



# Fridenson Group Corporate Social Responsibility Report for 2020



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**Fridenson**

## MESSAGE FROM THE CEO

### Dear stakeholders,

Fridenson Logistics Services Group has been operating since 1975 and now operates as a public company. As a thriving and leading logistics group, Fridenson provides a variety of services to a wide spectrum of customers. Fridenson Group is a public company that cooperates with numerous suppliers and employs hundreds of employees throughout Israel. The Company's managers and owners attribute considerable importance to environmental, social and ethical responsibility in all channels in which the Group operates. As a group, we consider it of paramount importance to create a high-quality environment and a better horizon for us, for the circles close to us and for the society in which we work.

In 2020, the world contended with the spread of the pandemic that dealt a severe blow to local and international public health, adversely impacted many markets and nearly paralyzed the global market. During this period, Fridenson Group maintained business robustness and functional continuity, while strictly safeguarding the health of its employees. We stayed in constant contact with our customers, provided current service while mitigating damages, and we opened all of our branches while strictly abiding by the required restrictions, out of our clear and natural recognition of the repercussions of the Covid-19 crisis on all of our stakeholders.

We are honored to present to you the Fridenson Group's first Corporate Social Responsibility Report, which relates to the Group's activities in 2020. This report reflects our management approach and the Company's activities to manage its various social and environmental impacts and our commitment to operate consciously and responsibly in the interests of all of our stakeholders. The publishing of this report is another step in advancing corporate social responsibility in the Group and reflects our deep commitment to the various needs of our stakeholders.

This is another opportunity for us, the executive management, to address the Group's extensive team of senior managers, employees and middle managers: your considerable contribution to our efforts is what enables Fridenson Group to attain numerous business achievements. This is also an opportunity to thank our customers and suppliers for their confidence in us and for their cooperation.

This report opens another channel of communications between us and our customers, through which we can generate dialogues about all topics, besides via the Group's website, and we would be delighted to receive your reactions and comments regarding our extensive activities relating to the subjects addressed in this report.

**David Fridenson**

CEO



## COMPANY PROFILE



Fridenson Logistics Services Ltd. Group is one of the largest and oldest logistics companies in Israel. Since its founding in 1975 as an overland transport company, it has been prominent as a leading company in the field of logistics services. Over the years, the Group has grown and expanded its operations to additional logistics segments and today, it operates in the fields of storage, transport, international freight forwarding and customs clearance, operates a shipping agency and manages complex logistics projects. Thus, the Group offers holistic service to its customers and manages their supply chains in Israel and abroad from end to end.

We at Fridenson uphold the values of professionalism and reliability and we strive to provide our customers with optimal service according to their needs. We carry out complex tasks and expand our range of services and our unique solutions to accommodate our customers' changing needs. We do so with the goal of realizing the Company's vision of sustaining our position at the forefront of logistics and freight-forwarding services and the Company's robustness over time.

Fridenson Group has nationwide and international logistics infrastructures enabling it to provide a comprehensive solution for all kinds of logistics needs through the Company's variety of assets, including: its fleet of overland transport vehicles; its cargo agents stationed throughout the world; its excellent work relations with leading shipping companies; its professional equipment for managing complex projects; and its logistics warehouses for managing inventories and cargoes. The Company has unique expertise in handling complex logistics projects and in transporting and storing hazardous substances.

### FRIDENSON GROUP - KEY STATISTICS



## THE GROUP'S STRUCTURE

Fridenson Group provides a wide variety of logistics services, divided into four main operating segments:

- Transport and logistics services - transport services, shipping and handling, distribution in response to diverse logistics needs, including the performance of complex logistics projects, the transport of hazardous substances, handling Over Dimensional Cargo (ODC) and the provision of complex crane solutions. The Company is certified as an Authorized Economic Operator (AEO).
- Storage - storage services for general cargo and containers and inventory management at the Company's open and closed storage areas located in strategic locations across Israel.
- International freight forwarding and shipping services - Fridenson's subsidiary, Air and Ocean, offers international freight forwarding and customs clearance services and additional ancillary services, such as insurance, international transport and shipping and trading agency services, while Fridenson's subsidiary, Sappan Ltd., serves as a shipping agent for two Turkish shipping lines. Additionally, the Company operates a digital platform to facilitate logistics management for American importers. The Company is certified as a customs agent and international freight forwarder (AEO) by the Israeli Customs Director-General.
- Green transportation - Fridenson Group jointly holds (45%) of FSM City Mobility Ltd., which operates bicycle-sharing networks in Tel-Aviv and in Jerusalem and is taking action to expand this network to additional cities in Israel. Bicycle rentals are an environmentally-friendly solution for urban transportation. These bicycle-sharing networks substitute for or supplement public transportation and reduce the use of private vehicles for routine and occasional trips.

The Group provides these services to its customers through several

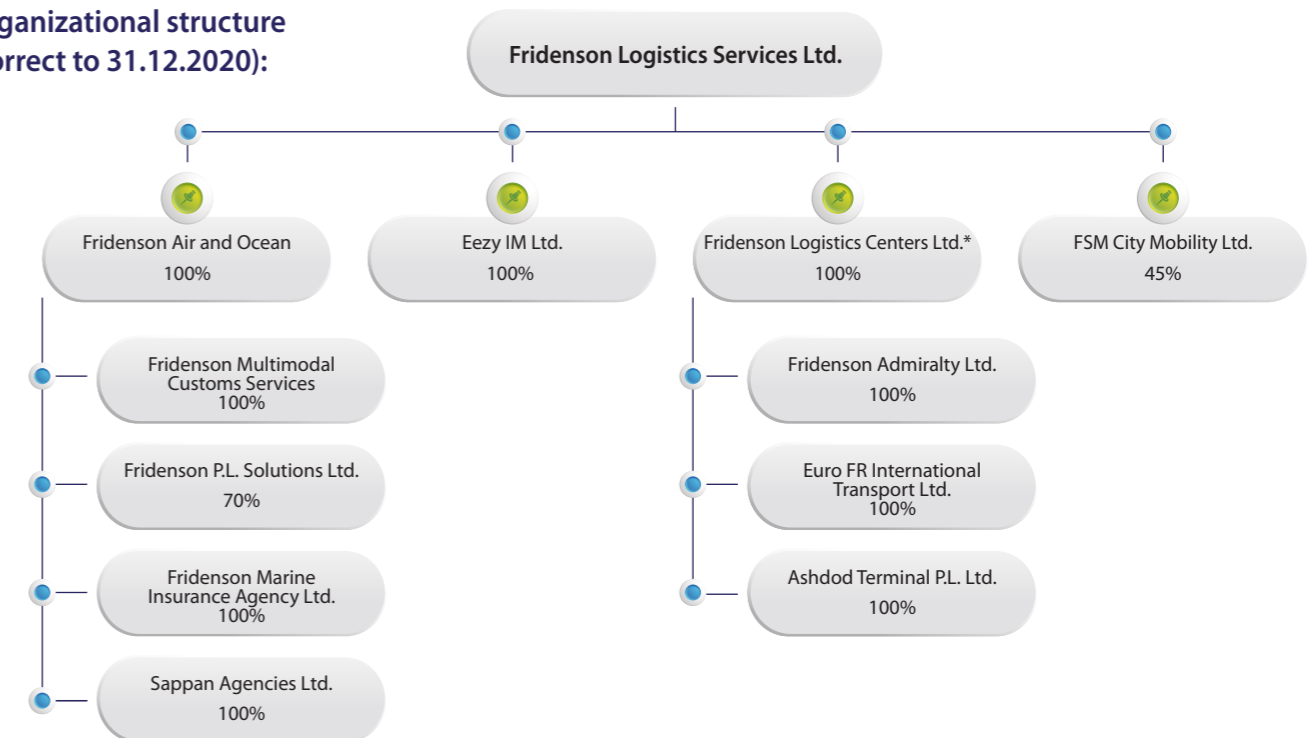
subsidiaries that centralize the various activities of our operating segments. The Group's headquarters at the parent company provide various services to the subsidiaries as needed.

Correct to 2020, the storage and transport and logistics segments were subordinate to the Group's COO. An operations manager is stationed in each of the Company's branches in Haifa, Ashdod and in Be'er Sheva, and is responsible for the work foremen. The workforce at each branch includes drivers, logistics personnel and support staff. In addition to the transport and storage division, the projects division is responsible for carrying out special logistics projects, such as relocating factories' production lines, installing escalators and more. The international freight forwarding operating segment and its related services (including customs clearing, insurance agency and shipping agency) are managed separately by Fridenson's subsidiary, Air and Ocean.

In 2021, the Group began a comprehensive reorganization process with the goals of strengthening the integration between the subsidiaries and improving the operating focus. Within this framework, we reinforced the group headquarters at the parent company and it now provides various synergetic services to all of Fridenson's subsidiaries, including IT, financial, HR, marketing and sales services, and more. We also appointed two new division managers for the storage and transport operations.

The green transportation segment is managed by FSM City Mobility Ltd. (hereinafter: "FSM"), in which the Group holds 45% of its shares. FSM is defined as an associated company in the financial statements. FSM operates independently from the rest of the Fridenson Group and representatives of the Group are directors on FSM's board of directors.

### Organizational structure (correct to 31.12.2020):

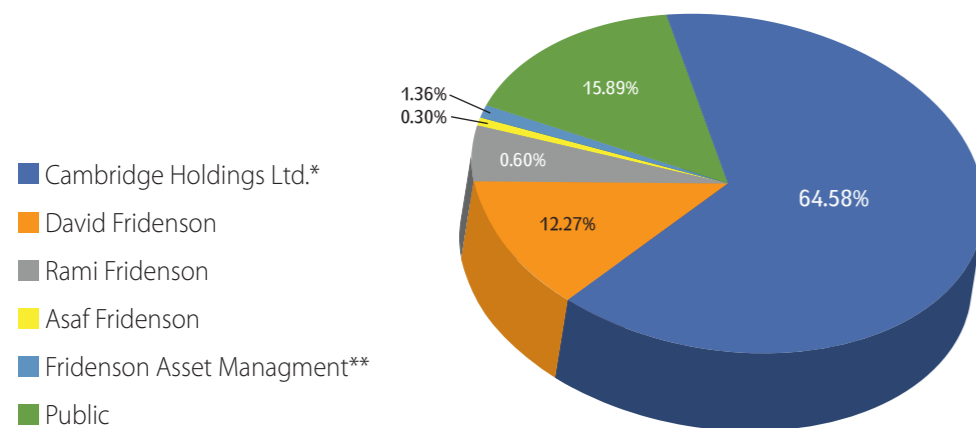


\* On March 30, 2021, Fridenson Logistics Services Ltd. ("the Parent Company") and Fridenson Logistics Centers Ltd., a wholly owned subsidiary of the Company ("the Joint Company") engaged with Generation Capital Ltd. ("Generation") in a nonbinding memorandum of understandings ("MOU") regarding cooperation in the field of logistics complexes, which currently includes mainly complexes adjacent to seaports in Israel ("the Cooperation"). The parties intend to carry out the Cooperation within the framework of the Joint Company, whereby the Parent Company and Generation will each hold 50% of the Joint Company subsequent to the consummation of the transaction, through an allotment of shares of the Joint Company to Generation and through an investment in the Joint Company by Generation.



### OWNERSHIP STRUCTURE

The Company is controlled by two brothers, David and Rami Fridenson. Correct to year-end 2020, the Fridenson brothers jointly hold, directly and through companies they own, about 83.81% of the Company's share capital. The public holds 15.89% of the Company's share capital. Following is the segmentation of the holdings of the Company, correct to year-end 2020:



\* Cambridge Holdings Limited is a private company in which David Fridenson holds shares constituting about 44.35% of its share capital and voting rights, while Rami Fridenson holds shares constituting about 55.65% of its share capital and voting rights.

\*\*Fridenson Asset Management is a private company in which David and Rami Fridenson each hold shares constituting about 50% of its share capital and voting rights.

### DRIVING THE ISRAELI ECONOMY

In the global world in which we live, international commerce is the foundation for the proper conduct of an economy. Every product that we consume in Israel is manufactured in one place using raw materials that come from another place. Additionally, Israeli industries' ability to export their products to foreign markets is essential to the Israeli economy's sustainable economic growth.

Consumer goods, infrastructures and services that we consume rely on complex supply chains that are dispersed throughout Israel and the world. Raw materials are imported to manufacturing plants and the products are forwarded along the value chain as part of additional manufacturing processes or as finished goods to retailers and consumers. Precise planning and logistics expertise are essential preconditions to the flow of goods and to the efficiency of goods manufacturing and distribution. The variety of products, the sales possibilities, the quality of the infrastructures – all depend on logistics infrastructure enabling the transport of goods throughout Israel and the world.

