumption and production, eradicating poverty, and taking action on climate change.



Mekorot, as a company with a broad social-economic impact on the local market, recognizes the importance of aligning its activities with the relevant United Nations goals and promotes the adoption and advancement of these goals within the Israeli economy.

After a characterization process, the company defined the most relevant development goals for its operations:

 Goal 6 Clean Water and Sanitation	
UN Goals Relevant to Mekorot's Operations	Mekorot's Activities to Achieve These Goals
<ul style="list-style-type: none"> 6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all. 6.3 By 2030, improve water quality by reducing pollution, minimizing the release of hazardous chemicals and materials, and ultimately halving the proportion of untreated wastewater while increasing the recycling and safe reuse of water globally. 6.4 By 2030, significantly increase water-use efficiency across all sectors to ensure sustainable water withdrawals and supply clean water to address water scarcity, thereby reducing the number of people suffering from water shortages. 6.6 Protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers, and lakes. 	<ul style="list-style-type: none"> Developing water infrastructure for remote and disconnected areas and implementing water supply agreements with the Kingdom of Jordan, the Palestinian Authority, and the areas of Judea and Samaria. Ongoing efforts to optimize water infrastructure and invest in advanced technologies. Conducting environmental surveys and water sampling throughout the supply chain to ensure safe, contaminant-free water of the highest quality. Introducing desalinated water and floodwater for the rehabilitation of water sources and aquifers, and planning for the efficient use of water resources. Formulating and promoting a national infrastructure plan – NIP 100, to maintain production reserves from aquifers for the coming years.



Goal 7

Clean Energy

UN Goals Relevant to Mekorot's Operations

- **7.2** Significantly increase the share of renewable energy in the global energy mix by 2030.
- **7.4** By 2030, enhance international cooperation to facilitate access to clean energy research and technologies, including renewable energy, energy efficiency, and cleaner and more advanced technologies for fossil fuels, and promote investments in energy infrastructure and clean energy technologies.

Mekorot's Activities to Achieve These Goals

- Setting multi-year targets for reducing energy consumption.
- Generating green energy at the company's sites.
- Promoting tenders to increase the use of solar energy on existing water infrastructure.
- Advancing the establishment of hydroelectric turbines.



Goal 9

Industry, Innovation, and Infrastructure

UN Goals Relevant to Mekorot's Operations

- **9.1** Develop quality, reliable, sustainable, and resilient infrastructure, including local and cross-border infrastructure, to support economic growth and well-being, with an emphasis on affordable and equitable access for all.
- **9.4** By 2030, upgrade infrastructure and improve industries to make them more sustainable, alongside increasing resource use efficiency and the widespread adoption of clean and environmentally friendly technologies and industrial processes. All countries participate according to their capabilities.
- **9.5** Enhance scientific research, upgrade the technological capabilities of the industrial sector in all countries, particularly in developing nations, and by 2030, promote innovative R&D and increase the number of R&D workers and R&D expenditures in the private and public sectors.
- **9.a** Assist in the development of sustainable and resilient infrastructure in developing countries through improved economic, technological, and technical support for African nations.

Mekorot's Activities to Achieve These Goals

- Investment in high-quality, efficient, and durable infrastructure.
- Conducting research and development and implementing innovation in the fields of water and infrastructure to explore ways to improve existing technologies.
- Collaborations and agreements with various countries to enhance water infrastructure and facilities in their regions.
- Technological collaborations to promote environmental issues: environmental treatment of desalination concentrate and wastewater, sustainable treatment of wastewater, and reuse for agriculture.
- Investment in "Blue and White" startups with the aim of integrating innovative technologies and improving the supply and quality of water in terms of efficiency, energy savings, cybersecurity, and more.



Goal 12

Responsible Consumption and Production

UN Goals Relevant to Mekorot's Operations

- **12.2** By 2030, achieve sustainable management and efficient use of natural resources.

Mekorot's Activities to Achieve These Goals

- Developing efficient water technologies to promote the sustainable management of natural water sources.
- Advancing research and implementing new technologies for wastewater and sludge treatment, aiming to improve its quality and repurpose it for agriculture and energy production.



Goal 13

Climate Action

UN Goals Relevant to Mekorot's Operations

- **13.1** Strengthening resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
- **13.2** Integrating climate change measures into national policies, strategies, and planning.

Mekorot's Activities to Achieve These Goals

- Initiating innovative technologies to address climate-related impacts, particularly water scarcity resulting from global warming.
- Reducing the carbon footprint through investment in energy-efficient systems and transitioning to green energy.
- Establishing a working group led by the Risk Management Unit to manage climate risks, setting structured goals, and embedding climate change indicators into company strategies.



Goal 15

Life on Land

UN Goals Relevant to Mekorot's Operations

- **15.4** By 2030, ensure the conservation of mountain ecosystems, including their biodiversity, to enhance their capacity to provide benefits essential for sustainable development.
- **15.a** Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.

Mekorot's Activities to Achieve These Goals

- Collaborating with the Nature and Parks Authority and KKL-JNF (Keren Kayemeth Le'Israel-Jewish National Fund) during infrastructure and maintenance work.
- Incorporating environmental considerations during the development of infrastructure projects.
- Taking measures to prevent the spread of invasive species at company sites during development and maintenance work.
- Returning water to nature and rivers (e.g., the Kaziv, Bezet, southern Jordan, Yarkon, Bokek rivers, and the future restoration of the Tzalmon River).
- Conducting work in accordance with environmental surveys and protecting the existing biodiversity in the areas where work is conducted.
- Implementing a light pollution reduction project in facilities located in ecologically sensitive areas.

Environment



Water Supply Management

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Mekorot leads the Israeli water sector, overseeing the comprehensive management of water production, transmission, and treatment processes. The company supplies approximately 64% of the total water consumed in Israel and around 77% of domestic water consumption. Mekorot plays a crucial role in ensuring a reliable, high-quality water supply for all residents, meeting the diverse needs of households, agriculture, and industry. To achieve this, the company manages water extraction, continuously monitors and maintains water quality, and implements measures to reduce water loss and mitigate the risks of water and soil contamination.

Under its three-year development plan for 2023-2025, Mekorot invests approximately 1.5 billion NIS annually in infrastructure related to water production, reception, transmission, and treatment. Given the scarcity of natural water sources in Israel, Mekorot emphasizes systematic water resource management to prevent over-exploitation. The company conducts ongoing controls and actively seeks alternatives to conventional water supply methods. As part of its strategic plan, Mekorot extracts water through various channels to meet the demands of households, agriculture, and industry across the country.



Mekorot extracts, purchases, and supplies drinking water from several sources:

- **Groundwater:** Mekorot extracts water through drilling from various aquifers⁴, including the Yarkon, Taninim, Coastal Aquifer, Sea of Galilee Basin, Western Galilee, Carmel, Eastern Mountain, Negev, and Arava. Water is pumped from these aquifers based on the quantities determined by the Operations Committee of the Governmental Authority for Water and Sewage. The company carefully monitors water levels to ensure sustainable extraction and prevent over-exploitation of these vital resources.
- **Surface Water:** The company extracts water from the Sea of Galilee and springs, primarily located in the northern region of Israel.
- **Desalinated Water:** Mekorot operates facilities for producing desalinated water from seawater and brackish water, in addition to purchasing desalinated water from private producers. The company is actively working to increase the volume of desalination to reduce dependency on natural water sources, supporting long-term sustainability and resource preservation.
- **Floodwater:** Mekorot captures floodwater in riverbeds, which is then treated at designated facilities for two purposes: supplying water for domestic consumption and supporting irrigation needs. This process helps maximize the use of natural water resources, contributing to both water sustainability and agricultural support.

Production and Extraction Data

(Water Supply (Mm ³))	2021	2022	2023
Freshwater	1,349	1,351	1,377
Brackish Water	140	133	130
Treated Wastewater and Shafdan	303	266	274
Total Water Supplied	1,792	1,750	1,781
Amount of Desalinated Water Purchased ⁵	558	557	608

⁴ A subsurface rock layer that contains water and serves as a source of groundwater.

⁵ Desalinated water is purchased and supplied as part of the freshwater supply.

Water Supply

Mekorot views the reliable supply of high-quality drinking water as the foundation of its success. The increase in water consumption stems from the natural population growth in Israel, combined with climate change and global warming trends, which result in a reduction of available water in natural sources, heatwaves, floods, and droughts accompanied by wildfires, all of which contribute to rising water demand. Understanding that water is a finite resource, Mekorot is committed to managing it in a balanced and sustainable manner, aiming to meet current demand while also addressing the long-term needs of all water consumers, including households, industries, and agricultural fields.

In Israel, where desertification is expected due to climate change, the optimal solution for drinking water consumption from natural sources is to rely on desalinated seawater. This alternative requires changes in water supply systems, strengthening the transmission infrastructure and production facilities, and reducing dependence on drinking water from natural sources.

Water Supply Resilience

In February 2023, Mekorot's water supply resilience to northern Israel's communities was put to a multi-sectoral test. Earthquakes in Turkey and the Middle East affected more than 90 wells, primarily in northern Israel, resulting in high turbidity levels that necessitated an immediate 24-hour halt in operations⁶. Simultaneously, Storm "Barbara" caused a rise in seawater levels and turbidity, leading to the partial closure of several major desalination facilities along the coastline. At the same time, Mekorot was conducting routine maintenance on the National Water Carrier, significantly reducing the availability of water from the Sea of Galilee. Despite these concurrent challenges, which posed a significant test to water supply resilience, Mekorot acted swiftly and efficiently to maintain uninterrupted water supply to its customers.

Thanks to its integrated water management, operational flexibility, efficient use of the transmission system, and the coordinated efforts of field staff and regulators, Mekorot successfully met the nationwide demand. As a result of proper preparation and effective operation during the event, the resilience of the water supply, particularly in northern Israel, was not compromised.

Water Supply Continuity

To ensure a reliable water supply, Mekorot operates nine command and control centers that remotely and in real-time manage approximately 3,000 water facilities, including wells, pumping stations, and pipelines. These centers receive hundreds of thousands of data points daily from the field, providing a comprehensive overview of water quality, safety, and supply, both at the individual facility level and across the entire network. Additionally, the company utilizes local systems that enable automatic local operation without the need for intervention from the command center. When necessary, these systems allow the control center to remotely intervene in operations via a secure online connection. Mekorot also operates an Automated Meter Reading (AMR) system, which enables remote reading of water meters and provides alerts for tampering, damage, or malfunction.

Connecting Regions Disconnected from the National Water Transmission System

In 2023, Mekorot continued its efforts to support the development of settlements, accelerate the growth of local agriculture, and improve the quality of life for residents. The company is working to connect regions that are currently disconnected from the national water system, aiming to enhance the reliability of water supply and ensure continuous access to drinking water, agricultural water, and water for nature and tourism in these areas. Key regions include Ma'ale Kinneret, the Golan Heights, the Eastern Valleys, and the Western Galilee. Additionally, Mekorot is striving to provide a long-term solution to the water shortage in the Arava region, including the construction of new brackish water desalination facilities and connecting Arava settlements to the national supply system and the Sabkha desalination plant in Eilat.



Desalinated Water

Given Israel's arid climate, population growth, and increasing water consumption, finding and developing creative and innovative solutions to address water scarcity is of critical importance. Mekorot operates desalination plants and membrane filtration systems⁷ to produce drinking water and agricultural water, while also receiving desalinated water from private contractors as an alternative water source. These desalination facilities operate in compliance with regulations set by the Ministry of Health and the Ministry of Environmental Protection.

Mekorot is committed to reducing the environmental impact of brine, a byproduct of the desalination process, on the marine environment. The company is developing technologies to lower nitrate levels in brine and reduce the volume of brine discharged into the sea, in accordance with discharge permits. Additionally, Mekorot continuously explores new technologies and conducts research to identify environmentally friendly chemicals, while also working to minimize chemical usage and improve energy efficiency at its facilities.

Mekorot's ongoing investment in desalination allows for the treatment of water from diverse sources, including wastewater and river water, enabling maximum utilization of water resources and the rehabilitation of natural water sources in Israel. Furthermore, this investment allows Mekorot to use its desalination facilities as an emergency reservoir in the event of a shutdown of seawater desalination plants operated by private suppliers.

In 2023, desalinated water accounted for 36% of the total water Mekorot supplied to its customers⁸.

⁶ At the conclusion of the event, the decommissioned wells were drained until acceptable results were achieved, after which they were returned to normal operations.

⁷ A technological system designed for filtering and separating unwanted substances from water, used in desalination processes and wastewater treatment.

⁸ The desalinated water includes buying water from private desalinators as well as desalination of water in the desalination facilities of Mekorot for drinking water and water for agriculture.

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Transmission System

The "National Water Carrier" and the "New National Water Carrier" serve as the cornerstones of Mekorot's national water supply system. The original National Water Carrier, established in the 1960s, was designed to transfer water from northern Israel to the central and southern regions. Today, it transports more than half of Israel's drinking water across approximately 13,000 kilometers.

In response to the country's evolving needs, Mekorot initiated the "New National Water Carrier," which integrates desalinated water from five desalination plants along the Mediterranean coast into the national system, reversing the flow of water supply from west to east. Additionally, the New National Water Carrier supplies desalinated water to the Jerusalem area through the "Fifth Line to Jerusalem," designed to meet the projected growth in water consumption over the coming decades.

The Fifth Line to Jerusalem

The Fifth Line to Jerusalem, an addition to the existing four water supply systems, is designed to address the growing water demand in Israel's capital and provide a long-term solution for transporting water to Jerusalem and its surrounding areas over the next 50 years. Connected to a high-voltage power grid, the system is efficient, reliable, and energy-saving. The water pumps operate with high efficiency, enabling optimal water distribution while minimizing energy consumption.

As of June 2023, the Fifth Line is operational, ensuring a stable water supply to the greater Modi'in area, Beit Shemesh, and Gush Etzion. The system is also in the final stages of connection to the outskirts of Jerusalem.

Water Supply Efficiency

Effective management of water resources and transmission system efficiency are central to Mekorot's operations. The company is focused on optimizing water usage, investing in advanced technologies to improve infrastructure efficiency, and preventing leaks. These measures reduce energy consumption, operational costs, and the need for infrastructure expansion. As the transmission system is a key component of Mekorot's capacity to deliver water to all consumers, the company prioritizes the maintenance of transmission lines to significantly minimize water loss during transportation.