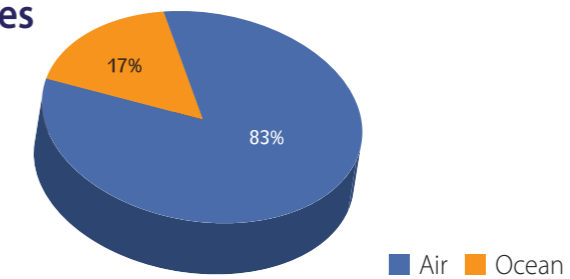
Logistics expertise is the value offering of the Fridenson Group as a contributing member of our local economy. Fridenson's services are cardinal to the completion of trade deals within Israel and to Israel's imports and exports. Fridenson is one of the companies driving the Israeli economy in that it offers logistics solutions to companies of all sizes and manages supply chains for routine operations and for special projects. Fridenson's professionalism and expansive network open opportunities for various types of companies in diverse geographic locations to expand their businesses, especially if they have no capability or need to build and routinely maintain complex logistics systems. Fridenson's storage service also saves companies the expenses involved in holding storage real estate and in inventory management.

In the freight-forwarding sector, imports and exports require a variety of bureaucratic processes. Fridenson offers its expertise to companies and helps them work with overseas partners and penetrate new markets, thereby increasing the opportunities for the Israeli economy and for consumers.

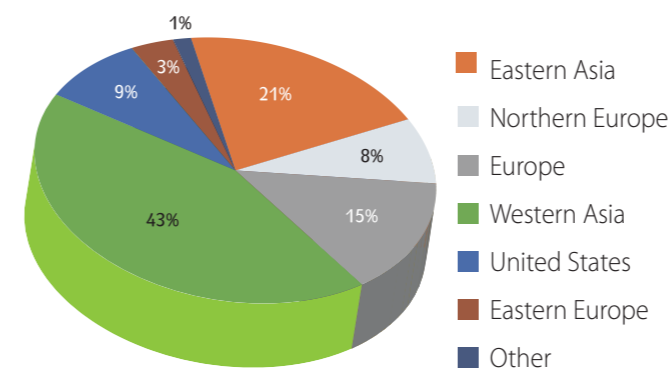
During 2020, we helped companies release goods from customs at the value of ILS 2,362,030,928.41 (about 0.3% of the total value of goods imported to Israel during the year!). The average time it takes the Group to release a container from customs in Israel is three to five days. This short timeframe derives, inter alia, from our professional and ethical reputation that we earned over the years during our work with the competent authorities in Israel. We strictly abide by all regulations and procedures relevant to freight forwarding so that we maintain our reputation and can continue to help our customers receive their goods quickly and efficiently. Furthermore, as we are well versed in the statutory requirements, we help our customers obtain all requisite certificates in advance, thereby ensuring that we can streamline the customs release process when their goods arrive.

We work with partners in numerous freight-forwarding lines, and we are members of leading international freight-forwarding organizations (IATA, FIATA, Bolloré, WCA and the Israeli IFFCCA). Membership in these organizations requires us to comply with extremely high business and operating standards that are periodically reviewed. This enables us to work in cooperation with leading freight forwarders and logistics companies throughout the world and to provide complete solutions for our customers' global supply chains. Additionally, we have been representing several shipping lines to Turkey as a shipping agent since March 2020. We entered this activity due to the high demand for import opportunities in the Israeli economy that had not received an adequate solution considering the existing supply, which limited the volume of commerce and prevented the Israeli economy from realizing the potential. In this way, Fridenson's shipping operations contribute to the Israeli economy's ability to expand beyond its borders through substantial exports and imports of all types of cargo.

### Freight forwarding by revenues



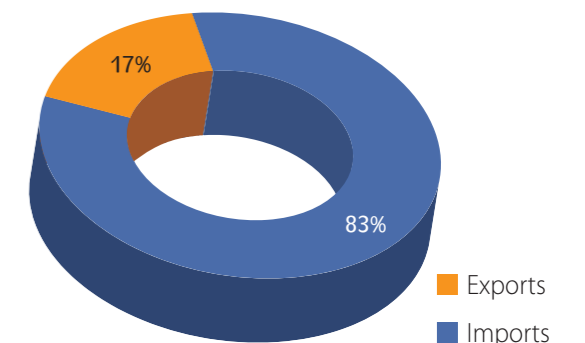
#### Volume of ocean shipping (no. of containers)



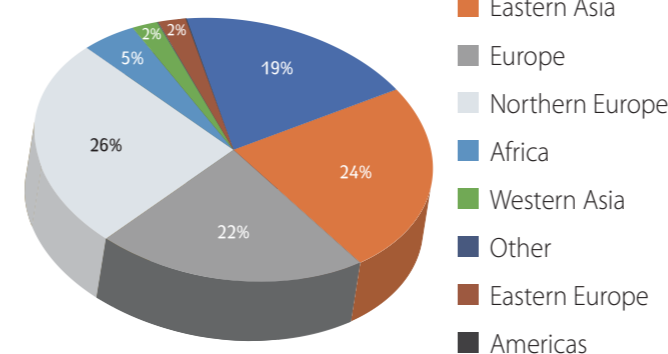
#### Ocean shipping:

#### Imports / Exports via ocean shipping

30,952 containers



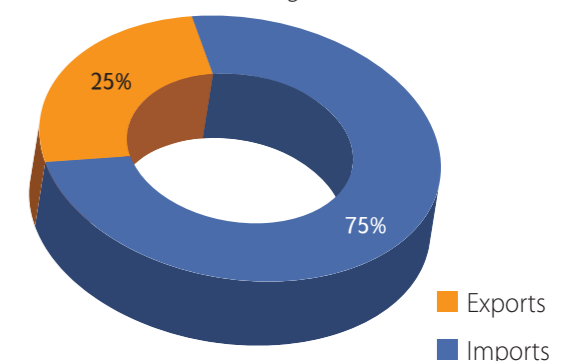
#### Volume of air freight forwarding (kg)

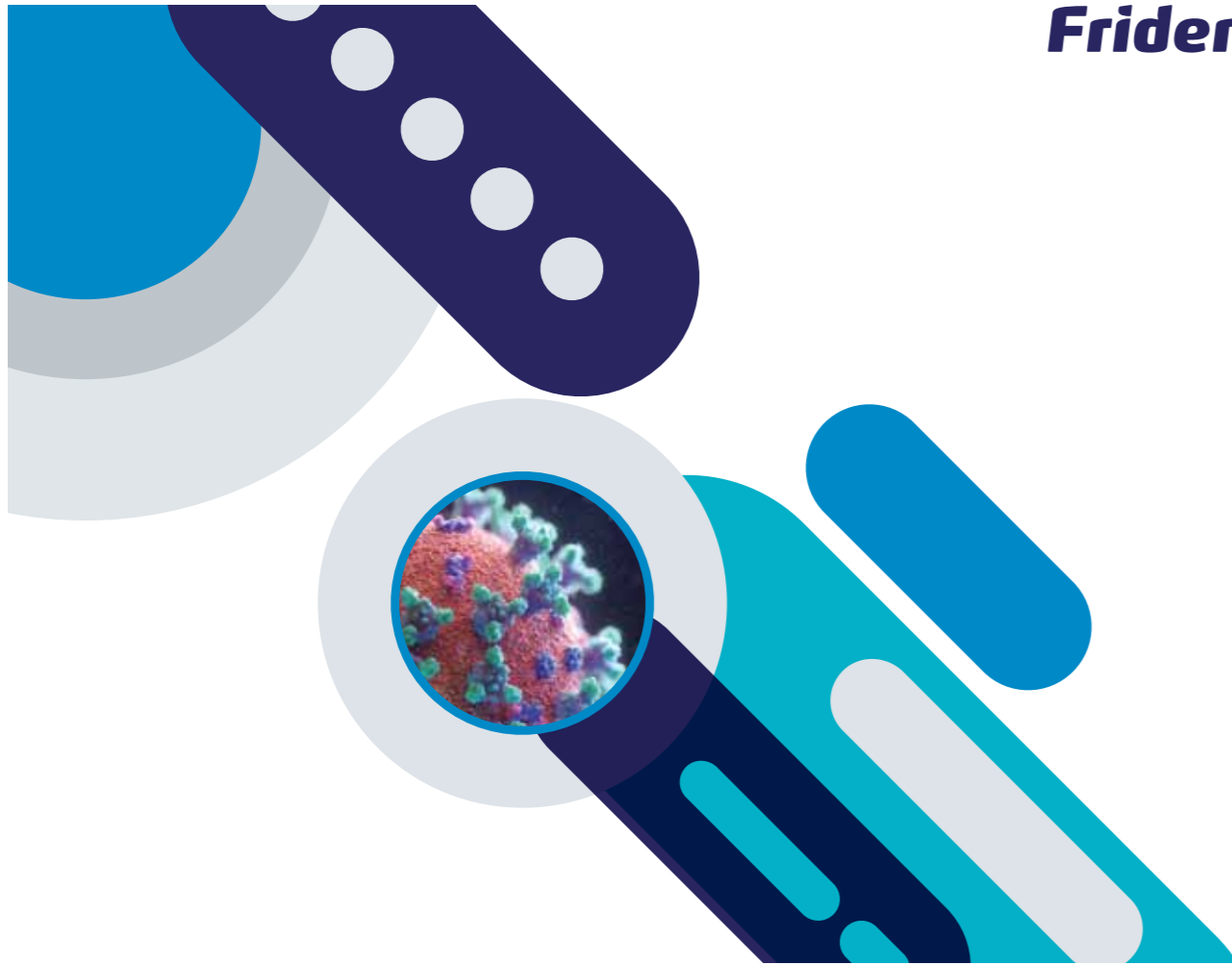


#### Air freight forwarding:

#### Imports / Exports via air freight forwarding

1,096,107 kg





## CONTENDING WITH THE COVID-19 PANDEMIC - WE KEPT MOVING EVEN WHEN THE WORLD STOOD STILL

The Covid-19 pandemic that broke out in 2020 and is still affecting the global and local economies is also obviously affecting the global supply chains and accordingly, Fridenson Group's operations. The extreme measures that countries implemented in order to contain the virus, such as restrictions on businesses, the closure of borders and restrictions on outdoor movement, created uncertainty and disrupted commerce and the operation of supply chains worldwide. Plant closures resulted in fewer orders of raw materials, and living with the pandemic led to a drop in the availability of international freight-forwarding lines.

The economic and social crisis in Israel in 2020 caused by the Covid-19 pandemic led to a material drop in the volumes of activity in many sectors of the economy and, at the outset, also caused a corresponding reduction in Fridenson Group's activities. In order to contend with the crisis, the Company took measures to cut costs and we were compelled to send several employees home on unpaid leave. Most of them returned to work within a few months when the Israeli economy and international commerce began recovering later during the year.

In order to continue providing service while safeguarding our employees' health, we operated in conformity with the "purple tag" regulations. For relevant roles, employees were divided into capsules and alternately worked from the office and from home, or worked in shifts. Our swift and correct adjustments enabled us to continue providing high-quality effective service to our customers, which were coping with considerable business, economic and operating uncertainties.

Thanks to the Group's economies of scale and our unique work relations with our partners at shipping and aviation companies, we were also able to continue providing international freight-forwarding services to our customers. Even when the availability of freight-forwarding lines plummeted because fewer ships and planes were arriving in Israel, Fridenson's customers continued to receive high-quality service and could continue carrying out their freight forwarding through us. As stated, Fridenson also opened up a shipping line from Turkey's various ports to Israel.

## RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Supply chain management is an enormous responsibility. Correct management over time saves time and resources and enables sophisticated manufacturing and the diversification of the supply to consumers. When a supply chain is ineffectively managed, it causes delays and shortages and higher business and operating costs. There have even been instances when the damage caused is of an even higher magnitude, such as the damages caused due to the shortages of equipment, raw materials and consumer goods during the Covid-19 crisis. We take our responsibility seriously as the company responsible for our customers' supply chains.

Our primary responsibility is toward our customers. We also must conduct ourselves responsibly towards all parties involved in the process, especially towards our employees. However, our responsibility also extends beyond these close circles and encompasses responsible and ethical conduct towards all of our stakeholders and our customers

involved in the supply chains that we operate. This category of stakeholders includes, inter alia, road users, the communities adjacent to our sites and our customers' sites, local authorities and the environment. Because we manage our operations and our internal supply chains responsibly, we are also contributing to making our customers' supply chains more responsible, efficient and effective.

This is Fridenson Group's first Corporate Social Responsibility Report, which describes our approach towards our corporate responsibility as a leading logistics services company in Israel. This report relates to core issues that we defined in our relations with our stakeholders and charts our future course in order to continue reducing our environmental impacts and to create a significant favorable impact on Israeli society, the Israeli economy and on our stakeholders.

## CORPORATE SOCIAL RESPONSIBILITY IN THE FRIDENSON GROUP

As a leading public company in Israel, Fridenson Group manages and operates its businesses responsibly for the benefit of all of its stakeholders. Even though logistics operations are one of the key forces enabling global economic activity and therefore provide social-economic value, we are also cognizant of the fact that these operations impact the environment and society and we strictly manage these impacts. In particular, the awareness of the social-environmental impacts of these operations has also grown in recent years.

Fridenson Group has a wide variety of categories of stakeholders – those that influence our organization and those that are influenced by our operations. We take action to create sustainable value for all of them, while balancing between the different needs and interests of all of our various stakeholders.

Our stakeholders are the recipients of our activities in the field of corporate social responsibility and we take action to augment collaborations with them and to strengthen these relationships. Our stakeholders may be divided into the following categories:

- Customers
- Employees
- Investors
- Suppliers
- Airline and shipping companies
- National and international transportation infrastructures
- International freight-forwarding organizations
- Road users
- Communities and environmental organizations
- Banks
- Regulatory authorities

Fridenson Group manages its corporate social responsibility in a decentralized manner in order to enable the Group to avail itself of the expertise of its various managers throughout the Group to lead the management of our various social-environmental impacts. For example: our COO is responsible for managing the environmental impacts; our VP HR is responsible for managing the work environment and the development of our employees; and our safety officer is responsible for traffic safety. In addition, if needed, the Group's management and board of directors are involved in decision-making in relation to various spheres of corporate responsibility, including through internal audits that are performed in relation to related topics.

As part of our horizontal development process to enable the Company to grow optimally, we are also increasing our attention to corporate social responsibility in the Group. We performed a comprehensive process of mapping the material impacts of our operations on the environment and on society with the goals of strengthening our positive impact and minimizing our negative impacts. During this process, we decided to publish this report, which details our current activities. Additionally, we defined a series of measurable multiyear goals relating to our material spheres of corporate social responsibility. These goals reflect our intentions of constantly improving issues that are material to Fridenson Group. The measures to achieve these goals are and will be incorporated in the Group's work plans, and our progress in achieving these goals will be reported in our subsequent corporate social responsibility reports.



## FRIDENSON GROUP'S SUSTAINABILITY GOALS



### 1. Environmental goals:

- To reduce the Group's carbon footprint by 25% by 2024. In order to measure this goal, the Group's carbon footprint for 2020 will be defined as the base year for the measurement. This goal relates solely to Scope 1 and Scope 2 emissions.
- To implement a plan to partially balance out the Group's greenhouse gas emissions by planting trees every year.



### 2. Social goals:

- To increase the percentage of hours of training being provided to our employees (other than in relation to safety) to 60% of all training hours by 2024.
- To reduce the annual employee turnover rate by 50% by 2024. During 2020, 47% of the Company's employees left by the end of the year.
- To launch an employee volunteering program within the framework of their work and to reach 1,200 hours of employee volunteering by the end of 2024.



### 3. Corporate governance goals:

- At least 85% of our employees will receive annual training on the subject of ethics, focusing on those aspects of ethics that are the most relevant to their roles in the Group.
- To draft a procedure by year-end 2021 that will incorporate environmental and social considerations when selecting the Company's suppliers.

## ABOUT THIS REPORT

This is the first Corporate Social Responsibility Report of the Fridenson Logistics Services Group. Its objective is to present to our stakeholders our management approach, our goals and our performance in relation to corporate social responsibility in general and, in particular, social, economic and environmental issues that we identified as being material. The data presented in this report relate to 2020, unless otherwise stated.

This report was prepared in conformity with the reporting standard of the GRI organization (General Reporting Initiative) at a core reporting level, and without due diligence (third-party) control of the report. This is the leading international standard for nonfinancial reporting. Fridenson Group includes several subsidiaries that it fully or partially holds. This report relates to all of the Group's activities integratively across-the-board, except in relation to FSM, whose activities are presented separately in this report, such that the data presented in all other sections of this report do not include FSM.

The quantitative data in this report are based on customary indices and are presented in conformity with that required in the GRI's reporting standard. The Company's carbon footprint was calculated according to the emissions coefficients published by the Israeli Ministry of Environmental Protection (for 2019) and in conformity with the GHG Protocol. The information and data for the purpose of drafting this report were collected from the Company's staff during interviews and in other ways (including through existing internal documents). In the event of any discrepancy between the data reported in this report and data in the Company's financial statements, the data in the financial statements prevail.

Considering our desire to continue learning and developing, we would be pleased to receive comments from all of our stakeholders on the contents of this report. Therefore, we invite you to write to us about any matter, suggestion or question about this report. Feel free to contact David Sharifi, the Company's Comptroller at [davids@fridenson.co.il](mailto:davids@fridenson.co.il).

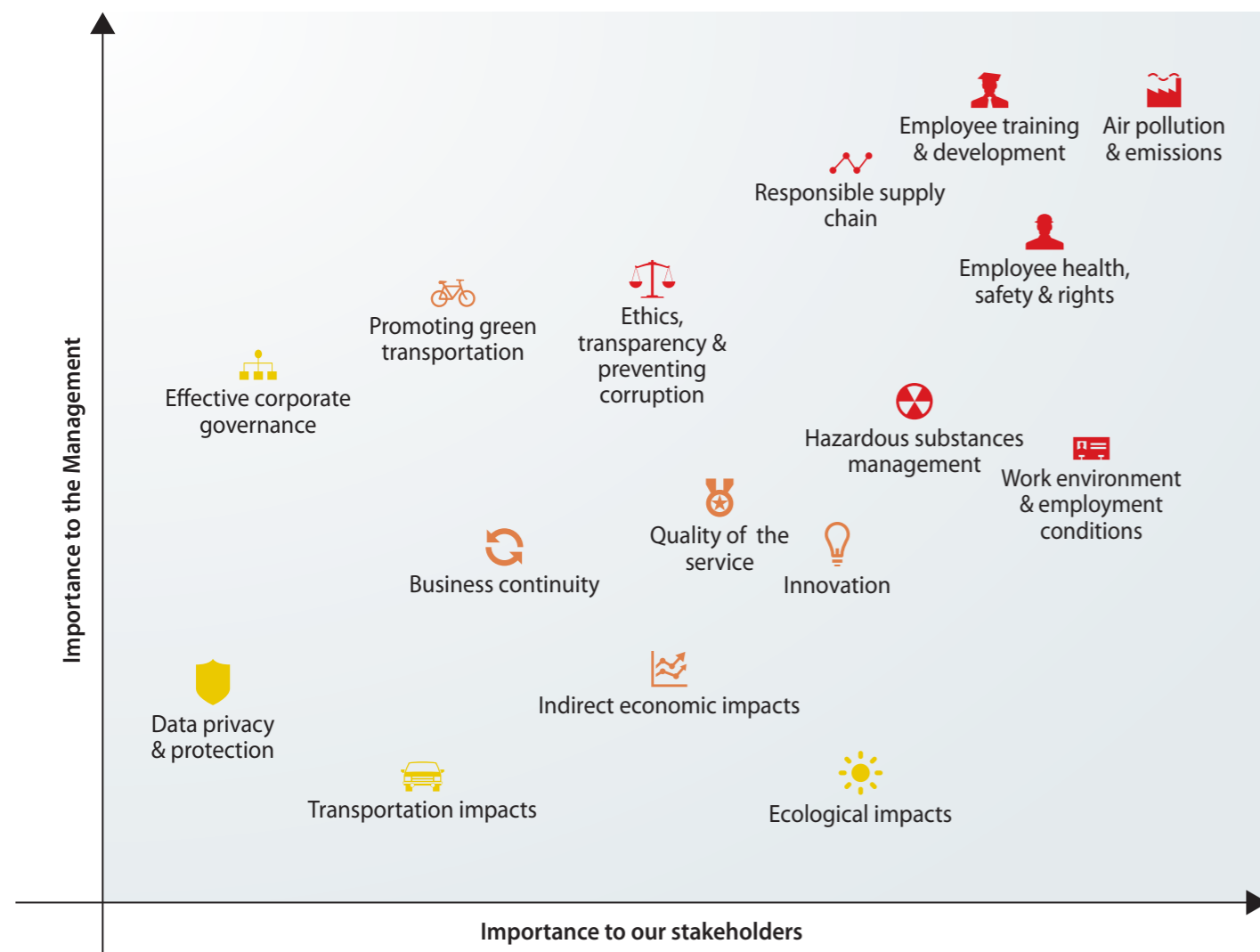


## MATERIAL ISSUES

Material issues in corporate social responsibility are issues pertaining to aspects of environmental sustainability, social impact and corporate governance that have been found to be particularly relevant to the Company's business operations and objectives. These issues are determined and prioritized by the Company and by its stakeholders. Prioritizing the material issues helps the Company focus its corporate social responsibility activities on those areas in which it can generate the highest social and environmental value for our stakeholders, and the highest business and operating value for the Company. These issues also constitute the reporting limits of this report, in conformity with the guidelines of GRI reporting standards.

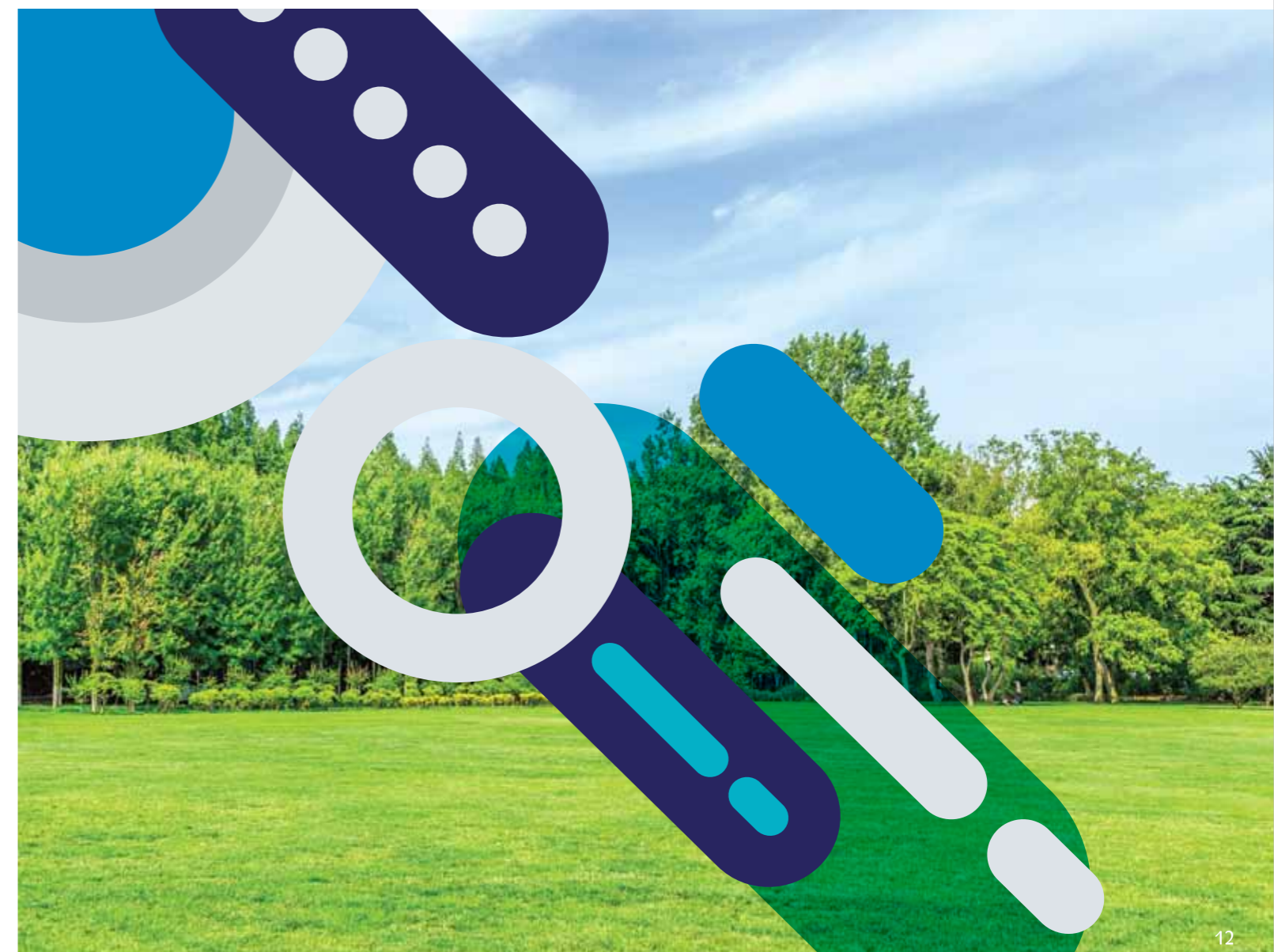
Our process compiling this report included a comprehensive mapping process and prioritizing of those issues that are material to the Company. During this process, we held a workshop for the management, during which the issues material to the Company were selected and prioritized. Next, we performed a comprehensive process of consulting with the Company's various stakeholders, including employees, shipping companies, customers, banks and national transportation infrastructure companies. Within this framework, we held meetings to receive input from representatives of each of these categories of stakeholders, and they ranked each material issue according to the importance that they attribute to it. We formulated the Company's materiality matrix based on this process.

The materiality matrix presented below presents the issues that are material to the Company and their relative weighted ranking. The closer an issue is to the upper right-hand corner of the matrix, the higher it was ranked by each of the categories of stakeholders as being the most material to the Company and to its operations.