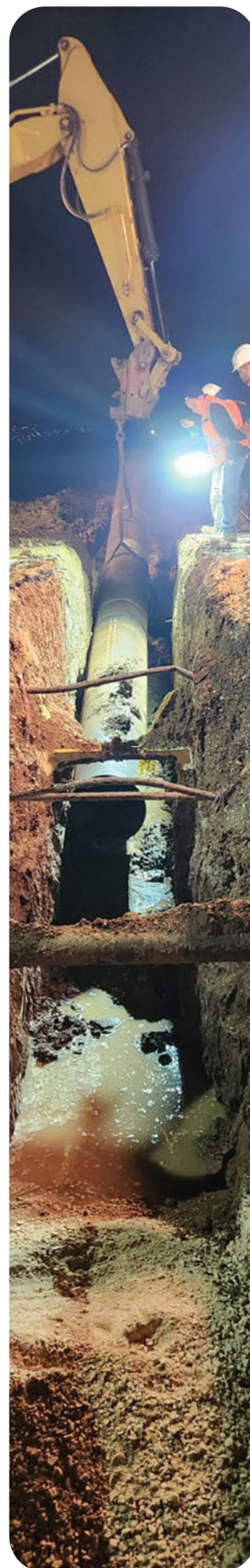
In addition, Mekorot is enhancing the efficiency of water extraction and pumping units to lower energy consumption. The Vice President of Operations and Maintenance is responsible for overseeing all maintenance and operational activities related to the transmission systems. Efficiency and loss reduction metrics are regularly monitored and reported to senior management and the board of directors. Monthly reviews on water supply efficiency are also conducted by the engineering departments and regional operations managers to ensure ongoing improvement and accountability.

Energy Efficiency in Water Systems

Mekorot implements initiatives to enhance energy efficiency and achieve financial savings by incorporating automation systems in control rooms to monitor reservoir and tank levels, as well as optimize the operation of pumping equipment. The company also utilizes computerized models to forecast water consumption and optimize energy use across water systems. In addition, Mekorot strategically manages energy tariffs by shifting pumping operations from peak hours to off-peak hours, while optimizing and increasing water storage capacities.

Mekorot replaces low-efficiency motors and transformers and conducts monthly monitoring of water balances in high-pressure areas to detect leaks or other faults. Pumping equipment efficiency is maintained through regular monitoring in accordance with Ministry of Energy regulations and engineering division guidelines. Annually, dozens of pumps are replaced based on cost-benefit analyses to improve energy efficiency. Mekorot reports pump efficiency results, including data on non-compliant units, to the Ministry of Energy each year.

The company operates 1,018 wells, of which approximately 750 are active, along with 2,049 booster pumps of varying designs. According to Ministry of Energy regulations, a minimum efficiency level of 55% is required for wells and 65% for booster pumps. Mekorot annually replaces pumping units even when their efficiency does not fall below the minimum regulatory levels, when an economic and operational advantage is identified in upgrading to higher-efficiency units. The existing pumping units at Mekorot exceed the required efficiency levels as outlined by the Ministry of Energy.



Water Loss Management and Monitoring

Mekorot is continually working to reduce water loss in its systems through a comprehensive approach to detecting, addressing, and preventing leaks. The transmission system is continuously monitored for flow and pressure, allowing for immediate detection in case of a leak. The company is also actively exploring new technologies to maintain and further reduce water loss.

In 2023, Mekorot continued to improve water measurement monitoring and management. The company replaced older water meters with more accurate models and implemented a more efficient remote data reading system (ARM). Additionally, Mekorot introduced a new water supply management system called "Yuvalim." Daily analyses of water consumption data are conducted, focusing on hourly patterns and comparing monthly usage trends over the years to identify changes and consumption trends.

Mekorot also developed a water balance model, enabling real-time tracking of water balances, quick identification of anomalies, and immediate response to prevent and reduce water theft and leaks. The company utilizes network solvers and hydraulic simulators to plan and control water pressure in the supply system, further reducing leaks and lowering water loss rates. Regular inspections are conducted to identify bursts in water mains and pipeline breaches. As part of the pipeline aging process, Mekorot replaces sections of pipelines that have reached the end of their life cycle or where recurring issues are detected. All new pipeline purchases comply with international standards to ensure long-term durability.

In 2023, Mekorot's water loss rate was 4.33%, compared to 3.9% in 2022. This reported percentage is calculated as the ratio between total water loss and total water usage. The increase in water loss in 2023 may be attributed to the improvements in tracking and measuring water loss data, as outlined above.



* For detailed information and further insights, please refer to the [2023 Drinking Water Quality Report](#) (HEB).
 ** The U.S. Environmental Protection Agency (EPA)

Quality Standards and Laboratories for Water Management and Control

To ensure the supply of high-quality drinking water, Mekorot conducts continuous monitoring and control, operating control rooms staffed 24/7 to assess water quality and detect any contamination throughout the entire supply chain—from the water source to the final delivery point. Annual water quality testing is carried out according to a sampling plan that complies with drinking water regulations and is approved by the Ministry of Health. This plan is implemented at both water production facilities and within the water supply system, with each sample undergoing multiple tests (microbial or chemical) either in certified laboratories or on-site.

Mekorot's water quality control measures include preventive sanitary surveys, routine quality testing at production, acquisition, treatment, and supply facilities, and controlled disinfection of water at the exit points of production and acquisition facilities, all in accordance with Ministry of Health guidelines. Additionally, continuous turbidity measurements are taken to monitor water clarity.

As part of water system monitoring, data and alerts from water quality measurement devices are received, including cases where thresholds are exceeded, or potential system malfunctions occur. Any such alert is addressed immediately with corrective actions, and if necessary, real-time reports are submitted to the Ministry of Health. Corrective actions may include adjusting disinfection levels, diverting turbid water to reservoirs for sedimentation, switching drinking water sources to alternatives, flushing and draining pipelines, and retesting water to monitor the effectiveness of the corrective measures.

In its commitment to transparency, Mekorot publishes an annual "Drinking Water Quality Report"⁹ in accordance with drinking water regulations. This publicly accessible report outlines the water quality over the past year and any unusual incidents that occurred. As highlighted in the report, the percentage of bacterial anomalies remains minimal, reflecting a long-term trend of low deviation, in line with the guidelines of the World Health Organization and the EPA¹⁰, which mandate action for deviations exceeding 5%.

- In 2023, approximately 144,250 microbial and chemical tests were conducted, in compliance with the regulations and guidelines of the Ministry of Health.
- In 2022-2023, over 99.9% of all microbial and chemical tests performed were found to be in full compliance with regulations.

Protection of Water Sources

Mekorot is committed to preventing and minimizing the contamination of water sources as part of its responsibility to preserve this vital natural resource. With approximately 3,000 facilities spread across the country, Mekorot's water sources and transmission systems are exposed to various contamination risks, including groundwater pollution from the infiltration of hazardous materials, particularly in facilities near factories, sewage lines, and waste sites. As an infrastructure company, Mekorot's operations also have the potential to cause soil contamination.

To reduce the risk of environmental harm, Mekorot works to minimize discharges into the environment and reduce the use of materials that pose environmental risks. This includes replacing lubricating oil with water in drilling processes and transitioning to electrolytic chlorination as an alternative to transporting hazardous chemicals. In cases where Mekorot is not authorized to address and regulate environmental hazards directly, the company collaborates with regulators to exercise their authority to resolve potential issues.

Mekorot's water source protection efforts are grounded in the Public Health Regulations (Sanitary Quality of Drinking Water) of 2013. Additionally, the company follows a formal work procedure that establishes uniform guidelines for identifying, reporting, monitoring, and addressing environmental hazards in areas near water supply systems and drinking water sources. Each region has an Environmental Protection Engineer responsible for overseeing the protection of water sources, assessing the risk levels of identified hazards, and coordinating reports on these issues.

Removal of PFAS from Drinking Water Wells

Per- and Polyfluoroalkyl Substances (PFAS) are a family of highly stable organic chemical compounds known for their persistence, tendency to migrate over long distances, and potential health effects. Due to these concerns, the Ministry of Health has decided to adopt the European Union's directive setting a threshold of 0.1 mg/L for 20 key PFAS substances, with implementation scheduled for January 2026.

Recent surveys and tests in Israel have detected the presence of PFAS in several Mekorot wells and private wells, with some showing PFAS concentrations above the recommended European standard. In response, Mekorot has prioritized the implementation of a proven solution for PFAS removal in its facilities adsorption technology. Additionally, in 2023, Mekorot conducted a pilot project in collaboration with Ben-Gurion University to evaluate other technologies for removing PFAS from groundwater.

Wastewater and Reclaimed Water Management

Untreated wastewater poses both environmental and public health risks, with the potential to contaminate natural water sources. Mekorot has developed unique capabilities for recycling wastewater and returning it to agricultural use across Israel, particularly in the Negev, and aims to continue advancing these technological capabilities. The company employs advanced mechanical, biological, and technological processes in wastewater treatment, transforming wastewater from an environmental hazard into reclaimed water for agricultural irrigation, thereby allowing fresh water to be reserved for domestic use.

Using a world-leading, proprietary technology, Mekorot further enhances the quality of reclaimed water through additional biological treatment underground, bringing the water to its highest quality. The reclamation process includes all necessary secondary and tertiary treatments of wastewater at treatment facilities, enabling its reuse for agricultural irrigation. These treatments include maintaining the engineering stability and water quality in reservoirs, preventing algae and zooplankton blooms that can clog irrigation systems, and installing pumping stations and filtration systems at reservoir outlets to remove clogging agents.

In addition, continuous monitoring of water quality in reservoirs ensures that the reclaimed water meets the required agricultural standards. The reclaimed water is also disinfected as needed in compliance with regulations before being supplied to consumers.



Climate Change

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As Israel's national water company, Mekorot operates extensive infrastructure across the country, making it highly vulnerable to the diverse impacts of climate change. Climate change is one of the most significant challenges of our time, potentially affecting water availability and quality, damaging critical infrastructure, and impacting overall quality of life. However, it also presents opportunities for the development of advanced technologies and improved operational efficiency. As the global focus on climate risk management and identifying opportunities grows, this issue has become increasingly important for companies like Mekorot. Consequently, evaluating the risks and opportunities associated with climate change has become an integral part of Mekorot's preparedness strategy, aligning with its organizational responsibility. Given the high level of uncertainty and the dynamic nature of climate risks, the company has adopted a flexible approach to managing these risks.

Climate Risk assessment

In light of the accelerated development in climate risk management, Mekorot conducted a comprehensive climate risk assessment in 2022, which was presented to the company's management in 2023. The survey thoroughly examined the company's risks associated with climate change, categorized into two main risk families:

- **Physical Risks:** This category includes direct risks stemming from climate change. Physical risks are characterized by extreme weather events and gradual environmental changes that can cause significant damage to Mekorot's infrastructure and resources, as well as disruptions to daily operations. Within the category of physical risks, Mekorot identifies two main types of risks:
 - **Acute Risks:** These risks arise from extreme weather events, such as heatwaves, floods, and widespread wildfires. Such events can cause sudden disruptions and severe economic damage.
 - **Chronic Risks:** These risks are linked to long-term changes in weather patterns, including gradual temperature increases, altered precipitation patterns, rising sea levels, and more frequent extreme weather events. These changes can impact water availability and quality, strain infrastructure, and lead to increased maintenance and operational costs.
- **Transition Risks:** This category encompasses the risks associated with the shift to a low-carbon economy, which requires adjustments and adaptations to address and mitigate climate risks. Transition risks include changes in government and regulatory policies, such as the introduction of carbon taxes, greenhouse gas emission reduction targets, and stricter environmental standards. These risks also relate to uncertainties about technological advancements affecting the company's operations, as well as shifts in consumer preferences and societal norms concerning climate action.

The climate risk survey identified key potential risks that may impact Mekorot's operations over time. These risks include an increase in the frequency and severity of wildfires, damage to the company's infrastructure due to more frequent and intense extreme weather events, negative effects on the quality and quantity of natural water sources, and operational challenges for desalination facilities. Additionally, the survey identified risks to the company's supply chain and delays in development projects, driven by the growing intensity of extreme weather events.

The results of the survey provided a foundation for implementing short, medium, and long term mitigation and preparedness measures, which the company has already begun to implement and will regularly update to ensure operational continuity in the face of climate change. In line with its climate change goals for the coming years, Mekorot established a central energy unit tasked with managing all activities related to efficiency improvements, transitioning to green energy, and complying with evolving regulations. Furthermore, the company plans to develop a strategic emissions reduction plan to address the environmental and regulatory challenges posed by climate change.

Energy Efficiency

Mekorot consumes approximately 3% of the country's total electricity and is one of Israel's largest electricity consumers. The company's strategic plan focuses on sustainable development, with an emphasis on advancing energy efficiency and increasing the use and production of renewable energy sources, while reducing reliance on polluting energy sources. To achieve these goals, Mekorot established a dedicated energy division to ensure the achievement of targets and compliance with relevant standards.

Each year, Mekorot produces an energy summary report, which outlines the outcomes of its energy efficiency goals, new initiatives, execution status, and measurement results. This report serves as a foundation for making informed decisions regarding the continuation of energy efficiency efforts and sustainable energy management



Strategic Energy Efficiency Initiatives

- **ISO 50001 Energy Standard:** Adhering to recognized quality standards forms the foundation for establishing a new system aimed at prioritizing green energy use and energy efficiency. This supports Mekorot's goals, including the creation of policy documents and supporting procedures, defining organizational structure, developing a strategic plan, advancing energy-related training, raising awareness, and more. Mekorot is in the final stages of obtaining the certification.
- **Online Water Management System for Optimal Operations:** This system aids in operational decision-making and enables the optimization of large-scale water systems, helping to reduce energy costs. Additionally, the implementation of the "Monitoring-Control-Operations" (MBO) system for the third line allows for the adjustment of operational plans in response to changes in projected consumption.
- **Pumping Equipment Efficiency:** Mekorot continuously monitors the efficiency of its pumps and works to repair or replace pumps that are not energy-efficient, optimizing the sequence of operations to achieve maximum energy savings. In 2023, 26 pumps were refurbished or replaced, with an investment of approximately 4.5 million NIS, resulting in an estimated energy savings of 2 million NIS.
- **Green Energy:** To lead the transition to green energy and reduce its carbon footprint, Mekorot obtained a license as a virtual electricity supplier and is advancing additional projects for the installation of hydroelectric turbines and solar systems for internal use. As part of its efforts to reduce carbon emissions and replace diesel-powered generators, Mekorot is promoting an innovative pilot for generating electricity from green hydrogen.
- **Solar System Upgrade Project:** In 2023, Mekorot issued a tender to upgrade solar systems installed over a decade ago to improve their efficiency in light of the natural decline in equipment performance and to promote the use of innovative technologies that significantly enhance facility operations.
- **Establishing Energy Production Facilities at Mekorot Sites:** Through a process initiated by the Electricity Authority in collaboration with the Israel Electric Corporation to increase grid capacity and integrate solar energy production facilities, Mekorot won a tender to build nine energy production facilities in various regions. Construction of these facilities is expected to be completed within a year of receiving approval for their establishment.

Use of Diesel Generators

Mekorot maintains diesel-powered generators as part of its emergency preparedness strategy. These generators provide system-wide backup, particularly during electricity shortages. Additionally, Mekorot utilizes these generators under a voluntary load-shedding agreement with the Israel Electric Corporation. According to this agreement, during periods of high electricity demand, Mekorot's power supply is temporarily disconnected, and the company relies on self-generated electricity from its diesel generators.