The issues elaborated in this report are those that were ranked as the most material to the Company:

- **Air pollution and emissions** - emissions of greenhouse gases and other particulates during the Group's operating processes that could cause a health hazard or contribute to climate change.
- **Employee training and development** - creating opportunities for employees to obtain professional training for their personal and professional development, and according to the Group's business needs.
- **Employee health, safety and rights** - maintaining a safe and healthy work environment for all employees through proper infrastructures, suitable equipment and training, and safeguarding the rights of the Group's employees.
- **Management of hazardous substances** - careful and safe handling of substances that, if leaked or spilled, could cause health and/or environmental damage.
- **Work environment and employment conditions** - maintaining a work environment and employment conditions that are proper, rewarding and fair in order to create a pleasant and positive employment experience for all of the Group's employees and increase the effectiveness of our human resources.
- **Ethics, transparency and the prevention of corruption** - inculcating principles of business ethics in the Group's conduct and ensuring the integrity of our staff in order to preserve the Group's values and honesty and our stakeholders' confidence in us.
- **Promoting green transportation** - promoting sustainable, healthier and less polluting urban transportation solutions for city residents and visitors.
- **The quality of the service** - high-quality service that maintains our customers' satisfaction, including monitoring, measuring and other actions to improve the actual quality of service.
- **Innovation** - promoting innovation in operations and services that the Group offers to its customers, including digitalized communications with customers, the streamlining of operations and the adoption of advanced logistics and transportation technologies.
- **Business continuity** - the ability to continue providing service and sustaining operating continuity even during emergencies.
- **Indirect economic impacts** - creating economic value for the economy through the Group's business activities, including by contributing to the Israeli economy's GDP and by supporting business activity beyond the Group's own businesses.







### FRIDENSON GROUP & THE UN'S SUSTAINABLE DEVELOPMENT GOALS

In 2015, the United Nations General Assembly adopted 17 Sustainable Development Goals – SDGs. The UN's SDGs were placed on the international agenda and member states that signed the declaration committed to take action to achieve these goals by 2030. These goals address many issues, from environmental protection and promoting equality to promoting partnerships to achieve the goals, human rights and peace. Although the SDGs were formulated and adopted by countries, the SDGs have become a work framework for diverse organizations, including businesses and corporations. The 17 SDGs elaborate measurable goals and objectives to create collaborative and coordinated work to help achieve these ambitious goals that affect all of mankind.

We at Fridenson are doing our part in this global effort and are helping Israel keep its commitments to these goals. Given that logistics support all kinds of activities, maintaining high-quality, responsible logistics systems can affect each of the SDGs since, even to achieve zero poverty or promote public health, logistics systems are needed to transport food, medicines and equipment.

Following are details about SDGs that Fridenson Group directly contributes to achieving through its business and operating activities:



Fridenson takes constant action to reduce the air pollution caused by the operation of its fleet of vehicles through strict planning of its activities and through the use of innovative technologies to reduce emissions from its fleet of vehicles. These emissions have a significant impact on air quality and the morbidity caused by air pollution in Israel. For more information, see the section **"Maintaining Clean Air."**



Despite public misconceptions about logistics being a masculine line of work, we at Fridenson are committed to gender equality and consciously take action to achieve gender equality among our employees at all ranks, particularly in management roles. You can read more about this in the section **"Our People."**



Fridenson takes action to reduce its use of fossil fuels for electricity supply. To this end, the Company invested in the installation of solar panels on the roof of its logistics center in Ashdod, which supplies about 37% of the Group's electricity consumption. For more information, see the section **"Maintaining Clean Air."**



Many of the Group's sites are located outside of Israel's employment center, and many roles in the Group are diverse in terms of both requisite skills and geographic location. This enables the Group to offer employment to diverse professionals coming from different backgrounds. We are meticulous about fair employment and benevolent conduct towards our employees, and we maintain a work environment that is inclusive. You can read more about this in the section **"Our People."**



As a logistics services company, Fridenson constitutes a component of the infrastructures that enable industry and commerce in Israel. We constantly strive for optimal performance using innovative tools and revolutionary technologies. You can read more about our activities in this regard in the sections **"Driving the Israeli Economy," "The Quality of Our Service" and "Innovation."**



Fridenson takes part in the national efforts to construct the light rail in the Gush Dan region, which is expected to significantly reduce the volume of traffic on the roads and to increase the demands for public transportation and the convenience using it. The Group's role in this effort is its installation of the escalators in the light rail's underground train stations.



Fridenson's services are an integral part of global manufacturing processes. Our responsible conduct contributes to responsible management of supply chains and the manufacturing that they feed. You can read more about this topic in the section **"Responsible Supply Chain"** and throughout this report, in the descriptions of how Fridenson is meticulous about managing its businesses responsibly.



Logistics services, especially freight-forwarding services, contribute significantly to the greenhouse gas emissions that are contributing to climate change. Fridenson is cognizant of the responsibility of logistics organizations to do their part in the battle against climate change and is happy to do its part. You can read more about Fridenson's actions contributing to the battle against climate change in the section **"Maintaining Clean Air."**



## CARING ABOUT OUR PLANET

The logistics services sector constitutes a key component of the supply chain of systems, organizations and companies. Complex supply chains underpin global commerce, and the logistics services sector plays an important social role in effective supply chain management, which is critical to driving the economy. International commerce enables any given company to expand its manufacturing and sales potential beyond the needs of the local economy and thus significantly raises the growth potential of companies and of the economy as a whole.

Today, the global manufacturing and consumption patterns dictate intensive freight-forwarding and transport patterns. Raw materials for manufacturing are produced in various locations and are distributed to manufacturing sites worldwide. Consumer goods are also transported across the planet at a dizzying pace in wholesale containers and in packages delivered directly to private consumers. These patterns, which enable the very existence of developed markets, also have environmental repercussions. Vehicles carrying raw materials and goods by air, sea and overland consume fossil fuels and emit greenhouse gases that generate significant air pollution and contribute to climate change.

In addition to the socioeconomic value that our business operations are providing, we are taking action to reduce the environmental impacts of our operations. We at Fridenson Group are cognizant of the environmental impacts inherent in our operations as a logistics services company managing local and global supply chains. We are also cognizant of the importance of protecting our environment for us and for future generations, and our stakeholders expect us to take effective actions in this regard. Therefore, we strive to manage and reduce the environmental impacts of our business operations. The material environmental impacts of our operations mainly relate to greenhouse gas emissions resulting from the consumption of energy and fuel, and our precautions when handling hazardous substances.

We are witnessing a rise in global awareness of environmental protection, particularly of the ecological footprint left by products, services and activities, and awareness of the fact that it is every business company's responsibility to be a partner in the efforts fighting the climate crisis. When companies calculate the footprint of their operations, they also examine their supply chain and the logistics systems involved in moving their products and therefore, they also expect their suppliers to manage and reduce these impacts. Accordingly, when we provide solutions for the logistics needs of our customers, we prefer to adopt the best solution in terms of the environment from among the alternatives that meet the business need. Over the years, we discovered that the environmentally-friendly solution is, in most cases, also the more operationally efficient solution that is sustainable from a business, social and environmental point of view and a solution that generates a triple profit line.

We are constantly taking action to deepen our professionalism when managing environmental issues on the agenda and to find an operating, business or technological solution that will reduce the environmental impacts of our business operations. The Group's management of its environmental impacts complies with the statutory requirements and, in many instances, exceeds the compliance threshold. In 2020, no regulatory fines or sanctions for violations of environmental regulations were imposed on the Company.

## MAINTAINING CLEAN AIR

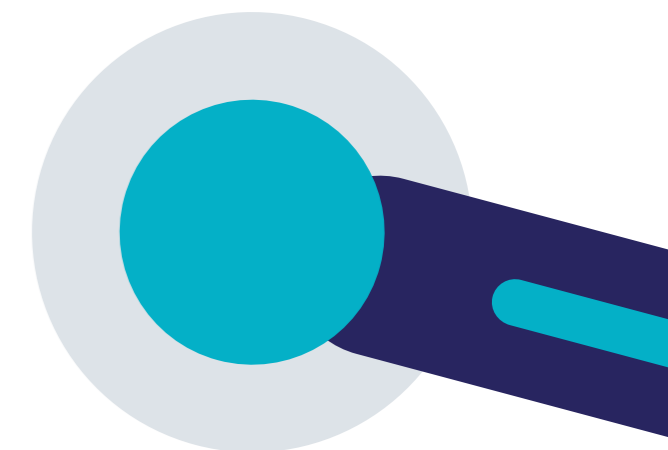
There is consensus today about the existence of a grave climate crisis deriving from human activity that began during the industrial revolution. This crisis has extensive social and environmental repercussions. Weather changes and global warming are changing the seasonal cycle and are threatening the survival of many plant and animal species and the planet's entire ecological balance. This climate crisis is evidenced by extreme weather events such as storms, floods, droughts and wildfires that cause enormous destruction in natural areas and in populated areas and to industry and agriculture alike. Such extreme weather events cause people and even entire communities to lose their homes and/or their livelihoods, while the disrupted agricultural growing seasons are not producing the anticipated output, thereby causing revenue losses and food shortages.

The material repercussions of the climate crisis are requiring mankind to exert major efforts to combat this threat. One of the key ways is to reduce the emissions generated by business operations. As a leading company in the Israeli economy that is committed to meeting the needs of all of its stakeholders, we are taking action to do our part in the global battle against climate change and to reduce the greenhouse gas emissions generated by our operating activities.

At Fridenson, the majority of our greenhouse gas emissions are generated by our fleet of vehicles and by energy consumption at the Group's sites. Our operations also have an impact on greenhouse gas emissions that are caused indirectly by our international freight-forwarding operations and by the production of fuel that we consume. These greenhouse gas emissions have a considerable impact on the climate crisis with which all mankind is contending. Studies show that transportation is responsible for about 25% of the total carbon dioxide being emitted into the atmosphere as a result of human activities. Out of this sum, transport - trucks, maritime shipping and air freight forwarding - is responsible for about half of the total emissions generated by transportation.

In addition to greenhouse gas emissions, fuel and energy consumption also emits additional particulates that contribute to air pollution. These airborne particles affect air quality and public health. These particles include nitrous oxides (NOx) and sulfur oxides (SOx), which are the main pollutants relating to the Group's operations.

Accordingly, we are taking action to reduce the environmental impact of the Group's operations by reducing the volumes of our emissions, while maintaining our business and operating continuity. We employ an integrated approach, which includes streamlining of our operations, coupled with our search for and assimilation of advanced and innovative technologies. In relation to streamlining, we regularly take action to increase the efficiency of our use and management of our fleet of trucks and of our energy consumption. In relation to technological innovation, we select and assimilate a variety of advanced technologies to reduce emissions by our fleet of vehicles and to reduce our energy consumption. This approach ensures that we not only reduce the Group's environmental impact, but we also increase our operating efficiency and our savings of resources.

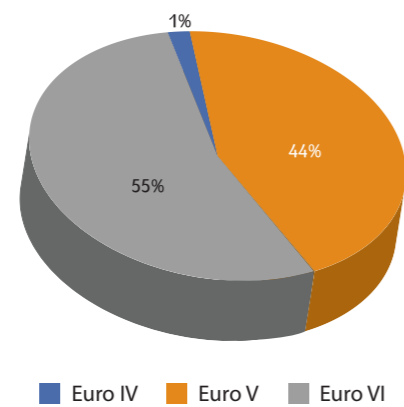




### OUR FLEET OF TRANSPORT VEHICLES

Within the framework of our environmental management, we make sure that all of our vehicles comply with the strict European standard for vehicular emissions. The Group's fleet of vehicles is comprised of 123 transport vehicles. All of the Group's transport vehicles (apart from one) comply at the very least with the Euro V Standard, and more than half of our fleet (55%) complies with the advanced Europe VI Standard. The Euro VI Standard leads to the reduction of emissions by tens of percentage points relative to the earlier emissions standards. In order to ensure that the Group's vehicles have the latest technology and comply with the latest standards, we are diligent about replacing vehicles in our fleet frequently and replace most of our transport vehicles every five years. In this way, we maintain our efforts to constantly improve our environmental performance and the operating performance of our entire fleet. In 2020, we removed five old transport vehicles from our fleet and purchased six new transport vehicles to replace them.

Our fleet of transport vehicles by emissions standard



We are diligent about examining innovative technologies that could help us improve the operating and environmental performance of our fleet of vehicles. For example, Fridenson was the first company in Israel to purchase a heavy-duty compressed natural gas truck as part of our efforts to find alternatives to diesel-powered trucks. Another example is our examination of various fuel additives to reduce our transport vehicles' consumption of diesel fuel.

A vehicle's technical specifications include additional factors, such as how the vehicle is driven and how the work is managed. All of our drivers receive training to acquire tools for informed and efficient driving. We invest resources in managing our work and transport routes and we use an advanced IT system to manage our shipments in the most efficient manner in terms of mileage in order to significantly reduce fuel consumption and emissions by our fleet of vehicles. In particular, to the extent possible, we avoid having our trucks travel empty and are diligent about consolidating shipments by geographic regions to the extent possible, since our goals are to work out the most efficient travel routes and to ensure that every truck will also transport shipments on its way back from a customer if at all possible.

Management of the fleet in this manner increases efficiency, saves on fuel consumption and reduces the greenhouse gas emission volumes. At the same time, we also profit from this operating efficiency since we save time and money. Another component of efficient operations that saves time, travel and electricity is our arrangement of our logistics centers. The more that the arrangement of the cargo containers is managed logically, with every cargo container in the logistics center placed according to the loading schedule and location, the more resources we save in locating them and preparing them for shipment. We use a smart management system that helps us to optimally manage storage at our logistics centers. Thanks to our efficient fleet management and the technological improvements that we are introducing, we succeeded in reducing the environmental impact of our fleet in 2020 compared to 2019. Thus, we reduced the diesel fuel consumption of our transport fleet by 2.5% per kilometer. We also reduced the volume of greenhouse gas emissions caused due to the operation of our transport fleet by 12.9% per kilometer of transport.

	2020	2019
Diesel fuel consumption (liter)	4,180,741	3,944,025
Mileage (kilometers)	9,436,251	9,129,909
Total emissions attributed to transport activities (tons of CO2eq)	5,092.36	5,694.28
Ratio of km of transport to liter of diesel fuel	2.257	2.315
Attributed emission intensity (kg of CO2eq/km)	0.54	0.62

In addition to reducing our greenhouse gas emissions, our efficient fleet management and the technological improvements that we introduced are also helping us to reduce our emissions of air pollutants - primarily nitrous oxides (NOx) and particulate matter (PM). Thus, we reduced our NOx emissions by about 11.9% and our PM emissions by about 3.7%.

	2020	2019
NOx (tons)	9.147	10.38
PM (tons)	0.128	0.133





### ELECTRICITY CONSUMPTION

Fridenson Group consumes electricity to operate its offices (lighting and computers) and to operate its logistics centers (heavy equipment, such as fork lifts, some of which are electric vehicles). Most of the forklifts at our logistics centers are electric vehicles, as part of our efforts to avoid combustion engine emissions and reduce the air pollution that they cause.

In order to reduce the volume of emissions caused by electricity consumption, we are taking action to streamline our energy consumption and are investing resources to switch to consuming renewable energies. As part of our efforts to reduce our energy consumption, we invested in installing solar panels on the roof of our logistics center in Ashdod. All of the electricity being generated by these solar panels is intended for the Group's own use. Thus, in 2020, 37% of the Group's electricity consumption was generated by solar sources.

	2020
Electricity consumption from the power grid	903,806 kWh
Electricity consumption from self-generated solar power	529,820 kWh
Total electricity consumption	1,433,626 kWh
Area (storage, operations and offices)	162,952 m <sup>2</sup>
Energy intensity (kWh/m <sup>2</sup> )	8.8

### CARBON FOOTPRINT

The key indicator to assess companies' impact on the climate crisis is their carbon footprint. In other words, the quantity of greenhouse gases (that are measured by tons of CO<sub>2</sub>eq) being emitted by the organization's activities during a particular timeframe. As a company that is committed to managing its environmental impacts, Fridenson Group monitors its carbon footprint and takes action to reduce it.

A carbon footprint is comprised of three components:

- **Scope 1** - the measurement of the organization's direct emissions
- **Scope 2** - the measurement of the organization's indirect emissions resulting from energy consumption
- **Scope 3** - the measurement of the emissions outside of the organization that are attributed to its operations, both upstream in its supply chain and downstream in its value chain.

Fridenson calculated its carbon footprint in conformity with the main global standard for calculating carbon footprint - the GHG Protocol. With reference to **Scope 1**, the source of emissions is the Group's fleet of vehicles. Scope 1 is the most material to the Group's operations due to our direct impact on it on the one hand, and the volumes of emissions from the Group on the other hand. Our fleet of vehicles includes, in addition to transport vehicles discussed above, also our heavy-duty forklifts that consume diesel fuel and private vehicles owned by the Group that consume gasoline. With reference to **Scope 2**, the source of emissions is our consumption of energy from the Israel Electric Corporation and from solar energy sources. With reference to **Scope 3**, we took two sources of emissions into account - emissions from the manufacturing process of the diesel fuel being consumed by our fleet of vehicles (the Group's main raw material) and emissions caused by ships during their cargo shipping operations (we took into account only our relative share of these emissions according to the Group's operations). We calculated our Scope 3 emissions according to customary global data, due to the absence of relevant data that are unique to the Group's specific suppliers.

As stated, we are taking constant action to reduce our carbon footprint. Considering our role as a key driver of our customers' supply chains, reducing our carbon footprint also reduces, in turn, our customers' carbon footprint.

	2020
Scope 1	5,871.97
Scope 2	508.16
Scope 3	11,111.92
Total	17,492.05
Emission intensity <sup>1</sup>	0.477

<sup>1</sup> Intensity was calculated relative to revenue (i.e., tons of CO<sub>2</sub>eq per ILS 1,000 of revenue).

### ENVIRONMENTALLY RESPONSIBLE TRANSPORTING OF HAZARDOUS SUBSTANCES

Within the framework of our transport and storage operations, Fridenson possesses unique expertise in providing logistics services in relation to hazardous substances. At issue are substances that can cause health or environmental damage if they are used without protection or due to uncontrolled exposure to them. These substances require special attention and work according to specific regulated protocols, due to the potential damage that can be caused as a result of incorrect handling. Malfunctions and improper handling of hazardous substances are liable to cause environmental damage to plants and animals that come in contact with them, to the ground itself, to sources of water and, of course, to people. As a result, specific regulations have been imposed on work with hazardous substances, and we comply with all of the stringent safety regulations regarding the modes of storage, handling and transport of hazardous substances.

In order to keep our employees and the environment safe, we take extremely stringent precautions when transporting and storing hazardous substances. We transport hazardous substances solely using vehicles that are equipped with specialized safety measures to prevent leaks. We perform periodic inspections of these vehicles to ensure that they are in good working order and fit for purpose. Additionally, we only employ certified drivers and employees to handle hazardous substances. We provide our drivers with specialized training in handling hazardous substances and preventing disasters in the event of a malfunction and we provide them with periodic refresher training. In order to verify the readiness of the team and the equipment, we perform simulations of various malfunctions that cause a spill or dispersion of substances and perform drills of the procedures they must perform to contain the incident and prevent damages.

In addition to the internal activities being performed in the Company, we also undergo external audits that inspect our handling and mode of storage of hazardous substances. We store hazardous substances in compliance with the safety directives according to categories, in designated double-walled cabinets that have information sheets posted on them for each substance explaining the proper handling instructions and details in case of an emergency. We are diligent about placing emergency equipment alongside hazardous substances: fire extinguishing equipment, eye wash dispensers, etc. We provide training in proper work procedures with hazardous substances in order to avoid accidents and we provide appropriate protective gear. The Group's toxins officers manage the safety aspects of our entire handling of hazardous substances, after completing their training by the Israeli Ministry of Environmental Protection.

As an additional precautionary measure, our handling of hazardous substances is one of the topics inspected during the weekly safety audits at the Company's sites (which are carried out by professional safety consultants; see elaboration below). In this way, we ensure that we frequently monitor compliance with the procedures and that hazardous substances are being properly stored. These audits examine such issues as the maintaining of safety and emergency measures, the good working order of equipment and the mode of storage of the hazardous substances (such as their location, accompanying documents, access restricted solely to authorized personnel, and clear signage).

Our efforts and diligence in this regard paid off. In 2020, no safety incidents were recorded relating to hazardous substances.



## INTERNAL FUEL STATIONS

In addition to our strict precautions when handling customers' hazardous substances, another hazardous substance relating to our operations is the diesel fuel that we use for operating needs. The Group has four fuel stations for internal use, in Ashdod and in Haifa. Proper operation of fuel stations is critical in order to prevent seepage of diesel fuel into the ground. Ground contamination in the vicinity could potentially have an extensive ecological impact, including contamination of sources of water, harm to biological diversity and restrictions on future uses of the land.

In order to keep the ground healthy, as well as everything depending on it, we are diligent about operating our fuel stations in compliance with all of the statutory safety regulations, including procedures for the holding, pumping and removal of fuel, in order to prevent any seepage into the ground, and controls over the air quality in the vicinity of the stations. Furthermore, when we designed and constructed the fuel stations, we invested resources in installing environmental safety measures, such as spill containment pallets that prevent fuel from seeping into the ground in the event of a leak. We perform monthly monitoring and controls and the Ministry of Environmental Protection conducts stringent periodic inspections.

## GREEN URBAN TRANSPORTATION

Bicycles offer a clean and healthy transportation solution within cities, and their use creates a sustainable urban space. Bicycles are environmentally preferable to private vehicles because they do not generate air pollution or emit greenhouse gases. Furthermore, they encourage people to live a healthier and more active lifestyle and reduce the traffic on the roads.

As part of Fridenson Group's commitment to promote sustainable transportation, it chose to invest in FSM City Mobility, which operates the Tel-Ofun venture, a bicycle-sharing network in Tel-Aviv (and, since 2021, also the Jerufun network in Jerusalem). The bicycles are placed at docking stations throughout the city and may be rented and returned to any other docking station, thereby facilitating convenient, healthy and experiential movement throughout the city. Urban bicycle rentals in the public domain are one of the oldest proven "last kilometer" solutions in many cities throughout the world. These solutions strive to make it easy for people to travel from their homes to public transportation and from public transportation to their destinations. For many, these two short segments in their trips pose the obstacle that prevents them from choosing public transportation over private vehicles. The outcome is congestion on the roads, shortages of parking spaces and the resulting air pollution. In other instances, bicycles can provide a good alternative for entire trips within the city and are becoming a preferred means of transportation for errands within the city. In these instances, the impact of bicycle use on city streets, on the level of air pollution and on bike-riders' lifestyle is even more positive.

Tel-Ofun, the first bicycle rental network of FSM, a subsidiary of Fridenson Group, has been operating in Tel-Aviv for about a decade. Today, our bicycles can be found all throughout the city and residents and visitors use them in order to reach their destinations. Since Tel-Ofun began operating, its bicycle network has contributed considerably to creating a culture of bicycling that now typifies Tel-Aviv and to the expansion of the related bicycling infrastructures throughout the Gush Dan region.

FSM is taking action to expand its network to additional cities in the Gush Dan region with the goal of realizing its vision of creating a metropolis that is entirely connected by two-wheel transportation. In this way, FSM is striving to contribute to the reduction of congestion and traffic jams that typify cities in central Israel, and to the creation of a healthier urban space for residents, visitors and for the environment.

FSM is also striving to repeat its success with its current deployment of a bicycle-sharing network in Jerusalem, which will also include electric bicycles that are more suitable for Jerusalem's topography. FSM will also upgrade to electric bicycles in Tel-Aviv and in adjacent cities in the coming years, under the assumption that there are people who have not tried bicycling up until now who will want to try the new and more convenient electric bicycles.



## DECADE OF GREEN URBAN TRANSPORTATION IN GUSH DAN

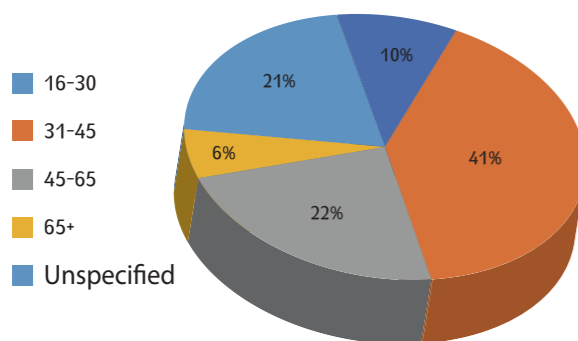
The Tel-Ofun network is comprised of 186 stations throughout Tel-Aviv, with each station containing an average of 20 bicycle docks. The network operates 1,800 bicycles that were rented 161,256 times in 2020. During the decade of operation of the bicycle network, bike-renters in Tel-Aviv rode about 50 million kilometers. An average bicycle ride is about 30 minutes and, in addition to about 1.7 million occasional uses of the network over the years, about 400 thousand users had an annual subscription, which apparently means that these subscribers regularly use our bicycles as their means of transportation. In this way, our bicycle users are introducing regular physical activity into their lifestyles and are contributing to a cleaner and less congested urban environment. Assessments are that regular users of the Tel-Ofun network have burned about 17.6 billion calories over the years!

Over the last decade since Tel-Ofun began operating, the urban bicycling culture in Tel-Aviv has developed considerably. FSM's activities also include efforts to increase the public's awareness of the Tel-Ofun network, of the advantages of bicycling and of the cultural-social accessibility of its bicycles, as well as promoting the construction of infrastructures to enable more convenient and safer bicycling in the city. The cumulative length of bike lanes in Tel-Aviv has grown to 150 kilometers and is expected to double within the next five years. Furthermore, according to a survey conducted by the Tel-Aviv Municipality, between 2010 and 2016, the percentage of people who regularly bicycle for their daily travel needs (work, school, etc.) increased from about 6.5% of the city's residents to about 17%.<sup>2</sup> We see this as proof of the success of two-wheeled transportation as an urban transportation solution and are proud to be the pioneers that launched this trend.