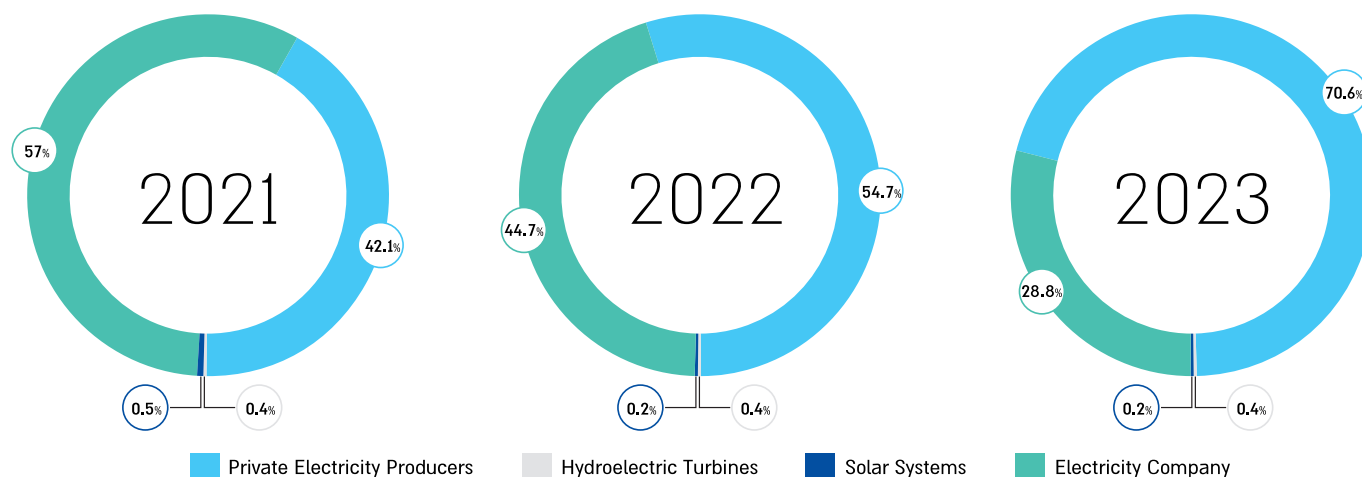
In accordance with guidelines set by the Water and Sewage Authority and mandatory emergency preparedness regulations, some of Mekorot's facilities are equipped with diesel generators, kept in a state of readiness to ensure uninterrupted water supply during emergencies.

Energy and Fuel Consumption:

Item	2021	2022	2023
Renewable Energy Generated Internally (MWh)	14,688	14,584	14,083
Electricity Consumption from Private Power Producers (MWh)	906,952	1,296,500	1,682,800
Electricity Consumption from the Israel Electric Corporation (MWh)	1,488,160	1,058,300	686,900
Total Electricity Consumption by Mekorot (MWh)	2,409,800	2,369,384	2,383,783
Gasoline Consumption for Transportation (Liters)	822,282	999,633	801,456
Diesel Consumption for Transportation (Liters)	1,784,643	1,993,813	1,356,252
Diesel Consumption for Generators (Liters)	396,500	414,500	436,500
Total Fuel Consumption by Mekorot (Liters)	3,003,425	3,407,946	2,594,208
Electricity Consumption per Volume of Water Supplied (MWh/Mega-Liter)	1.24	1.35	1.34

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Energy Consumption Breakdown at Mekorot



Renewable Energy Production (MWh)

Item	2021	2022	2023
Hydroelectric Turbines	8,282	8,914	8,516
Solar Systems for Internal Consumption	6,406	5,670	5,567
Total Renewable Energy Production	14,688	14,584	14,083

During 2023, Mekorot experienced a decline in its renewable energy production. In the hydroelectric turbine sector, the decrease was due to operational adjustments that impacted production output. In the solar energy sector, this reduction resulted from technical issues in existing production systems and the aging of facilities, which led to a decrease in their efficiency. In light of these challenges, Mekorot is taking steps to upgrade its solar production systems to enhance and improve output, ensure the quality of renewable energy production, and achieve greater energy efficiency.

- In 2023, renewable energy production amounted to 14,083 MWh, equivalent to approximately 6,621 tCO₂e of avoided emissions.
- Mekorot's energy expenditures in 2023 totaled approximately 870 million NIS, representing an 8% reduction in energy costs compared to 2022.
- 2023 marked a record year for energy efficiency at Mekorot, with energy savings reaching approximately 57 million NIS, compared to savings of 36 million NIS in 2022.
- By the end of 2023, 40.5% of the company's vehicle fleet consisted of hybrid or electric vehicles, compared to 27.6% in 2022.



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Carbon Footprint

Greenhouse gas emissions are considered one of the primary factors influencing climate change, and their impact is carefully measured due to concerns over their effects on ecosystems, public health, and the global economy. Mekorot views the reduction of greenhouse gas emissions as an integral part of its environmental responsibility. To achieve this, the company invests in efficient energy management and improves its water production and transmission processes, with the goal of reducing emissions and minimizing the overall environmental impact of its operations.

Mekorot measures its carbon footprint using established methodologies, as part of its internal analysis of the company's overall environmental impact. The company's greenhouse gas emissions are categorized into direct and indirect emissions related to energy consumption:

- Scope 1:** Mekorot's direct emissions primarily result from fuel combustion by its vehicle fleet, as well as fuel used in generators, in line with agreements with the Israel Electric Corporation and the company's emergency preparedness plans.
- Scope 2:** Mekorot's indirect emissions stem from electricity consumption and are influenced by the fuel mix used in electricity generation and the demands of water supply operations.

Mekorot's Carbon Footprint Breakdown by Scopes (tCO₂e)¹¹:

Scopes	2021	2022	2023
Scope 1	10,512	11,446	6,912
Scope 2	1,070,784	1,056,988	959,552
Total	1,081,296	1,068,434	966,464

In Scope 1, during 2023, there was a reduction of approximately 40% in emissions compared to 2022. This decrease is attributed to the significant increase in the use of electric vehicles and the reduction in the use of fossil fuel-powered vehicles.

In Scope 2, emissions decreased by approximately 9% in 2023. This reduction is due to the transition to electricity consumption from private power production units, which are characterized by a lower conversion factor for carbon dioxide equivalent emissions (tCO₂e).



¹¹ Aligned with the GHG Protocol Methodology.

Environmental Management and Resource Efficiency

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Mekorot places a strong emphasis on the responsible use of natural resources and integrates environmental considerations into all its operational processes. The company is committed to developing and adopting advanced technologies and environmental innovations to minimize its environmental impact while delivering the highest quality water with maximum efficiency.

Environmental Surveys

Environmental risks to water sources are a matter of national importance. To address these risks, Mekorot conducts environmental surveys using a structured engineering methodology to identify potential sources of contamination that could impact and pollute groundwater at the company's drinking water wells. These surveys examine the physical, regulatory, and sanitary aspects of water systems, ensuring water quality and complementing the treatment and monitoring of water contamination. The surveys are conducted according to the required frequency outlined in the drinking water regulations. According to these regulations, a preventive survey for a water treatment facility must be conducted annually¹², a survey for a drinking water extraction facility every five years, and a survey for a drinking water supply system every ten years.

In 2023, all systems surveyed were found to be compliant, and preventive maintenance was carried out regularly, with necessary repairs made as required.

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Waste Management

Mekorot is committed to improving waste management processes as part of its environmental responsibility efforts. As a water infrastructure company, Mekorot primarily generates hazardous waste, which arises from water treatment processes and water quality testing. In 2023, the company initiated a comprehensive waste measurement improvement initiative, which included developing a waste collection policy and procedure tailored to the company's structure and operations. As part of this process, detailed data on both liquid and solid hazardous waste was collected to enhance waste management and data accuracy.

All hazardous waste generated during water treatment and quality testing processes in 2023 was transported to authorized disposal sites. Additionally, approximately 11.5% of the solid waste, including sediment and aggregate, was recycled or reused during the same year.

Waste Data¹³:

Types of Waste	2023
Total Hazardous Waste¹⁴	442
Hazardous Waste Sent for Disposal	442
Total Solid Waste	7,506
Solid Waste Sent for Disposal	6,640
Solid Waste Recycled and/or Reused	866

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Management and Preservation of Ecological and Biological Systems

Mekorot is committed to a sustainable management approach for preserving ecological systems and biodiversity. The company places great importance on safeguarding natural landscapes and values, and as part of this effort, it has developed a set of comprehensive guidelines. These guidelines serve as a foundation for detailed planning by facility engineers and landscape architects in complex engineering projects.

In line with these guidelines, Mekorot strives to minimize the physical footprint of its facilities and integrate them into the natural environment by planting trees, undertaking environmental development, painting facilities to blend with the landscape, and burying infrastructure when feasible. In certain cases, depending on the nature of the work, Mekorot provides "environmental compensation" through the construction of lookout points, bike paths, and other community-focused initiatives.

Restoration and Preservation of Natural Water Sources

Mekorot places great importance on environmental preservation and natural landscapes, viewing the restoration and conservation of natural water sources as a central element of sustainable water management. The existence, preservation, and long-term restoration of natural water reservoirs and aquatic habitats present a critical challenge. These reservoirs provide high-quality natural water at a low cost, and their geographic distribution across the country reduces the risk of central disruptions, enhances operational flexibility, and shortens transportation distances. Additionally, the volume of these reservoirs enables seasonal and multi-year water storage and regulation on a national scale, contributing to the preservation of biodiversity dependent on these water sources.

¹² Except in facilities dedicated solely to disinfection processes.

¹³ In light of the processes to improve and refine waste data measurement, it was decided to present only the 2023 data in this report. These figures will serve as the baseline for comparison in future reporting years.

¹⁴ For hazardous waste sent for disposal, the reported figure in tons includes the conversion of hazardous waste measured by volume (liters).

As part of its efforts to restore water sources, Mekorot actively injects water into aquifers to improve their quality and restore them. The company also operates wells dedicated to rehabilitating and purifying water that has become polluted or salinized. Mekorot serves as the state's representative in aquifer restoration projects¹⁵ and is responsible for the construction and operation of pumping stations to treat pollutants.

In line with its commitment to biodiversity conservation and the restoration of aquatic habitats, Mekorot promotes the return of water to nature. In 2023, the company returned 29.8 million cubic meters of water to natural habitats, including efforts to restore rivers in various regions of the country.

Water Discharges into the Environment

As part of its routine water infrastructure operations, Mekorot occasionally conducts water discharges into the environment, a process that may pose potential risks to soil and water source contamination. Mekorot operates under an annual discharge permit, in collaboration with the Water and Sewage Authority and the Ministry of Environmental Protection, ensuring that all discharges are performed strictly in accordance with the requirements and permits granted. In cases where discharges are required beyond those included in the annual permit, the company requests a specific discharge permit.

This process is managed and monitored by the company's headquarters, under the supervision of the Vice President of Engineering and the Vice President of Operations. The majority of discharges are from drinking water wells, which do not pose a risk of soil contamination. All discharges are reported directly from the field to all relevant authorities, as required by the discharge permit. In 2023, Mekorot reported 1,076 discharges into the environment and submitted 1,180 discharge requests to the committee for permit approvals under various regulatory frameworks.

Reducing Light Pollution

Mekorot's transition to eco-friendly and nature-conscious lighting at its facilities is part of the company's sustainable development policy implemented in recent years. This program, developed in collaboration with the Israel Nature and Parks Authority, the Society for the Protection of Nature in Israel, the Ministry of Environmental Protection, and the Water and Sewage Authority, focuses on reducing nighttime lighting at Mekorot's facilities, ensuring lights are only used when necessary. The goal is to minimize the negative effects of artificial lighting on local wildlife and plant life. Additionally, lighting design is tailored to operational needs to prevent light leakage, and at facilities requiring constant lighting, soft LED lights are used as replacements.

Prevention of Invasive Species

Invasive species pose a significant threat to biodiversity and ecosystems. As part of Mekorot's commitment to preserving Israel's unique biodiversity, the company has formalized an agreement with the Society for the Protection of Nature in Israel, the Israel Nature and Parks Authority, the Ministry of Environmental Protection, and the Water and Sewage Authority. This agreement outlines guidelines for preventing the establishment and management of invasive plant species during the construction, development, and operation of Mekorot's facilities and pipelines.

Biological Pest Control Using Barn Owls

In 2023, Mekorot expanded its efforts in biological pest control using barn owls, as part of the national initiative to utilize barn owls and falcons in agricultural areas. The company installed dozens of nesting boxes at water reservoirs to help reduce the rodent population, minimizing the need for harmful pesticides, as barn owls primarily feed on rodents. This initiative contributes to the protection of water reservoir embankments and electrical and communication infrastructure, supporting the regular supply of water and safeguarding groundwater quality.



¹⁵ This rehabilitation process requires state funding and regulatory guidance for execution.

Social



Human Capital Management

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Mekorot employed

1,560

staff members in 2023



Approximately

99%

of Mekorot's employees are covered by collective bargaining agreements



Around

86%

of employees hold permanent positions (including those with local tenure)



100%

of employees underwent performance evaluations and feedback processes



Company-wide bonuses

were distributed to all employees in the first quarter of 2023



7.5%

of employees hired in 2023 came from underrepresented populations in the labor market



Mekorot is proud to be ranked **10th** on the 2023

"100 Best Companies to Work For"

list by BDlcode



Mekorot's employees are its most valuable asset, forming the foundation of the company's success. The company is committed to providing a safe and respectful work environment. The core values that guide Mekorot and its leadership include collaboration, mutual respect, transparency, and effective communication. Mekorot places significant emphasis on ensuring the health and safety of its employees and fostering a workplace that promotes equal opportunities and personal and professional development. The relationship between the employee union and management is led by the Vice President of Human Resources and the Chair of the Employee Union, with both employees and union representatives viewed as partners in the company's journey and achievements.

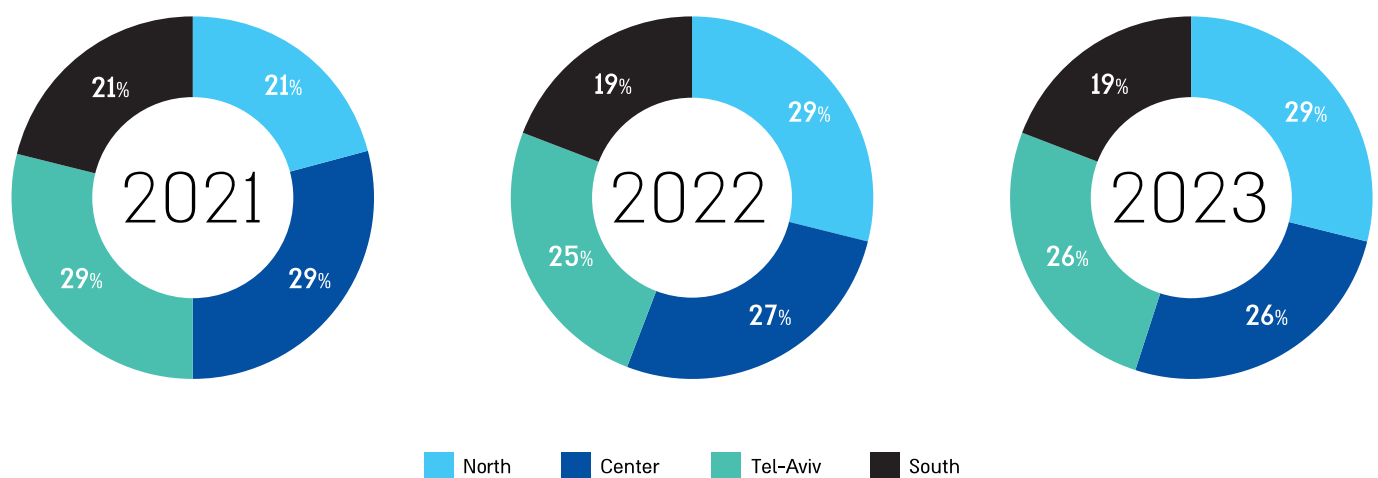
In recent years, Mekorot has implemented an extensive digital transformation at both the business and organizational levels, replacing legacy core systems and automating manual processes with advanced technologies. This transformation aims to elevate the human resources function from a focus on personnel management, administration, and payroll to a leading, advanced HR operation. Mekorot has adopted a "Customer Success" approach, forming an integrated team of HR and IT units to implement process-driven technological solutions. This team emphasizes system adoption, training, change management, and addressing employee needs, ensuring a seamless transition and enhanced operational efficiency.