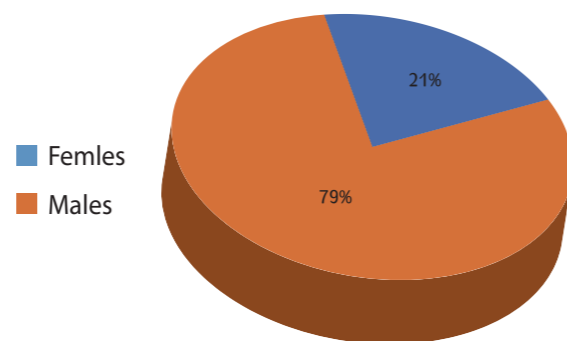
We are continuing to contribute to the development of an urban two-wheeled culture and are taking action to realize our vision to connect all cities in the Gush Dan region to a single network that will facilitate travel throughout the entire metropolis and constitute a main anchor in constructing a green and sustainable urban transportation system. Thus, in the coming years, we expect to upgrade our Tel-Ofun network considerably and to also add electric bicycles, similar to the Jerufun network launched in Jerusalem in 2021, to expand our network to additional cities and to expand the metropolitan two-wheeled interconnectivity.

Tel-Aviv quarter	No. of stations in the quarter	Stations per 10,000 people
North	45	0.36
Old north	22	0.19
City center	64	1.30
South	9	0.29
Jaffa	19	0.37
East	27	0.33

Annual bike subscribers by age



Annual bike subscribers by gender



## SAFE BICYCLING

Protecting personal safety and the safety of all other road-users is of utmost importance. We are diligent about providing our subscribers with bicycle safety instructions through our application that they use to rent our bicycles. For example, we alert them about the laws imposed on two-wheeled means of transportation and about their obligation to wear a helmet. Accordingly, in addition to adding electric bicycles to our network, we are also designing a solution for the provision of helmets for the use of Tel-Ofun bike-renters. In this way, we will be providing a complete solution and Tel-Ofun bike-renters will not need to purchase helmets in order to comply with the Electric Bicycle Law.

We are happy to report that, to the best of the Company's knowledge, no material accidents were recorded among Tel-Ofun users in 2020.<sup>3</sup> In 2019, one accident was recorded.

<sup>2</sup> <https://www.tel-aviv.gov.il/Transparency/DocLib6%20%D7%A7%D7%A8%20%D7%A4%D7%99%D7%A6%D7%95%D7%9C%20%D7%A0%D7%A1%D7%99%D7%A2%D7%95%D7%AA%20%D7%95%D7%A8%D7%9B%D7%99%D7%91%D7%94%20%D7%A2%D7%9C%20%D7%90%D7%95%D7%A4%D7%A0%D7%99%D7%9D.pdf> (in Hebrew).

<sup>3</sup> An accident is considered to be material if the injury caused led to an insurance claim.

## GREEN TRANSPORTATION - GREEN OPERATIONS

Upgrading our fleet of bicycles so that about 70% of the bikes will be electric poses new operating challenges to the Company, and particularly, how it manages their environmental impacts. The main environmental impact is the battery, which is considered electronic waste having a long-range environmental impact. We are committed to the responsible handling of our bike batteries. Our design of the network includes charging of the batteries in the Company's warehouses and, in this way, we can make sure that they are in good working order for the purpose of preventing safety accidents during their use. After an in-depth evaluation, we selected batteries that we believe will provide optimal service that balances between charging time, travel distance and cost.

Taking into account environmental and operating considerations, the new docking stations to be deployed throughout Tel-Aviv will be solar-powered stations. In this way, the stations will not require a complex electricity connection and will be durable and safe to operate in the public space.





**Fridenson**

## FOR OUR EMPLOYEES

Our employees are the driving force of our company. As a service company, our employees have a decisive impact on the customer experience and on the solutions that customers receive. Our employees set the quality standards of our customer service and they ensure that our customers are satisfied. Without the hard work of all of our employees in the field, on the roads and in our offices, we would have been incapable of generating the value needed for our customers or of offering the high standards of service that they expect and that we strive to provide. Our employees' familiarity with our customers' needs and challenges out in the field and their keen desire to help find solutions for the complex logistics problems that we face enable our Company to continuing growing and developing. Particularly during the uniquely challenging year, 2020, our employees were the ones who enabled us to overcome the challenges of the pandemic and its far-reaching implications on all spheres of our lives.

Accordingly, the welfare and prosperity of our employees is of utmost importance to us. We invest thought, efforts and resources in managing the human resources in the Company for the continuing success and satisfaction of our employees.

The diverse services that Fridenson offers also dictate our need for diverse manpower comprised of both office and field personnel - those who have formal educational backgrounds and those who excel on the basis of experience alone - local roles and roles with international aspects. The Group's nationwide spread also dictates our need for diverse personnel throughout Israel from north to south and, of course, employees who drive across Israel on a daily basis.

Our management culture is characterized by a warm family atmosphere. We demonstrate openness, fairness and mutual commitment in our relations with our employees. We are committed to our employees' success in the same way that we expect them to be committed to the Company's success. The mutual fairness in the relations between the Company and our employees is reflected, inter alia, in our strict adherence to fair employment conditions and in our daily interactions with our employees, whether or not they are directly employed by the Company. We strive to create an open and respectful work environment in which every employees feels that he/she belongs, can find the right position and build a future in the Company, through special training and a development horizon. This aspiration is part of our efforts to retain our employees at the Company over time.

## OUR PEOPLE

The considerable diversity of Fridenson's operations provides opportunities to employees possessing various skills from all over Israel. Inter alia, Fridenson has sites in Haifa, Be'er Sheva and in Ashdod, and some of our employees are not stationed regularly in any one of our sites and their roles take them all over the State. Accordingly, Fridenson's 396 employees reflect the fabric of Israeli society as a whole. All of our employees (apart from three) are employed in full-time jobs and, apart from two, all are permanent employees of the Company.

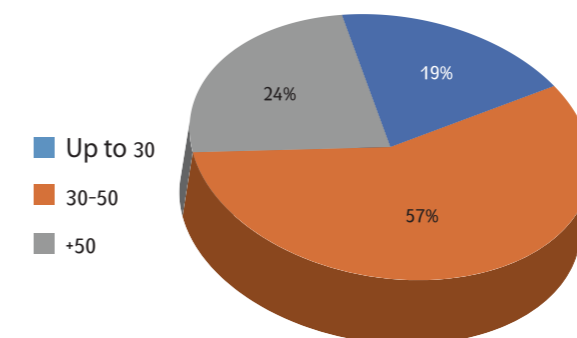
Thanks to the diversity in the logistics profession, there are roles that are suitable for people with varying characteristics, qualifications and preferences. We at Fridenson believe that every person has a right to earn a decent living and we are proud that, as a large company with a wide geographic spread, we are able to serve as a gateway to the employment world for different people and in different geographic regions. Accordingly, about 57% of the Group's employees in Israel reside in regions that are far from Israel's employment center. Correct to year-end 2020, 33 of the Group's employees (about 8.3% of all of our employees) come from "diversity populations."<sup>4</sup> At the same time, the gender diversity among our field personnel is still low and, among our 161 operations employees, only two are women. In the entire Group, one employee took maternity leave during the year and one employee returned from maternity leave during the year.

Additionally, we employ people with disabilities at the Company and we participate in special programs for training and employing people from populations underrepresented in the job market. As part of our efforts, we are working with rehabilitation companies and with special job placement agencies that also offer close accompaniment to employees who need it.

Fridenson employees by gender and age			
	Women	Men	Total
Employees up to age 30	21	55	76
Employees between the ages of 30-50	72	154	226
Employees at the age of 50+	22	72	94
Total	115	281	396

Fridenson employees by gender and rank			
	Women	Men	Total
Senior managers	3	11	14
Middle managers	5	55	76
Junior managers	7	154	226
Employees	100	72	94
Total	115	281	396

Operations employees by age



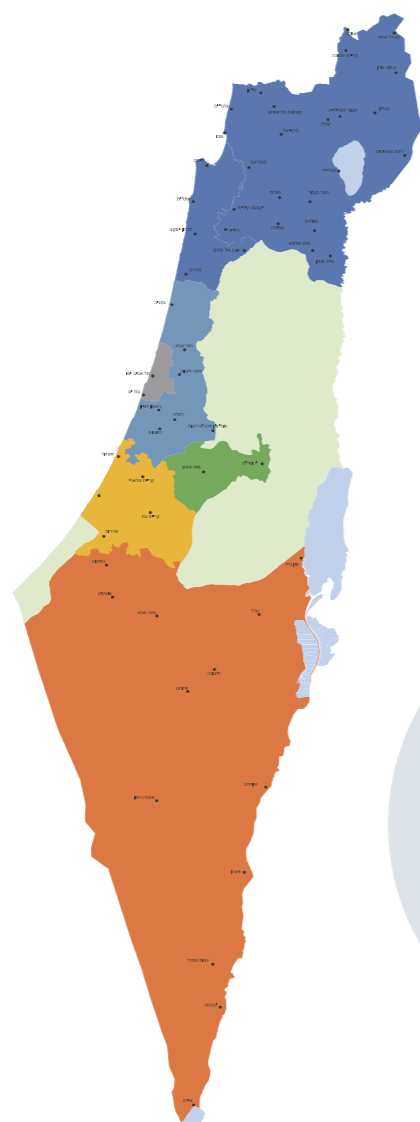
<sup>4</sup> People with disabilities, the Arab society and the ultra-orthodox Jewish society.

### EMPLOYEE TURNOVER IN THE GROUP IN 2020

New employees hired				
	Women	Men	Total	Ratio
Employees up to age 30	9	51	60	47%
Employees between the ages of 30-50	12	37	49	38%
Employees at the age of 50+	2	17	19	15%
Total	23	105	128	100%

Employees who left				
	Women	Men	Total	Ratio
Employees up to age 30	7	54	61	32%
Employees between the ages of 30-50	28	61	89	47%
Employees at the age of 50+	6	32	38	20%
Total	41	147	188	100%

- Jerusalem 5%
- Sharon 1%
- Shfela 14%
- Center 23%
- South 41%
- North 16%



#### Where do Fridenson employees live?



## OCCUPATIONAL SAFETY

As a company and as managers, we invest maximum efforts to ensure that our employees arrive home safely every day. They leave the house every morning in order to provide excellent service to our customers, and it is our responsibility to provide them with all tools necessary in order to do so safely, also after their long workday. We are committed to our employees, since they are our business, they are the people who are actually providing service to our customers and, besides that – they are our people.

In the logistics sector, like in other sectors in which employees are also required to perform physical work in the field and work with heavy equipment, there are a variety of safety risks. We invest considerable resources in managing the various safety risks, through work procedures and defined work processes, by raising awareness of the various risks, by building a culture of working safely, by supervision and enforcement and, of course, by investing in the advanced equipment that is needed in order to maintain a safe work environment.

Occupational safety at Fridenson includes diverse topics, such as safe working at heights, the safe use of work tools, the handling of hazardous substances and additional safety topics pertaining to the diverse types of operations in which we engage. As part of this, we also focus on the issue of traffic safety out of our recognition of the grave risks involved and as part of our commitment to reduce road accidents.

### OCCUPATIONAL SAFETY BEGINS WITH AWARENESS - TRAINING AND PROCEDURES

In order to maintain occupational safety, we are diligent about strict internal procedures and provide periodic training in order to make sure that all of our employees are aware of the procedures and are following them. New employees are provided with safety training as part of their onboarding process at the Company and they are assigned a personal mentor from among our experienced employees who help them continue professionalizing in the safe operation of various tools and equipment. Long-term employees also receive designated safety training before they begin using tools that they have not used before. The objectives of our employee safety training are to minimize occupational accidents and to improve our employees' professional proficiencies. Some are taught by qualified external experts, while others are internal training seminars taught by the Group's safety officers. There are training seminars designed for new employees, current training seminars (such as seasonal training prior to a change in the work environment due to the weather) and specialized training topics, such as fire safety, working at heights or working with hazardous substances. Additionally, we train some of our employees and qualify them to administer immediate first-aid if necessary. Since safety does not depend on the nature of the engagement with the Group, anyone entering our logistics facilities - whether temporary employees, outsource employees or subcontractors - receive training in our safety procedures in order to ensure that they are aware of the various risks and are working safely. external safety courses) is 2.75 hours. Among the safety topics are general safety, fire safety, driving safety, warehouse work safety, safety when working with hazardous substances and safety during work at heights. In total, we provided 739.5 hours of safety training.