Workforce Overview¹⁶

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	2021			2022			2023		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Senior Management	7	4	11	2	10	12	9	4	13
Under 30	–	1	1	–	–	–	–	–	–
Between 30-50	1	1	2	1	2	3	2	3	5
Over 50	6	2	8	1	8	9	7	1	8
Middle Management	16	20	36	29	17	46	34	15	49
Between 30-50	5	12	17	9	9	18	13	6	19
Over 50	11	8	19	20	8	28	21	9	30
First-Line Management	26	94	120	89	29	118	223	56	279
Under 30	–	1	1	1	–	1	–	–	–
Between 30-50	9	45	54	31	19	50	74	34	108
Over 50	17	48	65	57	10	67	149	22	171
Employees	1,020	366	1,386	1,020	366	1,386	877	342	1,219
Under 30	61	31	92	61	31	92	42	21	63
Between 30-50	506	221	727	506	221	727	455	210	665
Over 50	453	114	567	453	114	567	380	111	491
Total	1,069	484	1,553	1,148	414	1,562	1,143	417	1,560

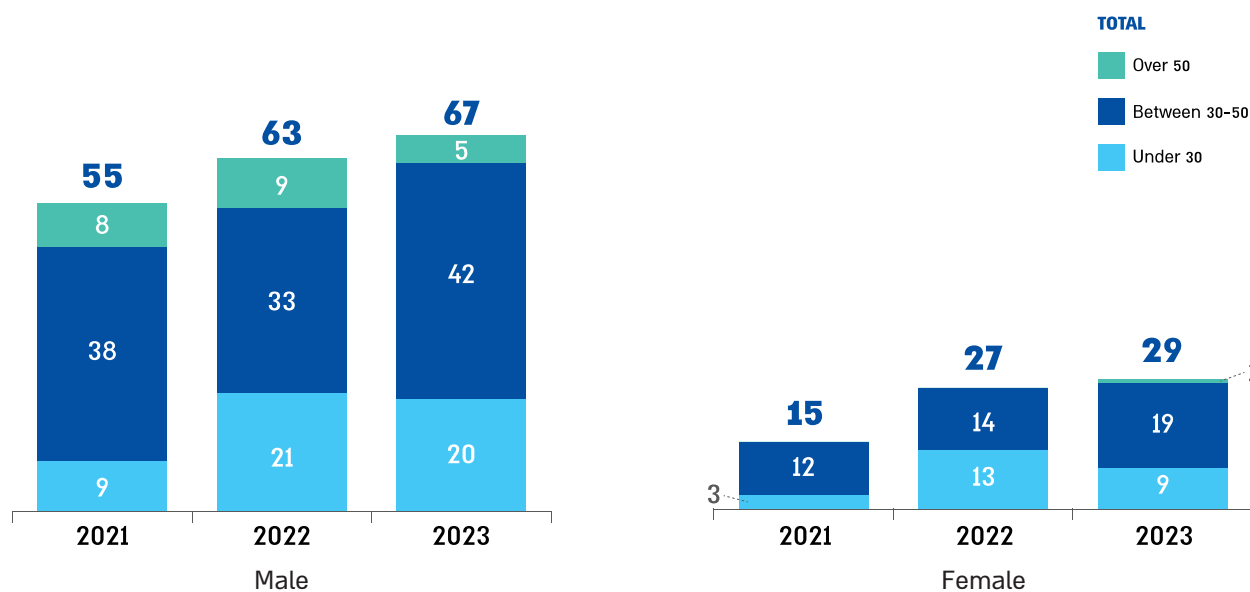
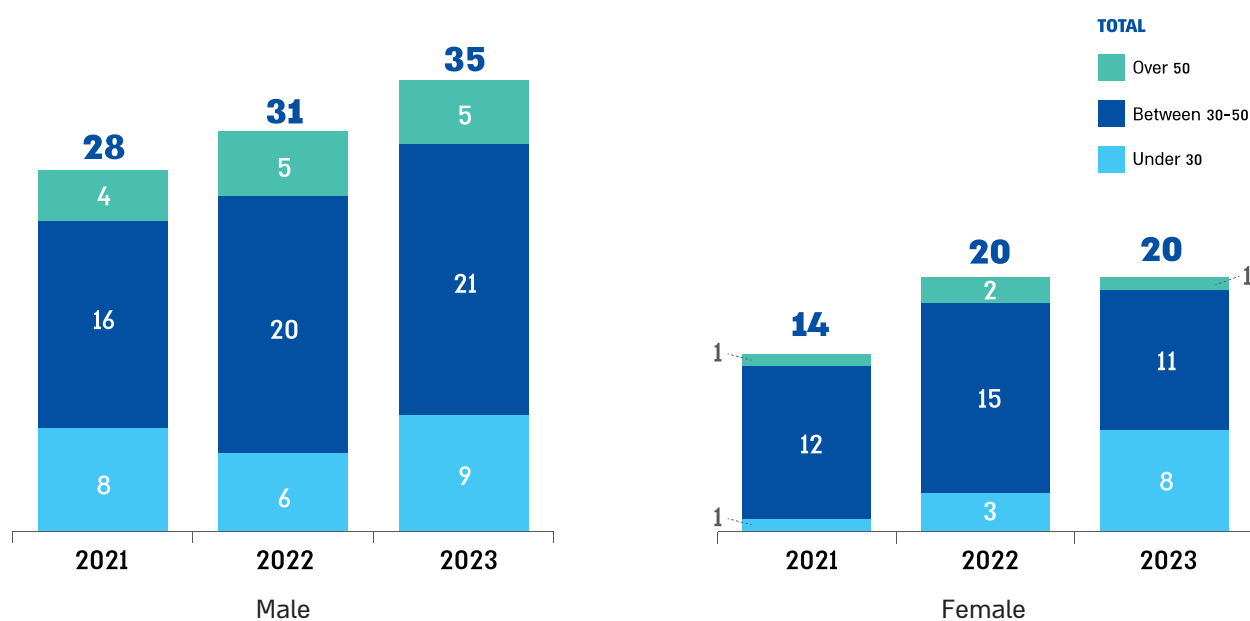
Geographical Distribution of Mekorot Employees



¹⁶ The employee headcount data is accurate as of December 31, 2023, based on Mekorot's internal information systems. Additionally, the data presentation for the years 2021-2022 has been updated to reflect the latest information.

Employee Turnover¹⁷

Employee Onboarding

Employee Departures¹⁸

¹⁷ The data for 2021-2022 has been optimized and refined. Employee turnover figures include temporary workers, whose employment with the company ends after a maximum of two years, except in rare cases where they transition to permanent positions.

¹⁸ Employee departure data includes only those who resigned or were terminated, excluding employees who retired.

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Employee Retention and Internal Communication

Mekorot views organizational culture and climate as a strategic cornerstone of its overall policy, with a direct impact on employee retention. The company's diverse activities are spread across several areas, including embedding organizational values, strengthening management levels, and developing processes and tools to enhance transparency and collaboration, with a particular focus on internal communication. Additionally, Mekorot invests in the personal and professional development of its employees, role empowerment, organizational structure alignment, and offering rewards and benefits.

Mekorot promotes multi-directional communication channels between various units. The company values mutual exchange and encourages dialogue among professionals, recognizing that system-wide thinking and inter-unit collaboration offer significant benefits to both employees and the organization. Open communication between the company's management, including the CEO, and employees is maintained through various channels such as "Coffee with the CEO", roundtable meetings, the "Forum 100", an internal communication app, employee experience initiatives, innovation platforms, and professional forums in multiple areas.



Feedback and Evaluation Processes

In 2023, Mekorot conducted an interface survey aimed at measuring the satisfaction and quality of service provided between department managers and the stakeholders they collaborate with or receive services from. The survey provided an up-to-date snapshot and helped identify potential areas for improvement in organizational interfaces, with the goal of streamlining work processes and strengthening internal collaboration.

Mekorot also offers an online platform that centralizes information and tools for employees, covering topics such as entitlements, employment data, a digital bidding box, forms, an employee service request box, FAQs, and a social newsletter. Additionally, the company maintains a dedicated email service box, serving as a central contact point for employees to receive official responses on various matters. This platform is designed to provide structured support, particularly in cases where employees are unsure where to direct their inquiries or requests.

Employee Welfare and Benefits

401-2

Mekorot is committed to providing its employees with optimal working conditions that allow a balance between personal and family needs and work requirements. In line with this commitment, the company offers a wide range of benefits and conditions, including flexible working hours, parent-friendly positions with adjusted hours, and the option to work from home, subject to management and regulatory approval. The recruitment and onboarding process is structured and regulated, providing personal guidance from recruitment through to retirement. This includes tailored onboarding processes, determining employment conditions, managing employee entitlements in line with the collective agreement, and promoting employees through grades and positions over time.

In addition, Mekorot provides vacation days beyond the legal requirement, subsidizes medical checkups and health insurance, and promotes a healthy lifestyle through initiatives such as Health Month and the distribution of supportive health messages. The company also supports employees and their families during life events and crises, assists employees in financial distress, and offers reimbursement for daycare and summer camp expenses. Mekorot further participates in academic tuition for eligible employees' children and organizes educational lectures and workshops for employees and their families.

As part of its commitment to employee welfare, Mekorot regularly holds events to celebrate key moments in employees' and their families' lives, such as starting first grade, Bar/Bat Mitzvahs, and recognizing outstanding employees. The company also organizes team-building days, new employee conferences, tenure conferences, and social gatherings, all aimed at fostering a strong sense of belonging among employees.

Retirement Preparation

As part of its commitment to fair employment and creating a safe and respectful work environment, Mekorot places emphasis on developing employees' knowledge and preparing them for retirement. One of the key initiatives is the "Retirement Seminar," which is typically held about six months prior to an employee's retirement. This seminar equips employees with tools to navigate the upcoming transition. In 2023, the seminar was postponed due to the "Swords of Iron" war.

Retiring employees have access to the following resources:

- Practical knowledge and information on all relevant aspects of life during retirement, including financial planning, social security entitlements, pension rights, taxation, and more.
- Leisure activities and additional initiatives for company retirees.

Mekorot ensures fair retirement conditions for all its employees, with retirement rights outlined in collective agreements. Most employees retire with pension benefits, either through early retirement programs or due to age, and are entitled to a benefits and grants package, in addition to the retirement preparation program described above.

Diverse, Equitable, and Respectful Employment

Mekorot is committed to ensuring equal opportunities and fairness in recruitment, selection, and promotion processes, and avoids discrimination based on religion, race, gender, or nationality. All employees are entitled to equal rights, and the company believes that a diverse workforce strengthens the organization and fosters an inclusive and positive work environment. As a government-owned company, Mekorot places a strong emphasis on promoting workforce diversity, with a focus on integrating underrepresented populations in the labor market.

Workforce diversity broadens the human capital potential, enables high-quality recruitment from all segments of the population, promotes innovation and creativity, and generates shared value for employees and the company. Mekorot has previously established a diversity action plan with employment diversity goals and is currently updating this plan, in part due to recent amendments to the law concerning the employment of individuals with disabilities. This initiative is managed by the Human Resources Division under the Vice President of the division, and regular reports are made to management and the board of directors.

Additionally, Mekorot maintains ongoing relationships with organizations and associations that specialize in the recruitment and placement of underemployed populations, including "Olim Beyahad", "Equal Opportunity", and "Riyan Employment Centers". The company continuously monitors regulatory updates on employment diversity to ensure compliance with legal requirements.



Employee Data from Underemployed Populations:

	2021			2022			2023		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Arab and Druze Population	22	7	29	24	6	30	21	8	29
Ultra-Orthodox Sector	4	2	6	4	4	8	5	3	8
Ethiopian Community	26	11	37	26	11	37	28	6	34
Employees with Disabilities ¹⁹	46	10	56	40	10	50	37	9	46
Total	98	30	128	94	31	125	91	26	117

¹⁹ Data related to employees with disabilities is based on the company's data collection systems and contain the levels of disability from mild to severe, according to internal-system classification.

Promoting Gender Equality

Mekorot is committed to fostering an inclusive and diverse workplace where every employee, regardless of gender, feels valued and respected. The company enforces a comprehensive gender equality policy, maintaining zero tolerance for gender-based discrimination or harassment. Mekorot provides equal opportunities for professional development and career advancement based on talent and merit, while ensuring that women's rights in the workplace are fully respected.

To promote gender equality, Mekorot sets measurable goals for the personal and professional growth of all employees. The company regularly holds lectures, events, and internal communications focused on empowering women, addressing topics such as gender equality, leadership, personal empowerment, and excellence. Additionally, Mekorot promotes awareness through lectures on early detection of breast cancer and recognizing signs of domestic violence.

As part of its commitment to gender equality, Mekorot operates an internal mentoring program, now in its second year, designed to provide practical tools for the personal and professional development of its female employees. In this program, senior female managers mentor participants, focusing on personal empowerment and career advancement. In 2023, 11 employees participated in the program, with several now progressing into middle management roles. As of the end of 2023, approximately 30% of the company's management positions are held by women.

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Gender Pay Equity

In accordance with the collective agreement, there is no distinction in compensation between men and women at Mekorot. Employees are hired and promoted solely based on their qualifications and the company's needs. A comprehensive internal review conducted in 2023 confirmed that there are no significant pay gaps between men and women in similar roles. Mekorot remains committed to continually monitoring gender pay equity, striving to maintain balance and equal opportunities, ensuring a fair and respectful work environment for all.

Prevention of Harassment and Bullying

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Mekorot takes any instance of harassment, discrimination, or mistreatment of its employees very seriously and ensures immediate action is taken in response to such cases. The company is committed to fostering a work environment free from violence and harassment, both physical and verbal, and provides comprehensive training and education to prevent these behaviors. Employees can file complaints related to harassment or bullying through a structured reporting mechanism, with a designated officer responsible for these issues. Upon receiving a complaint, the designated officer follows a formal process for handling complaints, with the support of legal experts in the field.

Employees have multiple channels for submitting complaints, including email, the employee portal, and a physical suggestion box that allows for anonymous submissions if desired. These complaints are handled by the company secretary and forwarded to the relevant authorities for further action as necessary.

- In 2023, one complaint regarding sexual harassment was filed, which led to a thorough investigation. A minor report was issued, and its recommendations were fully implemented.
- In 2023, four complaints were filed related to workplace bullying, resulting in comprehensive investigations. The findings from these reports were fully implemented.

Employee Training and Development

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Mekorot views its human capital as the key to its success and invests significantly in the development and training of its employees and managers. The company believes that a skilled and professional workforce is essential to achieving its goals and long-term prosperity. To this end, Mekorot has developed a comprehensive training program based on several parallel learning tracks: compliance with legal and regulatory requirements, professional development, managerial development, organizational and personal development, and the integration of digital transformation. The Human Resources Division leads these learning and development processes across the organization. After each training activity, the Organizational Development and Training Unit conducts anonymous feedback surveys to participants, aiming to draw lessons and improve future training programs.

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Mekorot's Employee Development and Training Initiatives:

- **Legal and Regulatory Training:** Every year, a detailed training plan is created to meet the requirements of various regulators, tailored specifically to the roles that require legal knowledge.
- **Managerial Development:** Mekorot has built a comprehensive training infrastructure, including basic and advanced managerial skills, integration meetings for graduates of the programs, and various managerial forums designed for different management levels within the organization.
- **Organizational and Personal Development:** The "Nachshon" program is designed for personal and professional empowerment of employees identified as having high potential to contribute to the organization. This program equips employees with tools to strengthen personal and professional skills. Each year, approximately 25 non-managerial employees participate. The program is seen as an opportunity to promote excellence, increase organizational engagement, and enhance employee performance while retaining and developing the company's human capital.
- **Support for Academic Education:** Mekorot encourages its employees to pursue further academic education and contributes to tuition expenses for eligible employees.
- **Digital Transformation Integration:** In collaboration with the Technology Division, Mekorot conducts training for relevant employees as part of the implementation of new information systems, applications, and updates to existing systems. These training sessions cover change management, learning business processes, system operation, and their implementation within the organization. Ongoing support is also provided to ensure the successful adoption of new systems by end-users.
- **Average training hours per employee in 2023:** 81 hours, compared to 74 hours in 2022.
- **Total training hours for 2023:** 124,297 hours²⁰.



²⁰ The total training hours refer to all Mekorot's training programs, which are divided into three categories: compliance with legal and regulatory requirements, professional development, and managerial-organizational development programs.

Mekorot's Commitment to the Community and the Environment

Community Engagement

Empowering the community is a core value of Mekorot and integral to its operations across all sectors. The company views the community as a key partner in promoting sustainability, recognizing the significant role the public plays in addressing environmental challenges. Mekorot's Customer Relations and Corporate Responsibility (ESG) Unit, along with the Human Resources Department, are jointly responsible for strengthening relationships with stakeholders by enhancing community engagement. The company aligns its social initiatives with its core activities, creating value for both the community and the environment, while fostering awareness of environmental issues, particularly in water management. Mekorot achieves this through its resources, partnerships with community stakeholders, and the implementation of long-term, annual, and ad-hoc projects.

Environmental Education

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Given the national challenges facing Israel's water sector, forward-thinking strategies, especially in education, are essential. Mekorot is actively involved in numerous initiatives aimed at raising awareness and understanding of environmental and water-related issues, collaborating with academic and community organizations. These initiatives include:

- **Educational Campaign during Shavuot:** Conducting awareness campaigns in schools and kindergartens about the importance of water conservation, timed to coincide with Shavuot, a holiday traditionally associated with water.
- **Professional Conferences:** Participation in local and international conferences to present the company's work in water resource management, sustainable development, and the latest advancements in water technology.
- **Social Media Awareness:** Mekorot operates professional pages on platforms such as Facebook, Instagram, LinkedIn, and X (formerly Twitter), aimed at raising public awareness about environmental and water-related topics.
- **Visitor Centers:** Mekorot's visitor centers serve as a key link to the public, showcasing its advanced operations. The largest center, located at the "Eshkol" site, has been operational since 2009. Additional centers are located at "Sapir" near the Sea of Galilee, "Einan" in the north, and others that are being reopened in the central and southern regions. The "Eshkol" center underwent extensive renovation in 2023 and will reopen in 2024, hosting approximately 20,000 visitors annually, including children, retirees, and families. Virtual tours on various water-related topics are also available online.
- **Promoting Academic Research:** Mekorot collaborates with research institutions and universities to advance academic studies in water management.
- **Collaboration with Educational Institutions:** The company partners with academic programs such as "ORT Braude," "Atidim for Infrastructure," and "Atidim for Industry," offering mentorship to students, with many programs focusing on

Israel's peripheral regions.

- **Partnership with Rishon LeZion Municipality:** In 2023, Mekorot partnered with the "Amit" school in Rishon LeZion to establish a water engineering program for students from grades 7 to 12, aimed at developing the next generation of water engineers in Israel. The curriculum focuses on the national water sector, the climate crisis, and sustainable solutions to global warming, while emphasizing the role of water in both human and natural ecosystems.
- **Ecoteam Project:** As part of a European knowledge-sharing initiative, Mekorot participated in developing methodologies for sustainability education. In 2023, Mekorot led a mentoring program for 9th-grade students at Holtz Technological High School, guiding them through practical water-related projects and challenges. The students presented their solutions at a company hackathon and participated in company-led innovation events. Mekorot will continue mentoring students through this initiative in the coming years.
- **Student Scholarships:** The company provides scholarships to outstanding students in the field of engineering at the Technion and Ariel University.
- **Internal Awareness Campaigns:** Mekorot raises awareness among employees through webinars, internal communications, e-learning, lectures, and training videos. The company shares relevant environmental and water-related information and invites employees to participate in events and conferences based on their professional roles.

Employee Volunteering

In 2023, Mekorot employees participated in a range of social activities, including education in peripheral regions and academia, assisting those in need, and more. Following the outbreak of the "Swords of Iron" conflict, many employees mobilized to volunteer, primarily supporting agricultural efforts and preparing food for soldiers. As a government-owned company, Mekorot is restricted from providing financial donations or equivalent contributions and cannot finance employee volunteering during work hours. However, the company actively promotes community involvement through structured programs and encourages employee-driven initiatives.

- Total volunteer hours by Mekorot employees in 2023: **12,606** hours.
- Total reserve duty volunteer hours in 2023: **1,920** hours.
- Regular volunteers²¹: **1.86%** of Mekorot employees, with an average of **190** hours per volunteer.
- One-time volunteers: **30.61%** of Mekorot employees, with an average of **11** hours per volunteer.



²¹ The reported figure does not account for volunteer hours dedicated to military reserve duty.

Occupational Health and Safety

Mekorot is committed to ensuring the safety and health of its employees, suppliers, contractors, customers, and the community, adhering to strict safety protocols. The company's Occupational Safety and Health policy, which emphasizes both physical and mental well-being, is an integral part of its overall strategy. The Vice President of the Operations and Maintenance Division is responsible for managing safety across the company, supported by a dedicated Safety and Health Unit. This unit includes the unit's director, a national safety officer, a headquarters safety officer, a national safety engineer, four regional safety officers, two safety engineers, and a safety officer for development projects. Their role is to advise and assist management in all matters related to safety, hygiene, and occupational health.

Promoting Occupational Safety and Health

Mekorot has established joint Safety and Health Committees composed of both management and employee representatives, with equal representation from both groups. These committees are organized geographically by operational regions, and there is also a national committee that centralizes safety matters at the country-wide level.

Mekorot conducts internal and external safety audits to maintain and renew certifications, including ISO 45001 for Occupational Health and Safety, ISO 14001 for Environmental Protection, and ISO 9001 for Quality. Based on audit findings, Mekorot implements corrective actions and updates its operational procedures as necessary. The company's safety policy and guidelines have been communicated across the organization and are made publicly available on Mekorot's website to ensure transparency²².

Mekorot's safety strategy is built on four core components:



Continued Improvement



Proactivity



Accountability



Professionalism

To ensure that all company employees are informed of safety policy updates, Mekorot provides comprehensive safety training to each new employee. Policy changes are communicated via bulletin boards in the operational regions as required. Additionally, field employees undergo an annual eight-hour basic safety training, along with specialized training tailored to their specific roles.

Mekorot prioritizes the health and safety of its workforce by conducting regular medical screenings and monitoring in high-risk roles. The company also provides protective equipment that meets rigorous safety standards to mitigate potential risks in work processes.

As part of its ongoing commitment to fostering a strong safety culture, Mekorot tracks measurable targets related to workplace accidents and hazardous incidents. A comprehensive occupational health and safety risk assessment is conducted every five years, covering areas such as exposure to hazardous substances, noise, working at heights, and electrical hazards. To enhance safety awareness, Mekorot implements initiatives including the establishment of safety stewards, enforcement audits, training for both employees and contractors, detailed investigations and reporting of safety incidents, a monthly safety report, and management-level oversight. Mekorot also actively promotes safety through an enforcement program, encourages leadership involvement in safety practices, and recognizes outstanding safety performance with employee awards.

²² For detailed information and further insights, please refer to [Mekorot's Safety Policy](#) (HEB).

Traffic Safety

Given the extensive geographical distribution of Mekorot’s sites across the country and the necessity for frequent travel between facilities and infrastructure, traffic safety is of paramount importance. To ensure the safety of employees, the company implements several measures, including the publication of a quarterly report on road safety for all employees, regular monitoring and maintenance of vehicles at authorized service centers using original spare parts as per manufacturer guidelines, and specialized training for all company drivers, trailer operators, and forklift drivers.

Additionally, Mekorot conducts vehicle safety inspections, as well as checks on engineering equipment and trailers by regional safety officers, with random inspections conducted by the national transportation safety supervisor. The company also holds committees to investigate serious traffic accidents and derive lessons learned. Furthermore, Mekorot provides safety training for the families of employees who use leased or company vehicles to ensure the safety of all users.

Breakdown of Accident Data²³

	2021	2022	2023
Workplace Accidents ²⁴	24	26	28
Near-miss Incidents ²⁵	46	40	73
Hazardous Incidents ²⁶	43	45	44
Work Accident Frequency ²⁷	0.94	1.05	1.13
Days of absence due to workplace accidents	569	359	337
Total days of absence from all accidents	874	790	745

Employee Health and Well-being

Mekorot prioritizes the promotion of a healthy lifestyle for its employees, adopting a comprehensive approach that encompasses both mental and physical health. In alignment with this commitment, Mekorot offers psychological and social support services through an external provider, including a 24/7 telephone counseling hotline and subsidized personal consultations.

The company’s Human Resources department regularly communicates with all employees to ensure they are informed about the availability of these services. Furthermore, Mekorot organizes social events designed to strengthen the physical, mental, and social resilience of its employees, thereby enhancing their overall well-being.

This holistic focus on employee health underscores Mekorot’s commitment to fostering a supportive and healthy work environment for all members of its workforce.



²³ All data presented are the most up-to-date figures from Mekorot’s safety system, accurate as of August 5, 2024. It should be noted that these figures may change over time for various reasons, including the recognition or non-recognition of accidents as work-related by the National Insurance Institute, among others.

²⁴ Incident where an employee was injured, sought medical treatment at a clinic, and was granted at least one sick day due to the injury.

²⁵ Incident where an employee was injured, sought medical treatment at a clinic, but was not granted any sick days.

²⁶ Incident where an employee was injured but did not seek medical treatment at a clinic.

²⁷ Work accident frequency rate normalized to 100,000 employees.

Customer Service

Mekorot consistently adapts to changing market dynamics, where service quality across both private and public sectors is advancing, and customer expectations for professionalism, promptness, and efficiency continue to rise. In 2023, the company placed a strategic focus on enhancing customer relationship management and deepening the value of dialogue with its clients.

Mekorot embarked on a detailed mapping and analysis process, integrating focus groups, customer satisfaction surveys, internal stakeholder meetings, and other feedback mechanisms. This process aimed to assess multiple dimensions of client interaction, including communication quality with the Customer Relations Department, the classification of inquiries received, and a thorough evaluation of service professionalism, responsiveness, and accessibility.



Customer-Focused Management Policy

In 2023, Mekorot's management approved a customer-focused management policy. This policy was developed following a comprehensive mapping and analysis process that examined the current state of dialogue with customers. Its primary objective is to maintain business relevance while enhancing customer service and strengthening relationships with clients.

The policy is founded on several key principles:

- **Expansion of Service Management Approach:** Ensures consistency and transparency in handling customer inquiries across the company, including clear processes for documentation and escalation.
- **Clear Definition of Responsibilities and Authorities in Handling Inquiries:** Prevents duplication of efforts and helps customers understand whom to contact in any given situation.
- **Customer Segmentation-Based Management:** Allows for personalized service tailored to the specific needs of each customer.
- **Documentation of Customer Interactions:** Ensures comprehensive and efficient tracking of all inquiries and issues.
- **Expansion of Communication Channels:** Offers customers a broader range of convenient options to get in touch.
- **Adoption of Advanced Customer Management Technologies:** Enhances the efficiency and speed of addressing customer inquiries.

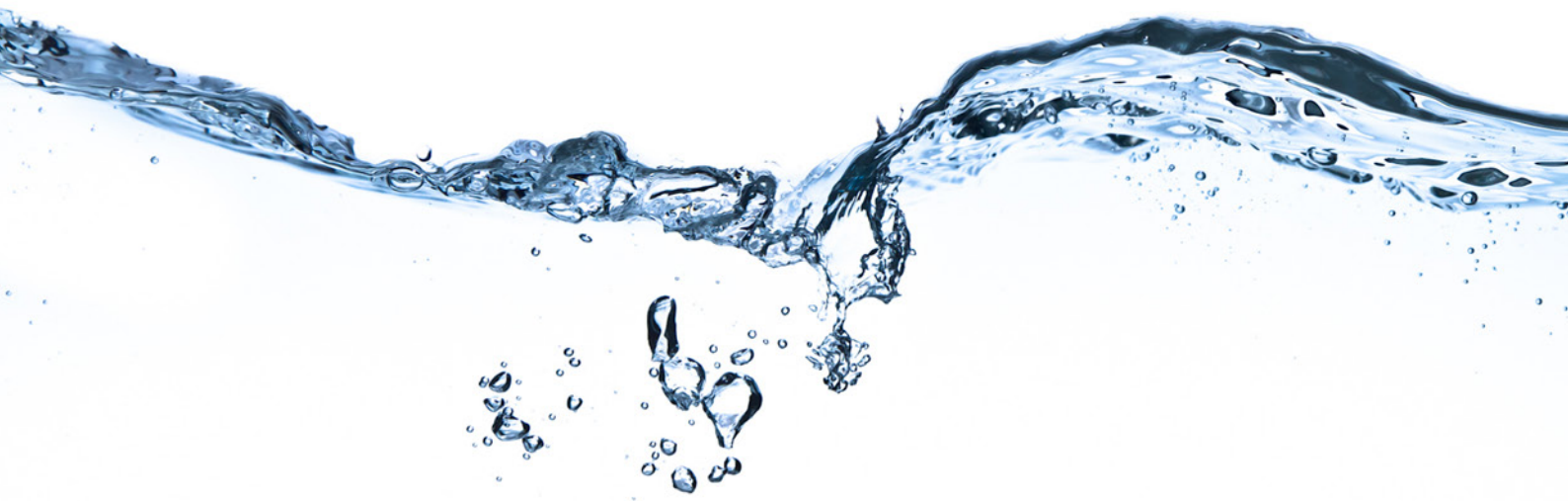
The implementation of this policy is expected to improve the speed and accuracy of customer responses, contributing to an enhanced service experience, stronger customer relationships, and increased transparency. Throughout 2023-2024, Mekorot will continue embedding this policy into its operations by developing structured methods for its application, streamlining processes, and updating procedures accordingly.