During 2020, a total of 11 types of safety training were provided to employees and managers of the Company, some taught by our experts, while others were taught by external experts. The average duration of safety training in the Company (apart from

Hours of safety training to employees, by gender and rank			
	Women	Men	Total
Senior managers	1	3	4
Middle managers		6	6
Junior managers	8	32	40
Employees	117	572.5	689.5
Total	126	610.5	739.5

Besides our responsibility for our employees' safety as an organization, we also expect and clarify to all of our employees that they also bear personal responsibility in this regard. All of our employees are required to be responsible for their own personal safety and for the safety of their coworkers, to work according to the relevant procedures and to immediately report any safety incidents.





## SAFETY MANAGEMENT

Fridenson Group has a developed and structured department to manage the complex safety issues in the Group. Two safety officers operate in the Group who are responsible for ongoing safety management and for implementing the Group's safety policy. Our departmental safety trustees help supervise compliance with the safety procedures specific to each operating segment, and constitute a source of professional knowledge for our employees to internalize a culture of safety in the Group. The Group's safety committee serves as our executive internal safety governance body.

Our safety committee is responsible for safety and quality issues as a whole and meets monthly to discuss current safety issues and to handle anomalous incidents. The Group's COO chairs this committee and its membership is comprised of the traffic safety officers, representatives of the Group's Management, site managers and operating unit managers, employee representatives and an external safety expert from the safety consulting firm retained by the Group. The committee meetings review the safety issues on the agenda.

For example: the committee reviews the results of periodic safety audits and decides how to rectify any deficiencies that were detected. The committee decides who will be responsible for the implementation of each of its decisions and it frequently monitors the implementation of its decisions. The committee members also receive reports of anomalous safety incidents and the investigations conducted in respect thereof. In addition to all of the above, the committee monitors the current performance of safety-related actions (tools and equipment maintenance, necessary repairs, upgrading of facilities), and it monitors the provision of safety training and the level of our employees' familiarity with the various safety procedures.

In addition to our rigorous internal safety management, Fridenson has retained the services of a professional safety consulting firm as an additional line of protection. The Company's advisors conduct frequent independent safety audits for us at our various sites. Weekly safety audits are conducted at all of the Group's sites - a total of about 14 audits per month at the Group level - in order to detect deficiencies and to ensure that our safety procedures are compatible with the work being performed and are being fully followed. The audit reports report deficiencies or problems and report incidents of inadequate safety conduct that may be rectified swiftly, whether through physical changes or behavioral changes (such as by additional training or clarifying procedures).

Fridenson is certified under the leading international standard for quality management and assurance systems, ISO 9001:2015, which also encompasses significant components of occupational safety. We conduct a risk survey in each of Fridenson's operating segments and we define clear safety procedures according to the surveys and relevant regulations. We teach our employees about the procedures during orderly training sessions, we post safety procedure signs as reminders and we provide periodic refresher safety training sessions. When a safety incident occurs, we are diligent about investigating the incident and about drawing conclusions. If we discover that deficiencies were the cause of the incident, we take prompt action to rectify them and concurrently disseminate the results of the investigations to managers for their edification.

Fridenson's effective safety management leads to results on the ground. In 2020, no occupational accidents occurred that resulted in a severe injury or the death of an employee or third party.

## ROAD SAFETY

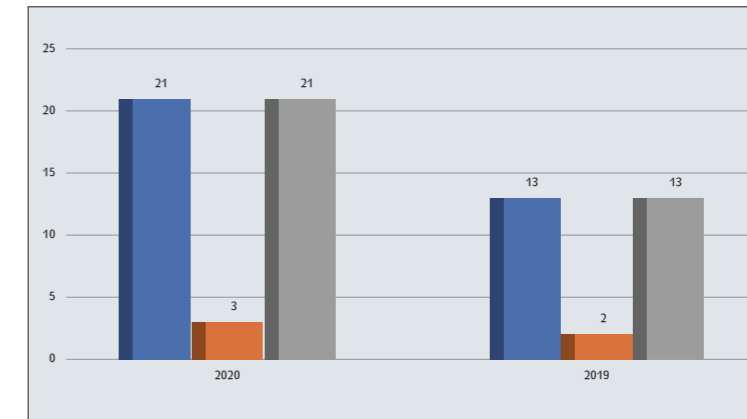
One of the Group's principal operating segments is overland transport. Our drivers are on Israel's roads for many long hours and travel long distances. Therefore, road safety is an especially important component of our employees' safety and is at the core of our business operations. Road safety affects not only our drivers but also all road-users and the public as a whole. The importance of road safety to Fridenson and to the general public, as well as our heavy presence on the roads, are the reasons why we devote so much attention to road safety management.

The two key components of our road safety management are the good working order of our vehicles and our drivers' conduct. We ensure that our vehicles are in good working order through meticulous maintenance using licensed garages and through our selection of vehicles. In addition to the Israeli standards that maintain the safety level of trucks being imported into Israel, we are diligent about replacing vehicles in our fleet frequently (every five years) and, in this way, we ensure that the vehicle's built-in safety features are the best in the market, both in terms of the latest standards and in terms of innovative technological improvements. Furthermore, we install additional safety technologies in our heavy vehicles, beyond that required according to the standards. Examples include sensors to check tire pressure and the oil level in the engine and special road cameras. We are currently conducting a pilot using wide-angle cameras for the use of our truck drivers.

We promote proper conduct on the road by teaching safe driving to our employees and by supervising and monitoring their conduct on the roads. Safety systems are installed in the Group's vehicles that monitor characteristics of driver safety, and we offer incentives to encourage our drivers to drive safely. We also provide periodic training sessions to our drivers in the winter and summer in order to clarify the different road conditions depending on the season. These training sessions remind our drivers about such topics as maintaining distance, checking tires, taking breaks and maximum driving hours. In order to ensure that our drivers are always focused and refreshed, we monitor every driver's hours of driving. In order to enable us to monitor the driving hours of each of our drivers and to make sure that they are not required to drive more than the safe number of hours, every driver has a personal ID number that he must enter on his truck's dashboard before he can start driving.

Fridenson's trucks traverse Israel 24 hours a day and Fridenson is committed to its drivers' safety and to the battle to reduce road accidents. With about 130 heavy transport vehicles travelling up to 12 hours per day, we at Fridenson use technological means, training and awareness-raising measures to reduce the risk of road accidents to the extent possible and the damages caused as a result - primarily, to reduce personal injuries and property damage to us, to our customers and to all other road-users. In the event of an accident, we conduct an investigation, draw conclusions and distribute a summary of the accident and its causes to all of our drivers so that they will learn from the incident and avoid a similar accident. We closely monitor our drivers' safety performance and if any driver has a history of recurring incidents, a hearing is held and his continuing employment is considered in light of the findings.

Occupational accidents and injuries



■ Occupational accidents ■ Occupational accidents - road accidents ■ Number of employees injured

Road accidents that caused property damage <sup>5</sup>		
	Woman	Ratio of accidents per 1,000 km of travel
Total road accidents that caused property damage	103	0.011
Number of accidents involving a third party	66	0.0076
Number of accidents that caused third-party property damage	23	0.0024

Police reports received at the Group	
Number of police reports received	123
Number of drivers who received police reports	67
Total cost of the police reports received	ILS 57,250

Occupational accidents	2020	2019
Number of grave and fatal injuries	0	0
Number of mild injuries	21	13
Number of injuries per 100 employees	5.3	3.37
Loss of work days due to occupational accidents	1230	460
Lost Time Injury Frequency Rate <sup>6</sup>	8.418	-

<sup>5</sup> The vast majority of these accidents are not defined as occupational accidents since no personal injuries were caused during them.  
<sup>6</sup> This figure is calculated on the basis of 200,000 hours of work.



## SAFETY EQUIPMENT AND WORK TOOLS

An important component of safety management is maintaining the good working order of safety tools and equipment. All of the equipment and tools that are used in the Group comply with stringent safety standards, and we regularly review the compatibility of the tools for the various tasks, such as elevation, cargo tie-downs or working with hazardous substances. For example, experts from the Group and external experts conduct routine reviews and inspections of the working order of elevation and tie-down equipment in order to ensure their good working order and their compatibility for the relevant task and that they can bear the load of the planned cargo.

We, of course, provide our employees with all protective gear recommended by the tool manufacturers to protect their personal safety and the safety of people nearby. We are particularly diligent about the standards of work attire that our field personnel wear. All of our field employees receive summer and winter uniforms, work boots with iron tips and reflective vests. Employees whose roles require additional protective gear are provided with the gear needed (such as special equipment for safe work at heights). In addition to personal gear, we installed safety stations in the Company's facilities for our employees' use according to the different activities, such as eye wash dispensers at sites where our employees work with hazardous substances, and warning lights and triangular signs as cautionary means when transporting Over Dimensional Cargo (ODC). In addition, emergency equipment, such as defibrillators and first-aid kits, are available to employees and to our first-aid paramedics, and hazmat kits are given to drivers who are transporting hazardous substances. The hazmat kits contain a variety of personal protection items in the event of contact with a hazardous substance (gloves, boots, goggles, masks, etc.) and a hazmat first-aid kit.

## FAIR AND SUPPORTIVE WORK ENVIRONMENT

The welfare of our employees is always our primary concern when designing a work environment in the Group. It is important to us that our employees feel safe, are appreciated and rewarded for their hard work. We provide our employees with all of the means that they need to perform their work in an optimal manner and we make sure that all safety measures are in place so that they can work safely. Our employees' economic wellbeing is also important to us and we offer competitive wages and benefits in our sector. We also strive to create a pleasant atmosphere with open communications and offer enjoyable after-work special events for our employees. It is important to us that our employees take part in designing the work environment and we operate forums and round tables to hear their input.

### FAIR EMPLOYMENT

First and foremost, we are diligent about providing fair employment terms, fair wages and reasonable work hours. Additionally, some of our employees are entitled to benefits in addition to their base wage, such as contributions to a continuing education fund, a clothing allowance and per diem. Wages are determined according to the employee's role, rank and qualifications, without irrelevant considerations of an employee's personal background, such as gender or other demographics.

Work hours is a particularly important topic in a company like Fridenson that operates 24 hours a day and that sometimes requires physical exertion. Therefore, even though the Company operates around the clock in order to provide the best, most reliable and fastest service to our customers, we are also diligent about enforcing clear procedures regarding the work hours that each employee is allowed to perform, as part of our caring for our employees' safety and wellbeing. In order to verify that they are abiding by their defined work hours, our employees are required to report their work hours and we closely monitor overtime hours to make sure that there are no deviations from maximum permitted work hours.

In addition to wages and standard benefits, life - and especially the Israeli calendar - offers us numerous opportunities to celebrate and show our appreciation to our employees, and we give gifts and celebrate holidays and company events with our employees. We are also delighted to celebrate important events in our employees' personal lives, such as: we give gifts to employees' children who are entering first grade. We find time every year so that the entire Company will have fun together and we organize a company-wide vacation to give all of us time to get to know each other outside of work and in an informal atmosphere. Additionally, employees can ask to receive a loan from the Company if they need one and we are always there to lend a helping hand to our employees.

There is no employee committee in the Group today, and employment terms are defined in personal contracts according to the standards in effect in the Company. In addition, the Company's 130 drivers (about 33% of the Group's employees) are employed under a national collective bargaining agreement for drivers. The Group is subject to this collective bargaining agreement as it is a member of the Israeli Association of Truckers and Transporters. The agreement was initially signed in 1996 and is renewed every few years. The agreement defines the employment terms agreed upon with the truckers and the Histadrut Federation of Labor (as the representative of the employees in the Union of Transportation Employees). The agreement covers such topics as wages, seniority benefits, pension, per diem payments, insurance (including work disability insurance) and additional benefits, such as a continuing education fund.

We are also diligent about the fair employment of contractors' employees. Our HR team and general counsel examine the social terms that the contractors provide and we make sure that the contractors' employees receive all of the social terms to which they are entitled by law. These employees' employment terms are anchored in a contract between Fridenson and the subcontractors in order to guarantee the welfare of the employees employed through them.

In addition to the competitive employment terms offered to the Company's employees, we also strive to enhance our employees' organizational solidarity. One of the ways to do this is through the welfare activities described above. Additionally, ongoing communications is a significant tool to create a sense of belonging and connection among the employees. It is important to us that every employee feels comfortable to approach managers with any suggestion, request or grievance. Our doors are always open and we encourage open, respectful and accepting discourse among all of our diverse employees. In instances of complaints about improper conduct among employees, the incident is investigated and handled uncompromisingly by qualified professionals. We are proud to report that such incidents are extremely rare.

In order to facilitate intraorganizational communications, we launched a special application in 2021 for the Company's employees that is designed to serve as an all-purpose employee portal. Through this application, our employees learn about news and opportunities in the Company - development opportunities, courses and also success stories. The portal also gives them easier access to administrative matters and to services that are available to them in the Company, such as requests for a vacation or for a loan, and the portal is also used to report safety incidents. This platform is particularly important for a company providing services throughout Israel, because many of the Company's employees are field employees who have no routine access to a computer during their workday.