Customer Management at Mekorot

In 2023, Mekorot completed the specification phase for a Customer Relationship Management (CRM) system and the development of a customer portal. The CRM system will enable the company to manage its customer interactions efficiently and with measurable outcomes. The system will be implemented in phases and will include various components aimed at optimizing customer management across the organization.

Additionally, the portal will provide customers with access to a personal area where they can view relevant data and perform actions independently, enhancing both service efficiency and customer experience.

Governance

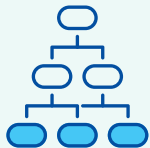


Governance

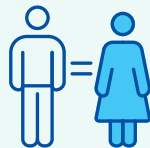
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405-1

Proper governance is a fundamental principle within Mekorot's organizational culture and an essential condition across all areas of its operations. It functions not only as a tool for risk management but also as a key mechanism for achieving the company's strategic objectives and enhancing organizational efficiency. As a government-owned company operating under the oversight of the Ministry of Energy and Water, the Ministry of Finance, and the Governmental Authority for Water and Sewage, Mekorot is committed to adhering to the laws and regulations applicable to government companies in Israel, while maintaining transparency, accountability, and integrity in all its activities.

Mekorot's Board of Directors



7 board members²⁸



3 women on the board



37 meetings of 7 board committees in 2023

Board Structure

Mekorot maintains a clear separation between the roles and responsibilities of the Chairman of the Board and the CEO, as well as between the board and the company's executive officers. As a government-owned company, the process of appointing board members is the responsibility of the overseeing ministers, with Mekorot not involved in the selection process. Additionally, the Government Companies Authority has established an equal-opportunity board candidate pool, open to individuals who meet the predefined qualifications and criteria.

The company ensures that the appointed directors possess the necessary skills, experience, and diversity to meet the company's needs, with a focus on qualifications, relevant experience, and workforce diversity in terms of religion and gender.

Board Committees

- **Audit Committee** – This committee reviews the company's audit reports on an ongoing basis. Its duties include approving the annual audit plan, approving transactions with interested parties, overseeing agreements between the company and directors regarding their terms of office (including exemptions, insurance, indemnification commitments, or indemnification according to authorization), and reviewing the company's agreements with directors regarding employment in other roles. It also decides on the procedure for evaluating the quality of the internal audit (external process) and approves the termination of the internal auditor's position. Audit Scope for 2023: 26,271 hours, with 64.7% allocated to internal audits and 35.3% to external audits.
- **Finance and Risk Management Committee²⁹** – This committee discusses financial matters and monitors the company's budget, debt write-offs, credit policies, and fundraising. It also oversees the company's risk management activities.
- **Human Resources Committee** – This committee handles compensation, benefits, bonuses, and other work conditions for the CEO, deputy and assistant general managers, unit managers, CFO, internal auditor, company secretary, and other officials as determined by ministers in consultation with the authorities. It also oversees the terms for the rest of the company's employees.
- **Planning, Development, and Operations Committee** – This committee tracks the company's development plan and monitors the status of projects. It also oversees the company's assets and discusses topics related to planning and operations.
- **Balance Committee** – Serving as a subcommittee of the board, this committee examines the financial statements and provides recommendations for the board's approval. This committee is separate from the Audit Committee.
- **Compensation Committee** – This committee reviews salaries, benefits, bonuses, and other compensations for senior officials in the company, in line with the company's approved compensation policy. Its recommendations are submitted to the board for approval.
- **Technology Committee** – This committee handles all technological issues within the company. It also reviews investments in technology ventures, including startups, and monitors the progress of technological developments and systems implemented in the company.

²⁸ As of December 31, 2023.

²⁹ The Advisory Committee provides recommendations to the Board of Directors with the goal of optimizing board discussions and conducting in-depth reviews on required qualifications and experience for recruitment, as well as employment diversity. The committee's conclusions or recommendations are presented to the board for approval.

Board Composition³⁰

The composition of Mekorot's Board of Directors reflects a professional and structured approach to governance, ensuring adherence to legal and regulatory standards. The Board, led by the Chairman, is responsible for setting strategic guidelines, providing oversight, and ensuring that the company's policies are implemented effectively. Operational leadership is provided by the CEO, while the selection and appointment of board members is managed by the responsible ministers – the Minister of Finance and the Minister of Energy and Water – through the Government Companies Authority.

In accordance with the Government Companies Law, the selection process requires candidates to meet specific legal and professional criteria, ensuring that only qualified individuals from the director pool, maintained by the Government Companies Authority, are considered. These appointments must align with the company's strategic needs, requiring expertise in finance and infrastructure management. Furthermore, each candidate undergoes a rigorous vetting process by the Appointment Review Committee, which evaluates their qualifications, experience, and political neutrality.

Mekorot's director onboarding process follows a structured approach as per guidelines from the Government Companies Authority. This process ensures that newly appointed board members quickly gain a comprehensive understanding of the company's operations. The company provides each new director with a detailed orientation program, including meetings with key stakeholders and a director's handbook that contains essential company information. This ensures a seamless transition into their governance roles. The board also assigns directors to committees based on their specific skills and the needs of each committee.

As of December 31, 2023, the Board of Directors comprises seven members, including three women. One member is an external director as stipulated by the Government Companies Law, and two members possess significant financial and accounting expertise. Additionally, three directors serve as independent directors, ensuring balanced and objective governance:



Full Name	Position	Committees
Yitzhak Aharonovich	Chairman of the Board	Finance and Risk Management Committee, Planning, Development, and Operations Committee, Technology Committee, Human Resources Committee
Dalia Ochayon-Wiesel	Director	Planning, Development, and Operations Committee, Technology Committee
Naomi Enoch	External and Independent Director	Chair of the Audit Committee, Chair of the Balance Sheet Committee, Chair of the Remuneration Committee, Planning, Development, and Operations Committee, Technology Committee, Finance and Risk Management Committee
Nitzan Ben Mocha	Director	-
Ronit Lerner	External and Independent Director	Remuneration Committee, Audit Committee, Balance Sheet Committee, Planning, Development, and Operations Committee, Technology Committee
Yoram Mottai	External and Independent Director	Chair of the Finance and Risk Management Committee, Planning, Development, and Operations Committee, Technology Committee, Compensation Committee, and Balance Committee
Dr. Haim Perluk	Director	Audit Committee, Finance and Risk Management Committee, Planning, Development, and Operations Committee, Technology Committee



³⁰ On March 17, 2024, Mr. Atalla Sabag's tenure as a director of the company concluded.

2-18	Compensation Policy
2-19	As a government-owned company, Mekorot operates in accordance with governmental laws and regulations regarding the remuneration and employment conditions of CEOs and senior executives. The company's remuneration policy is determined by the provisions of the Companies Law and the Companies Regulations (2013) to ensure that executive compensation aligns with the company's performance and strategic goals. The policy aims to reward executives in line with the company's objectives, placing an emphasis on retaining high-quality employees, fostering excellence, and addressing challenges.
2-20	In 2020, an updated remuneration policy regarding the terms of service and employment for executives was developed. However, as of the publication of this report, the general assembly has yet to approve the policy.
	In general, the employment contracts for senior executives in government companies are governed by a uniform contract template. Regarding senior executive compensation, the Ministers' Committee on salaries determined that senior employees would be employed on contractual terms, as determined in coordination with the Government Companies Authority. This policy regulates the possibility of claw-back compensation under certain conditions. It should be noted that some executives in Mekorot are employed under collective agreements.
	The remuneration policy applies to executives employed under personal employment agreements, except where specified otherwise in the policy. It is also applicable to certain executives under collective agreements, as detailed in specific clauses. As part of the policy, a remuneration model, anchored in the Government Companies Authority circular on principles for senior employee remuneration and incentive models in government companies, has been in place since 2015. This model, approved annually by the board, is based on both company performance and individual performance metrics. Retirement and severance arrangements are regulated according to legal provisions.

2-21	Wage and Compensation Disparities for Board Members
	In 2023, the compensation ratio between Mekorot's highest-paid executive, the COO and Deputy CEO, and the median employee compensation (excluding the COO and Deputy CEO) was 2.88. Compensation for board members is provided in accordance with the Government Companies Regulations (Compensation and Expenses for a Public Director in Government Companies), 1994.

	ESG aspects within the Management and the Board	2-12
	ESG matters are under the management of the Customer Relations and Corporate Responsibility Unit (ESG), which operates under the Vice President of Development and Customers. The head of the unit reports annually to senior management on the unit's activities. The Board of Directors addresses environmental and social matters as part of its routine work and in relation to the company's annual goals. Exceptional events, including those related to environmental impacts, safety issues, and other significant incidents, are reported directly to the Board.	2-13
	In addition, the Board addresses various ESG-related processes through its committees, such as the approval of the ESG report, Annual updates to the ethical code, energy efficiency initiatives, climate change preparedness, emergency water supply planning, public engagement procedures, and community relations policies.	2-14
	In 2023, the Board approved Mekorot's strategic plan and ESG targets.	2-17

	Mechanisms for Communicating with the Board of Directors	2-26
	Mechanisms for submitting feedback and recommendations to the Board of Directors are governed by regulatory laws established by the Government Companies Authority. As the sole shareholder of Mekorot is the state, control over the company is exercised through the appointment of board members by the relevant ministers. Employees have the option to submit their inquiries or feedback to the Board via the company secretary or directly to the Chairman of the Board. Mekorot's management, having largely developed internally within the company, actively encourages open communication and employee engagement.	

	Communicating Critical Concerns to the Board of Directors and the Public	2-16
	To address critical concerns regarding the potential and negative impacts of the company's operations on stakeholders, Mekorot employs a multi-layered approach. A dedicated Risk Management Committee within the Board of Directors (Finance and Risk Management Committee) convenes quarterly to present significant and critical risks facing the company to the board members. Major events are reported transparently and promptly to the public via the Tel Aviv Stock Exchange's MAYA system. During the reporting period, Mekorot informed the public about several key events through this system, ensuring full transparency with stakeholders.	
	Additionally, the company emphasizes the importance of immediate reporting in cases where there is a concern regarding corporate governance issues, such as suspected fraud, theft, or non-compliance with laws and regulations. In any situation where there is uncertainty regarding the completeness and accuracy of the information being conveyed within the company, employees are required to report to their supervisors and responsible parties.	

Business Strategy and Operational Resilience

2-24
3-3

Mekorot's business strategy has been based on regulatory principles established by the Israeli Water Authority since 2011, under the Water Law. These regulations replaced the previous contractual framework and are classified as secondary legislation. Since 2008, Mekorot's budget has not relied on state funding to cover the differences between its recognized costs and revenues. Instead, any surplus or deficit is reflected in water tariffs, ensuring that all recognized costs are covered through revenue from water sales, maintaining a "closed water economy."

As a result, Mekorot operates independently of state funding and finances its activities through its own resources and bond issues. Until 2019, these issues were conducted in the institutional market, including foreign capital raising. Since Mekorot became a publicly reporting company on the Tel Aviv Stock Exchange in 2019, it has also raised capital from the general public, continuously working to maintain and strengthen its financial resilience.

Given Mekorot's status as a publicly reporting company issuing bonds, the company and its employees are required to comply with securities law. Accordingly, Mekorot has implemented a compliance program for securities to ensure adherence to legal provisions, identify and prevent potential violations, and promote sound compliance practices across all levels of the organization.

201-1 Financial Performance

(Thousands NIS)	2021	2022	2023
Revenue	5,104,202	4,980,113	5,245,094
Cost of Sales and Operations	4,036,073	4,303,122	4,910,460
Additional Expenses*	151,636	184,195	189,134
Net Financing Expenses	288,627	524,276	388,853
Income Tax ³¹	(44,290)	1,662	138,617
Total Economic Value Distributed	4,432,046	5,013,255	5,627,064
Total Economic Value Retained by the Company	672,156	(33,142)	(381,970)

*Includes General Administration, Early Retirement Program, and Other Net Income/Expenses. For more information on Mekorot's financial performance, see the 2023 Annual report.

Mekorot demonstrates financial stability with an annual revenue cycle of approximately NIS 5 billion, an equity of about NIS 5 billion, and total assets valued at approximately NIS 21 billion. Mekorot's responsible financial management and maintenance of sound financial ratios have earned it the highest credit rating of iLAAA by the credit rating agency Ma'alot since 2003. This financial strength enables the company to double its development efforts in the coming years, reinforcing the water sector against prolonged drought periods.



³¹ A negative figure under income taxes reflects tax refunds received by the company.

Business Continuity

In 2023, amid the complex security situation during the "Swords of Iron" War, Mekorot continued its unwavering efforts to maintain operational continuity and business resilience. The company is well-prepared to respond to emergencies, with a focus on addressing the security challenges arising from the conflict, as well as other threats, to ensure the safe and continuous supply of water to all residents of Israel.

The company's management conducts regular situation assessments and operates based on four core objectives: maintaining functional continuity and business resilience, ensuring the health and safety of its employees, preserving organizational strength through job security and employee welfare, and continuing the execution of the development plan. In 2023, Mekorot completed the drafting of its business continuity and operational resilience procedures, which are now being implemented to ensure the highest level of preparedness for various emergency scenarios.

Looking ahead, Mekorot is actively preparing for changes and opportunities in the "Post Swords of Iron War" era, with a focus on the development of the water sector, water and wastewater supply, security and emergency management, renewable energy, and external stakeholder engagement opportunities.

Quality Management at Mekorot

Mekorot's approach to quality management focuses on understanding and optimizing organizational processes based on necessary inputs and requirements. The company has established a dedicated Quality Management Unit within the Engineering Division, tasked with designing, developing, and implementing methodologies to ensure and control quality across the organization. The unit's responsibilities include continuously improving processes, validating needs and interfaces, and integrating quality methodologies throughout the company's various processes and departments.

In 2023, Mekorot established an executive committee for quality standards, composed of representatives from all operational areas of the company. The committee's role is to review, audit, and validate all ISO standards procedures in line with the organizational strategy. Managed by the Quality Management Unit and led by the VP of Engineering, the committee convenes monthly to discuss and approve procedures submitted for review.

Throughout 2023, Mekorot continued to build on its quality achievements with a program aimed at setting long-term goals to guide the company's future activities in the quality domain:

Area	Objectives	Achievements in 2023
Mekorot's Quality Policy	<ul style="list-style-type: none"> ■ Formulation and implementation of quality policies, procedures, and specifications 	<ul style="list-style-type: none"> ■ Implementation of company policies and procedures to ensure and control quality, improving execution processes ■ Establishment and management of metrics for quality requirements in different areas
Quality in Organizational Culture	<ul style="list-style-type: none"> ■ Embedding the concept of quality throughout Mekorot ■ Identifying and managing quality gaps ■ Strengthening interfaces between the Quality Management Unit and all company divisions 	<ul style="list-style-type: none"> ■ Support and expansion of quality management in Design & Build construction projects ■ Execution of a pilot project for quantifying the costs of non-quality in ongoing projects and standardization across the organization
Innovation and Technology in Quality Management	<ul style="list-style-type: none"> ■ Promoting innovation and technological tools for optimal quality management 	<ul style="list-style-type: none"> ■ Advancement of the computerized QMS (Quality Management System), creating a central platform for managing and analyzing collected data
ISO Standards Implementation	<ul style="list-style-type: none"> ■ Implementing all relevant ISO standards at Mekorot, led by the Quality Management Unit 	<ul style="list-style-type: none"> ■ Oversight and execution of ISO certifications across the organization by SII (Standards Institution of Israel), including internal and external audits at all nationwide sites

ISO Certification at Mekorot

ISO Number	Area	Certification Status
9001	Quality Management	Certified company-wide in 2023.
14001	Environmental Management	Certified company-wide in 2023.
17025:2017	Laboratory Accreditation	Certified across all laboratories since 2006.
24001	Operational Resilience Management	Certification to be obtained company-wide in 2024.
27001	Information Security Management	Certified in the Information Systems Unit since 2021.
45001	Occupational Health and Safety Management	Certified company-wide in 2023.
50001	Energy Management	Certification to be obtained company-wide in 2024.

In 2023, Mekorot successfully completed all necessary adjustments, audits, preparations, and addressed non-compliance issues to achieve certification for ISO 24001 (Operational Resilience) and ISO 50001 (Energy Management), which are scheduled for 2024. Additionally, the Quality Team continued to oversee five development projects executed in the Design & Build (DB) format, incorporating advanced methodologies for quality assurance and control. In projects where Mekorot mandates the use of quality assurance processes, the contractor is required to hire an external quality control firm. In other cases, Mekorot assumes responsibility for the contractor's quality control.

The company will aim to expand the number of projects in which quality methodologies are integrated, as their inclusion ensures continuous, technological, and transparent oversight by the quality management system throughout all stages of execution. This approach is designed to ensure that both the process and its outcomes meet all defined requirements and specifications.



Mekorot Contributes to Geopolitical Relations and Israel's International Development

Israel's geographic location, combined with climate change and geopolitical complexities, necessitates Mekorot's continuous development of diverse and innovative solutions. The company focuses on two central areas: providing reliable, safe water supply and advancing groundbreaking knowledge and technology. Mekorot plays a key role in supporting Israel's governmental objectives in the region, establishing and maintaining long-term international partnerships, and leveraging these relationships to strengthen Israel's global standing in the water sector.

Regional Collaborations

As part of peace agreements signed by the Israeli government, Mekorot supplies water to Israel's neighboring entities – Jordan and the Palestinian Authority:

- Kingdom of Jordan: Under the peace agreement between Israel and Jordan, a water allocation arrangement was established. In accordance with this agreement, Mekorot provided approximately 107 million cubic meters (MCM) of water to Jordan in 2023, compared to 105 MCM in 2022.
- Palestinian Authority and Gaza Strip: Mekorot supplies water to the Palestinian Authority under a water cost agreement and to the Gaza Strip as per the 2017 agreement with the Palestinian Authority. In 2023, the total volume of water supplied to the Palestinian Authority and Gaza amounted to approximately 98.6 MCM, compared to 99 MCM in 2022.



International Collaborations

Mekorot engages in business relationships with governments worldwide and various private entities, offering its expertise to address global water challenges. With its technological leadership and proven development capabilities, supported by the Israeli government, Mekorot leads international collaborations and provides assistance to local water industries globally.

As part of Mekorot's international collaborations, significant progress was made in several projects throughout 2023:

- Punjab, India: At the beginning of 2023, Mekorot successfully completed a consultancy and master plan project for the local water sector on behalf of the government. The project aimed to halt the depletion of groundwater and present a sustainable long-term water management plan through 2050.
- Bahrain: In early 2023, Mekorot completed a consultancy project in Bahrain, providing advisory services for desalination plants, automated control systems, and technological upgrades.
- Azerbaijan: Throughout 2023, Mekorot continued its efforts in designing the water management system for agriculture in Azerbaijan and assisted the national water agency in addressing climate change and food security challenges. Additionally, Mekorot won a tender in 2023 to advise Azerbaijan's water agency on the construction of the country's first large-scale desalination plant, with a capacity of 100 million cubic meters per year.
- Uruguay: Mekorot is advising the national water company and the government of Uruguay on project prioritization, operational efficiency, and planning. The scope of the consultancy is expected to expand in the coming years.
- Argentina: In February 2023, agreements were signed to implement master plans in three provinces of Argentina—Río Negro, Catamarca, and La Rioja. In addition to the master plans, Mekorot will provide consultancy services to the provinces of Santa Cruz and Formosa, similar to the advisory work being carried out in Uruguay.

Risk Management

Mekorot implements an integrated and comprehensive risk management mechanism, recognizing that risk management is a key tool for supporting decision-making processes and resource prioritization. The objective of this mechanism is to incorporate risk management as an integral part of the company's overall strategy and business operations. The organizational structure of Mekorot's risk management system is led by the Board of Directors' Risk Management Committee, followed by the Senior Management Risk Committee, and ultimately overseen by the Head of the Risk Management Unit, who is also an executive board member. This structure includes departments responsible for operational risk management, financial control and SOX compliance, project risk management, and corporate risk management, ensuring proximity to the company's day-to-day operations and enabling prompt and accurate decision-making.

Senior management's activities across strategic, operational, financial, environmental, and social aspects are reviewed annually as part of the company's comprehensive risk identification and management process. Mekorot has integrated corporate risk management by holding regular risk committee meetings led by the Chief Risk Officer, the CEO, and the Board of Directors. This process aligns the company with regulatory compliance, ensuring adherence to requirements such as the Companies Law and the Securities Law, thereby reducing potential risks for the company, its managers, and employees. Additionally, quarterly discussions on financial risks take place within the Finance Committee, which functions as the Board's Risk Management Committee.

Environmental risk is considered a corporate risk, and the company conducts environmental risk management procedures to identify and assess key risks that could impact the company's operations. This evaluation serves as a decision-making tool aimed at mitigating risks, enhancing performance, and seizing opportunities that generate mutual value for the company and its stakeholders.

Water Supply During Crises

As the national water infrastructure company, Mekorot is committed to maintaining a high level of preparedness to handle any emergency situation in Israel. The company has an established management framework supported by dedicated protocols for managing water crises caused by various risks. During emergencies, Mekorot serves as the operational arm of the Government Water and Sewerage Authority, ensuring a steady water supply to all consumers, including essential industries and the agricultural sector. To fulfill this commitment, Mekorot operates a Security and Emergency Unit, which functions as the core management team for crisis response. The company follows defined procedures and makes necessary adjustments to ensure continuous water supply, water security, and quality, while maintaining communication and regular operations according to regulatory guidelines. Mekorot operates on three main fronts: connecting consumers to an additional water system, reducing areas reliant on a single water source, and connecting more regions to the national system. The company also prepares for water surplus utilization and backup supply during crises, including advanced preparations for potential load reductions in the national power grid, which could disrupt desalination facilities.



Information Security

Mekorot, as a critical infrastructure company, operates nationwide information, control, and monitoring systems at its facilities and control centers, along with management information systems that support its ongoing operations and strategic objectives. These systems pose potential security risks, and any breaches in information security could disrupt the company's regular operations. To mitigate the increasing threats over recent years, Mekorot consistently invests in enhancing its cybersecurity measures and information protection.

In alignment with its Information Security Policy, Mekorot allocates substantial resources to backup mechanisms, strengthening the security of critical networks, and electronic and physical safeguarding of its sites. The company operates backup and alternative communication systems (DRP) to ensure operational continuity during disruptions. No significant cybersecurity or information security incidents occurred in 2023.

During 2023, Mekorot undertook various cybersecurity initiatives. Employee awareness of cyber risks was heightened through learning modules, trainings, seminars, executive drills, monthly phishing exercises, security bulletins, and automated cybersecurity alerts. Mekorot has also instituted multiple information security protocols available on the company's internal portal, along with internally managed procedures overseen by senior management. All employees participated in annual cybersecurity training in 2023. The company enforced a stringent password and access policy and updated its legacy systems in accordance with current needs and national cybersecurity guidelines.

Furthermore, Mekorot installed advanced technological tools and information security systems to enhance detection, identification, and prevention of cyberattacks, while also expanding its monitoring capabilities by establishing a national cybersecurity center for monitoring and managing cyber events across its networks. The company is in the process of expanding its 24/7 monitoring and control operations to always maintain a high level of security.

Mekorot conducts annual internal and external cybersecurity audits. Penetration tests are performed by external companies across all departments. At the end of 2023, an external auditor completed a cybersecurity risk and threat survey, which provided the foundation for the company's 2024 cybersecurity action plan. Subject to regulatory approval, Mekorot plans to invest in cybersecurity development and implement a comprehensive information security program with an annual budget of 10 million NIS over the next five years.

In 2023, Mekorot successfully completed the certification audit for ISO 27001 Information Security and Cybersecurity. Additionally, in January 2024, following a postponement due to the "Operation Swords of Iron" conflict, the company successfully conducted a comprehensive executive cybersecurity drill. Mekorot is also in the process of implementing a company-wide regulation on managing cybersecurity risks in its supply chain, which will continue through 2024.



Technological Innovation and Leadership

Throughout its decades of operation, Mekorot has accumulated extensive knowledge, experience, and capabilities in the water industry, positioning itself at the forefront of the global water sector. Today, the company focuses on developing advanced water technologies in four main areas: investments in start-ups, business partnerships, applied research, and the development of patents and internal innovation.

Innovation is a key element across all aspects of Mekorot's operations, recognizing that advanced water resource management requires the adoption of cutting-edge technologies, such as predictive supply systems, smart control centers, big data analytics, and cybersecurity. The company's innovation efforts are primarily directed at addressing the expanding needs of the water sector, driven by the natural growth of the population. These trends are expected to lead to water shortages, and Mekorot continuously strives to find solutions that will secure future water needs, while producing new water sources and maintaining water quality and safety through advanced technologies.

Mekorot's Innovation Unit fosters entrepreneurship and creative thinking among all its employees. It operates under the leadership of the WaTech³² Unit Manager, who reports to the Vice President of Engineering. Where necessary, critical and innovative matters are brought before the company's board of directors for strategic decision-making.

Mekorot's Innovation Unit fosters entrepreneurship and creative thinking among all its employees. It operates under the leadership of the WaTech Unit Manager, who reports to the Vice President of Engineering. Where necessary, specific and innovative matters are brought before the company's board of directors for strategic decision-making.

Innovation activities at Mekorot are integrated across all its operational areas, enabling the company to lead, evolve, and provide optimal solutions for its clients:

Investment in Start-ups: Since 2019, Mekorot has invested in start-up companies that operate within the company's core areas. In 2023, the company made record investments of NIS 2.8 million in various start-ups. In addition to financial investment, Mekorot provides comprehensive support to relevant entrepreneurs, allowing them to conduct pilot projects at the company's sites, utilize its resources, and ultimately integrate their products into the company's various operations³³.

As part of the technology investment review process, a committee was established to develop the company's investment strategy and make recommendations to the board regarding collaborations with start-ups. This committee includes the CEO and the Vice President of Engineering.

In 2023, Mekorot invested in the following projects:

- **RAPIDA:** RAPIDA developed an algorithm capable of detecting cracks and defects in concrete, including those not visible to the human eye. The data is collected using drones, and the technology serves as an asset management system to assist Mekorot in optimizing the management of concrete reservoirs and improving their condition. Following a successful pilot and an initial investment, Mekorot signed a commercial agreement with the company. In 2023, due to the successful implementation of the technology, Mekorot chose to make a follow-up investment in RAPIDA.
- **Olive:** Olive developed a passive sensor based on artificial intelligence that monitors health through restroom systems, enabling early detection of diseases before symptoms appear. Mekorot identifies potential in utilizing this technology to enhance its pollutant monitoring systems in drinking water and to monitor micro-pollutants in wastewater.

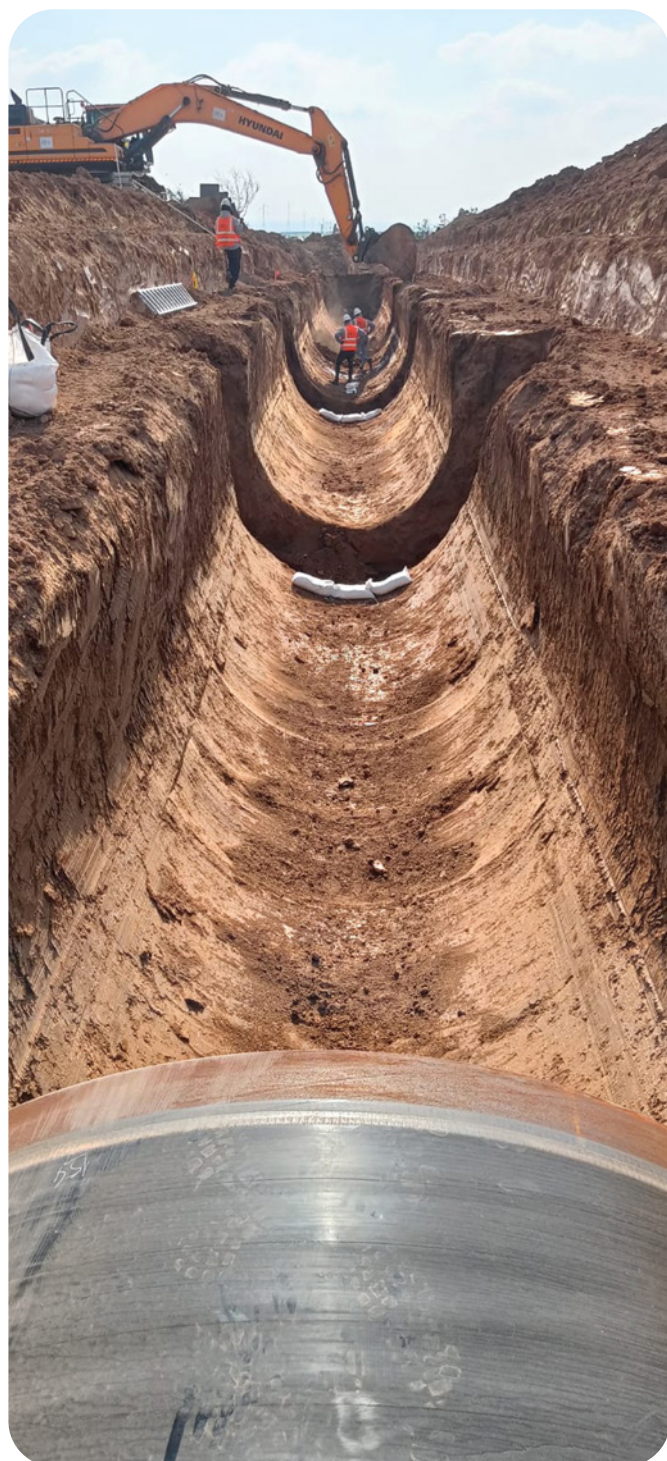


³² For detailed information and further insights, please refer to [WaTech By Mekorot](#).

³³ In accordance with Government Decision no. 3837.

Research and Development at Mekorot

Mekorot actively engages in research and development (R&D) through its Center for Innovation and Collaborations as part of its multi-year strategy, aiming to advance knowledge and identify new water technologies. Each year, approximately 40 applied research projects are conducted by the company's professional research teams in collaboration with leading academic institutions both in Israel and internationally, as well as with global research funds and renowned companies. These projects often include undergraduate students, who are offered scholarships for a six-month period to support research operations. The company recognizes the mutual benefit of integrating students into its research activities. In 2023, two students from colleges located in Israel's periphery participated in these projects.



European Union Research Programs – Mekorot actively participates in EU research initiatives such as "Horizon2020" and "PRIMA," focusing on technologies for wastewater reuse in agriculture, wastewater treatment, and more. Mekorot has been involved in five research consortia comprising startups and water companies from various European countries, including ULTIMATE, STOP-IT, SMART-PLANT, SUWANU, and FIT4REUSE.

Nofar Program – In collaboration with the Israel Innovation Authority and academia, Mekorot promotes projects aimed at generating new environmental knowledge. The company supports early-stage technologies and contributes approximately 50,000 NIS annually to fund research. Between 2022–2024, Mekorot is involved in the development of an electrochemical sensor for monitoring algae toxins in reservoirs in collaboration with the Volcani Center.

International Innovation Programs

Mekorot invests significant research resources in sustainable development, focusing on environmentally friendly water technologies and the maximum utilization of renewable natural resources. The company participates in two international programs promoting innovation and sustainability in the water sector: the Ultimate Project, funded under the European Union's Horizon 2020 research and innovation program, and the Israel-US CoWERC program under the BIRD Foundation. In the coming years, Mekorot will conduct several pilot projects as part of these initiatives, showcasing advanced technologies to reduce energy consumption in wastewater treatment. Technologies to be tested include anaerobic membrane systems, biogas production and upgrading, innovative brine reduction processes, and brackish water desalination.

Internal Innovation – Employee Initiatives

Mekorot encourages its employees to contribute ideas for development across various operational areas. As part of its effort to foster internal innovation, the company operates a digital platform for knowledge sharing, allowing for the collection, filtering, and evaluation of ideas, leading to their implementation. The platform also tracks key performance indicators (KPIs) and provides regular reporting. In 2023, 77 new ideas were submitted, of which 21 were advanced, 13 became actual projects, and 7 were successfully implemented within the company. Additionally, during 2023, the process continued for the registration of three new patents for projects in the areas of air windows, a pressure gauge for turbid water, and a membrane loading robot.

Integrity, Ethics, and the Prevention of Corruption

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205-2

Integrity, ethics, and the prevention of corruption are core values at Mekorot, deeply embedded across all levels of the organization, from the board of directors to the employees. As a government-owned corporation with extensive business operations, Mekorot is committed to these principles while maintaining proper governance and legal compliance.

In 2023, Mekorot conducted a fraud and embezzlement risk survey to assess and evaluate potential risk factors. Additionally, the company developed a compliance program addressing fraud, bribery, and corruption, which was approved by the board of directors. This program comprises a system of procedures, guidelines, and workflows aimed at ensuring proactive measures to enforce compliance with the law regarding fraud, embezzlement, bribery, and corruption. The program underscores Mekorot's zero-tolerance policy for violations in these areas and outlines mechanisms for embedding these guidelines and overseeing their enforcement. Moreover, the Risk Management Unit carries out financial controls in various processes, including the segregation of duties in access to critical systems.

In cases of suspected fraud or bribery, employees have access to several reporting channels as part of the enforcement program, including an anonymous hotline via email, direct reporting to their immediate supervisor, the internal auditor, or the compliance officer overseeing the program.

- In 2023, one ethics-related inquiry was submitted to the Ethics Committee, compared to four inquiries in 2022.
- An updated enforcement program for preventing fraud, embezzlement, bribery, and corruption was approved and disseminated to all employees in 2023.
- No cases of fraud, bribery, or corruption involving Mekorot employees were discovered in 2023.

Prevention of Conflicts of Interest

2-15

The CEO and Chair of the Board are appointed in accordance with legal regulations and the guidelines of the Public Appointments Review Committee, whose role includes ensuring the prevention of conflicts of interest. All officers in the company are required to sign a declaration of avoidance of conflicts of interest. Mekorot is committed to maintaining high standards of integrity and ethical conduct. Employees are required, through the company's Code of Ethics, to avoid situations that could create actual or perceived conflicts of interest. It is strictly prohibited for employees to engage subordinates, suppliers, or any entity connected to Mekorot in private work outside their professional roles within the company.

Implementation and Communication of the Code of Ethics³⁴ 2-23

As a national company responsible for ensuring Israel's water supply, Mekorot is committed to operating in an ethical and moral manner across all its business activities. The company adheres to a Code of Ethics that outlines the core values, standards, and guiding principles shaping its operations.

The Code defines Mekorot's vision, mission, and expected behaviors from all employees, serving as a framework for ethical conduct in interactions with all stakeholders. Key values embedded in the Code include: national service, ensuring high-quality and accessible water supply, professionalism, transparency, learning and innovation, collaboration, mutual respect, and sustainable development.

To ensure the effective implementation and communication of the Code, Mekorot has developed a training program that includes an instructional video and an online module. These tools are aimed at both employees and relevant stakeholders, reinforcing the importance of ethical behavior in the company's growth and its unique contribution to Israel's water sector.

Upon completing the development of the code of ethics, Mekorot implemented a comprehensive integration program within the organization. This program included launch meetings, the appointment of an organizational ethics officer, and the establishment of an ethics committee. Employees are encouraged to approach the ethics officer, who chairs the ethics committee, as well as ethics trustees within the company, which include HR managers across regional branches and the Head of Human Resources at the company's headquarters.

The ethics committee promotes and fosters ethical conduct among managers and employees, initiating and encouraging ethical discussions within the organization. The committee addresses ethical dilemmas primarily raised by employees and provides solutions aligned with the company's code of ethics, with the aim of embedding and cultivating ethical values throughout the organization.

The code of ethics is publicly available on the company's website and accessible to employees via the internal company portal. Employees receive Annual communications about the code, including guidelines on how to approach the ethics committee. Additionally, every new employee is required to read and commit to the code of ethics by signing a declaration to act in accordance with it. As part of the onboarding process, new employees receive comprehensive training on ethical practices. Ethical issues raised in the ethics committee are communicated to employees through newsletters.

- During 2022-2023, approximately 88% of the company's employees signed the code of ethics.
- As of the end of 2023, 90% of the company's employees successfully completed the ethics training program.

³⁴ For additional information, see [Mekorot's Code of Ethics](#) (HEB).

Reporting and Handling Mechanisms for Ethical Issues

The company secretary serves as the ethics officer and chairs the ethics committee. Employees can submit ethical concerns or queries to the officer either openly or anonymously through a dedicated email address, the details of which are available on the company's website, in the code of ethics, and on the organizational portal. Additionally, physical mailboxes are available at the company's sites and headquarters, allowing employees to submit inquiries in this manner as well.

2-23 Mekorot's Policy on Human Rights Protection³⁶

Mekorot is committed to responsible management and the protection of human rights, upholding principles of liberty, dignity, freedom of movement, property rights, security, and equality. The company ensures fair employment practices, a respectful and equitable work environment, safe working conditions, lawful compensation, and the health, safety, and well-being of its employees. Mekorot enforces a zero-tolerance policy towards harassment, bullying, and any form of discrimination. Additionally, the company works to safeguard the rights of its suppliers and contractors, monitoring their working conditions in accordance with legal requirements and its ethical code.

2-6 Responsible Supply Chain

204-1

As a government-owned entity, Mekorot conducts its procurement processes in full compliance with legal requirements and public tender regulations. Procurement and tendering are managed primarily by the Goods Procurement, Logistics and Inventory Unit, and the Services Procurement and Tender Unit. Mekorot's primary procurement activities are directed towards the company's development projects, as well as its ongoing maintenance and operational activities, which include procurement of piping equipment, drilling equipment, pumps and pumping equipment, engines, transformers, electrical equipment, valves, electronics, software, measuring equipment, filters, treatment chemicals, and more.



³⁶ For more information on Mekorot's human rights policy, please visit the Mekorot website: [Mekorot - Human Rights](#) (HEB).

Promoting a Responsible Supply Chain

Mekorot promotes a responsible supply chain through the dissemination of its ethical code to service providers and suppliers, who are required to adhere to the company's core values: professionalism, reliability, transparency, fairness, and mutual respect. Mekorot consistently conducts quality control audits to ensure the integrity of its procurement and received supplies.

Key initiatives include:

- **Supplier Preference:** In compliance with public procurement laws, Mekorot prioritizes local procurement and regularly reviews the criteria to facilitate the participation of small and medium-sized enterprises. The company also promotes businesses owned by women. In 2023, 16% of procurement was conducted with small and medium enterprises, and 9% of the total procurement was sourced from local suppliers.
- **Green Procurement:** When conducting purchases and tenders, the procurement unit evaluates environmental factors to minimize the company's ecological footprint. For example, the energy efficiency of equipment such as pumps and vehicles is assessed to reduce electricity and fuel consumption, ultimately lowering emissions. In 2023, 12% of procurement was from suppliers chosen based on green criteria.
- **Employment Condition Monitoring:** Mekorot upholds its responsibility for managing its supply chain ethically by conducting Annual audits of its suppliers to ensure compliance with legal standards and ethical conduct, particularly regarding workers' rights. Internal payroll audits are conducted for security and cleaning staff, and contracts are terminated if non-compliance is found. The company also carries out surprise inspections at operational sites to ensure adherence to regulations.
- **Prevention of Bribery and Corruption in the Supply Chain:** Before issuing tenders, Mekorot assesses the economic structure of the transaction to estimate the standard cost of services. As part of its due diligence process, the company verifies the identity of payment recipients and requires major suppliers to submit declarations confirming no prior convictions. In public tenders, contractors must declare their compliance with legal standards, including conflict of interest, labor rights, and safety protocols. To maintain ethical conduct, Mekorot includes a clause in contracts requiring suppliers to acknowledge and comply with its ethical code. In significant financial agreements, the ethical code is sent directly to suppliers, who must confirm receipt and understanding via email.

Compliance and Regulation

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Mekorot's policy is to fully comply with all applicable laws, regulations, guidelines, treaties, and standards, and to strive - where feasible and appropriate - to meet standards that exceed the minimum legal requirements. The company is committed to adhering to mandatory rules across all its core areas of operation, while considering the interests of its employees and stakeholders. Mekorot operates in all spheres to ensure compliance with the evolving regulatory landscape.

Throughout 2023, no legal or administrative proceedings were initiated or concluded that required Mekorot or its executives to address issues of regulatory non-compliance. Particularly in the area of environmental compliance, no sanctions or fines were imposed on the company for violations of environmental laws or regulations during the year.

Internal Enforcement at Mekorot

Mekorot maintains various enforcement programs that are regularly updated to ensure regulatory compliance and to embed a culture of compliance throughout the company. These compliance programs are designed to mitigate the company's exposure to risks and ensure that management and employees operate within the regulatory frameworks. To implement and monitor these programs effectively, Mekorot has appointed enforcement officers responsible for ensuring adherence to standards and regulatory requirements. The company maintains internal enforcement programs across various areas, such as securities, environmental protection, workplace safety, competition law, privacy protection, information security, and anti-bribery and corruption.

These compliance programs are designed to enhance the company's adherence to regulatory obligations, identifying risk management mechanisms, including mapping activities to reduce risks. As part of these programs, compliance surveys are conducted to map out relevant regulatory requirements and the existing control mechanisms within the company, alongside the directives and procedures necessary to comply with the law.

Environmental Compliance Program

As part of its environmental management, Mekorot reaffirmed its updated environmental enforcement program in 2023, which was approved by the company's executive management. Within this program, an environmental compliance survey was conducted, mapping out the company's regulatory obligations and internal control mechanisms to meet environmental requirements. In addition to meeting regulatory standards, Mekorot proactively conducts an environmental risk survey every three years. The compliance program is intended to bolster adherence to environmental regulations while identifying risk management mechanisms, including the mapping of specific actions aimed at reducing environmental risks.



About the Report

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2-5

Mekorot Water Company Ltd. is proud to present its fourth report on Environmental, Social, and Corporate Governance (ESG), detailing the company's key activities in 2023, as well as the overall impact of Mekorot's business operations on its stakeholders.

The publication of this report reflects Mekorot's ongoing commitment to promoting ESG issues as an integral part of its business practices.

Reporting Period and Frequency

This report covers Mekorot's activities regarding environmental, social, and corporate governance issues from January 1st to December 31st, 2023. During this period, no significant changes occurred in the company's operations.

The report was prepared using the "GRI Sustainability Reporting Standards". The data presented was collected through the company's information systems, various organizational sources, and with the assistance of external consultants.

Scope of Reporting

Mekorot operates primarily within Israel, which serves as the company's principal area of activity. Relevant financial data presented in this report align with the 2023 financial report. Alongside financial data, this report focuses on the company's operations in Israel.

This report is not part of the company's financial, immediate, or Annual reports. In case of any inconsistency or conflict between this report and the aforementioned financial reports, the wording of the Annual financial reports shall prevail.

Material Changes in Reporting

No material changes have occurred compared to previous reports.

Material Changes in Information

There have been no changes in the information that require a special declaration.

Reliability Assurance

No external assurance was conducted for this report. Mekorot performs internal controls on all external reports and publications to ensure the accuracy of the reporting, improve the data collection process, and uphold the transparency of its activities.

For any questions, comments, or concerns regarding the content of this report or sustainability and ESG issues at Mekorot, please contact:

Riki Mor, Head of Customer Relations and ESG: Rmor@Mekorot.co.il.

Mekorot Water Company Ltd. has made every effort to ensure that the information included in this report is accurate and up to date as of the report's publication date. However, despite these efforts, errors, omissions, and/or inaccuracies may be present in the report.

Mekorot Water Company Ltd. does not warrant the suitability of the information contained in this report for any particular purpose and does not undertake to update the report should changes or updates occur after its preparation. In light of the above, Mekorot Water Company Ltd., its management, employees, and those acting on its behalf shall not be liable to any third party for any loss, damage, or harm resulting from the use of the information contained in this report.

GRI Content Index



CONTENT INDEX
ESSENTIALS SERVICE

2024

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

GRI 1: Foundation 2021

Statement of use	Mekorot Water Company Ltd. Has reported in accordance with the GRI Standards for the period January 1 st , 2023 to December 31 st , 2023.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard	Not applicable

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