### CARING ABOUT THE NEXT GENERATION OF DRIVERS

There is a serious national shortage of drivers in the State of Israel, particularly of heavy vehicle drivers. In the trucking sector in particular, there is an annual shortage of thousands of drivers to provide a full response to the demands in the economy. As part of this trend, we are also having a hard time recruiting new drivers and sometimes, we also have a difficult time retaining drivers over time.

As a leading transport company in Israel, we are taking part in the national effort to resolve this problem. Representatives of Fridenson are active in a joint forum with the government and the Israeli Association of Truckers and Transporters that is promoting the driving profession and its standing and efforts to make the profession accessible to more people. There are numerous advantages to working as a driver, and working for a well-established organization like Fridenson offers valuable stability. As part of this activity, we launched a public campaign to increase the exposure of this profession and we participated in employment fairs. We are involved in another effort called the Employment Momentum Project. This project, which is part of the "lifelong career" program of the IDF's Technology and Logistics Directorate, helps newly discharged soldiers integrate in the job market. This project is particularly relevant to the driving profession, due to the considerable training that military drivers receive during their military service.



## EMPLOYEE TRAINING AND DEVELOPMENT

In addition to caring for our employees' welfare, we believe that all of our employees have a career track that is right for them. We invest thought and resources in order to help them identify their career track and help them achieve their career goals within the Company. In this way, employees feel more job satisfaction and we benefit from more professional, experienced and devoted employees. This is why we invest considerable resources in our employees' personal and professional development. In 2021, we designed a structured program for employee training and development, which includes a wide variety of training courses according to the various roles in the Company and the professional and personal needs of our employees and of the Group. Furthermore, employees have opportunities for internal job transfers in the Company, including among the various logistics professions according to the employee's qualifications and aspirations.

To help every employee realize his potential and find his place, we offer internal training programs in a variety of professional disciplines and offer full courses and seminar days to our employees. In addition to safety training in various fields that all employees regularly receive according to their roles, the Company offers additional training and instruction tracks. Courses include logistics management, procurement, inventory management, management skills, service skills, quality assurance and control, including instruction in the quality standards, as well as courses relating to the maintenance of the Group's complexes and tools.

One example of a comprehensive training program is the program designed in 2021 for our sales staff within the framework of a process raising the standards of quality and service being provided to our customers. The Group's sales staff receive extensive training in all of the Group's lines of service and about diverse aspects of the Group's logistics-operations activities in order to provide them with a broad understanding of the Group's businesses and in-depth familiarity with the services that they are selling to our customers, so that they can optimally adapt the service they are selling to the customers' needs. As part of their training, they gain general knowledge about imports and exports, about international freight forwarding and customs clearing, as well as about the technical details of the work. They also learn about working with customers and about providing service.

In 2020, 1,134.5 hours of training for professional and personal development were provided to employees of the Group, which constitutes an average of about 2.9 hours of training per employee per annum. Our training covers diverse topics, including: fire safety, safety during warehouse work, hazardous substances, working at heights, the art of sales, emphases for safe driving in winter and in summer, labor laws and the use of social networks. Out of the total hours of training, about 65% of the hours were devoted to safety training topics.

In addition to internal training, we also send employees for relevant external training, such as courses, seminar days and conferences or we train them inside the Company for external certifications, such as toxins officers and first-aid paramedics of the Group. The purpose of this training is to raise our employees' level of professionalism and to provide them with additional proficiencies that they can use during the performance of their work. In some instances, out of our recognition of the value of formal education for our employees and managers, the Group funds diploma studies or academic degrees for outstanding employees. In recent years, the Group funded the formal education of 26 outstanding employees and managers in diverse subjects relevant to their professional and personal development in the Group, including customs licensing, containerization, mechanical engineering, accounting, payroll accounting, management and manager development, business management and social sciences.

Managers in the Group are responsible for training and closely accompanying our employees, to attend to the employees' work environment, to assign professional mentors and to offer tutoring in "soft" skills for our employees' personal development according to each employee's needs. We believe that the quality of our managers has a decisive impact on the work experience of all of our employees. Therefore, we designed a comprehensive manager development program (in conjunction with external experts) for our managers. This program, which was launched in 2021 (after having been postponed due to the Covid-19 crisis), includes 11 classroom sessions and the establishment of a "managers' forum" that enables middle managers to continue their peer learning process.

As part of the process helping employees improve their performance and professional and personal functioning in the Company, we hold an annual performance review process. In 2020, before this process was initiated, we provided training to our managers on the subject of providing effective feedback. In total, 102 employees and managers of the Group, which constitute about 26% of all employees of the Group, received formal feedback from their managers in 2020.

Number of employees who received feedback, by gender and rank			
	Women	Men	Total
Senior managers	2	4	6
Middle managers	3	2	5
Junior managers	3	3	6
Employees	56	29	85
Total	64	38	102

## SAFEGUARDING OUR EMPLOYEES DURING THE COVID-19 CRISIS

2020 was a particularly challenging year for us and for our employees. The reaction to the Covid-19 pandemic and the numerous lockdowns throughout the world posed unprecedented challenges and led to a high degree of uncertainty.

During the period, we at Fridenson exerted our best efforts to continuing meeting the demands while constantly safeguarding the physical and emotional health of our employees and their economic wellbeing. To this end, we operated in compliance with the "purple tag" regulations imposed on workplaces and we exerted efforts to extensively explain and enforce the regulations. During the period, employees who were able, shifted to working from home, at least partially. Our operations employees received additional protective gear and were divided into capsules so that they would not mingle with all employees, but rather, would only work with a particular small group of employees. Additionally, we made changes in our offices, such as installing partitions between tables, and other measures enabling employees to maintain social distancing. We were cognizant of the complexities of the period, and we worked flexible hours in order to make it easier for employees with other responsibilities, such as children and family members who were dependent upon them. Even when we were on lockdown at home, we wanted to take care of our employees' welfare and organized activities to stay in touch and raise their morale, even if remotely. We sent packages to any employee who was sick or in quarantine and offered support to anyone who needed any kind of assistance.

Unfortunately, when the outbreak of the Covid-19 crisis began to have business repercussions, we were compelled to send 40 employees home on unpaid leave (about 10% of the Group's employees). The ratio of women sent home on unpaid leave was 22.5%, which was lower than the ratio of women employed in the Group (29%). Once the logistics market in Israel recovered, we took action to call back the employees from unpaid leave and all but one indeed returned to work within a number of months. During that period, there was no adverse impact on the employment terms of any of our employees and we did not reduce wages or make any other changes in our employees' social terms. This is a difficult period that is continuing to create uncertainty and difficulties that we have never before encountered. We are proud that our employees are still with us and we are continuing to stand by them and assist them with all of their needs during these complex times.





## WE ARE CUSTOMER-CENTRIC

Fridenson's core business activity is the provision of service. We connect customers, suppliers, their customers, the local authorities and the national infrastructures in order to guarantee ongoing efficient supply chain management. Fridenson provides customers with full coverage of all aspects of the logistics services they need for their organizations' management and operation. Many of our customers are regular customers, which attests to our customers' high satisfaction with the quality of our service and with the logistics solutions that they receive.

We aspire to provide a solution for all of the logistics needs of the variety of customers that we serve - of every size, geographic location, business sector and cargo types. Accordingly, we are continuing to develop our unique logistics capabilities enabling us to provide diverse, advanced and unique solutions, such as over-dimensional cargoes, storage and refrigerated transport, the storage and transport of hazardous substances and unique freight forwarding solutions to every location in the world.

### THE QUALITY OF OUR SERVICE

We at Fridenson Group consider the quality of our service as the foundation for business success and long-range growth. Our aspiration to provide high-quality service is incorporated in all of our business processes, with customer satisfaction being one of the Company and we appointed professionals to advance and control quality service. Within the framework of the reorganization of the Group in 2021 for the purpose of strengthening the integration between the various companies in the Group, we decided to establish a service and sales department tasked with further improving the quality of service according to a structured methodology.

The Group operates according to a clear and structured quality policy that guides all of our employees in all of the Company's based on a routine of maintaining dialogues and conducting surveys of our customers' satisfaction. The Group has been ISO 9001:2015 certified - the leading quality standard in the world of management of the quality system as a whole, including at the level of the organizational mode of management, the meeting of stakeholders' expectations, the setting and measurement of communications, and constant improvement in these topics. In 2018, the Israeli Standards Institute conducted a repeat audit of the Group and recertified us under the standard. This certification is valid for three years until the end of 2021. Our quality system has a material impact on the quality of service that customers and other stakeholders of the Group receive, in terms of both its professional standards and the service experience that we provide to customers.



Our goal is to provide the most efficient and convenient freight forwarding and supply chain management experience to our customers as is possible. Our prices are competitive and we make sure that our customers can easily contact us and receive personal attention. Our sales staff contacts customers directly to find out their needs and design the optimal solution for them. Our operations staff is readily available to provide assistance and solutions throughout the entire process and its execution. Our managers are also readily available to customers and are happy to assist if necessary. Our personal attention is how we best learn about our customers and their needs and this helps us to design our services, build new service lines and continue responding to customers' changing needs. Within the framework of our reorganization, we plan to establish a special service center for customers of the Group that will enable us to centralize all communications with customers to better respond to their needs, to receive orders, to provide information and timetables.

We invest in alleviating the inherent tension in the logistics sector between the uncertainty about locations of goods and shipments during the freight-forwarding and transport processes and the need for precise planning for the purpose of efficient receiving of goods and inventory management. Accordingly, we try to provide our customers with the most precise information as is possible. Our customer service center operates 24/7 and we operate a digital information system so that customers can obtain updates about the locations of their shipments and their arrival times. We customize the alerts that customers receive from the system according to their preferences.

Concurrently, we are taking action to integrate technological means to automate portions of the process, which will enable customers to enjoy even greater flexibility and efficiency when receiving services. For example: we assimilated a technological system that enables customers to perform their own calculations of the customs and taxes that they can expect to have to pay for goods that they ship or release from customs through us.

### WE ALWAYS STRIVE TO DO MORE

Since our Company is continuing to grow, we began a process of upgrading our customer relations management and customer service system in order to ensure that we can continue providing sustainable superior-quality service and constantly improve our customers' service experience, as part of our comprehensive process of integrating the Group's companies. This upgraded system will enable us to more easily connect our service lines and ensure holistic solutions for all of our customers' needs. The Group's current COO will be responsible for the new system.

Consolidating all of the diverse interfaces with customers under a single central management system will enable us to further improve the service experience for all of our customers, including expert account managers, a professional service center and technological tools enabling every customer to receive far more information independently online. To this end, we are expanding and upskilling our sales and service staffs so that they can tailor the most precise solution for each customer and serve as coordinators between the professionals in all of our service lines for the performance of all work from end to end.

In addition to developing our team of account managers, we are taking action to establish a central service center that customers can call to receive efficient and precise answers. Centralizing the Group's customer service will help us to provide more comprehensive and swifter service to customers. This center will also enable us to more easily monitor customers' different needs and focus our communications and responses in the future. We are also taking action to assimilate advanced technologies for customer relations management to support and further upgrade the quality of the services that we offer.

### QUALITY CONTROL OF OUR SERVICES

Our personal relations with customers enable us to contact them to receive their feedback on our performance and to ensure that we are meeting their expectations. We also conduct periodic satisfaction surveys for horizontal analysis. We analyze the results of these surveys and our Management and professional departments draw conclusions from them. During 2020, as a result of the Covid-19 crisis, we did not conduct a satisfaction survey in relation to our services.

In addition to our dialogues with customers, we also conduct periodic audits and internal quality control examinations in order to identify deficiencies and opportunities to improve the service experience. The results of the surveys and audits are discussed during routine meetings dedicated to topics relating to the quality of our services. During these meetings, we also define and monitor internal targets and quality service indicators and discuss ways to further improve our performance.

#### Fridenson's KPIs relating to the quality of service



If a customer reports dissatisfaction with the service that it received, the Group is diligent about investigating the matter and finding out the reasons for it. Then we draw conclusions and decide the root solution to prevent the problem from recurring. We are diligent about appointing an officer to be responsible for every action that we decide to take in order to ensure that the decisions are acted upon and assimilated, and that the outcomes of investigations are disseminated to all relevant personnel. After a reasonable timeframe, we revisit the matter and examine the effectiveness of the measures that we took and perform further corrective actions if necessary in order to ensure that the matter has been fully resolved.

In order to maintain the high quality services that we offer to customers, we are diligent about working with partners, suppliers and contractors that maintain the same quality standards as we strive to provide to our customers. We select our partners and conduct satisfaction surveys among our customers to make sure that they indeed meet our customers' expectations.

## INNOVATION

Innovation at Fridenson derives from the Company's courage in considering creative and advanced streamlining solutions and in finding solutions to complex logistics problems all along the supply chain, in order to improve the Company's performance, to cut costs and provide optimal service to customers. A culture of creativity and innovation is an essential integral component of a logistics services company. We regularly contend with complex logistics problems that often have no standard solution that may be repetitively implemented. Fridenson's employees are regularly required to be creative in completing different projects and tasks in order to respond with certainty to customers' unique requirements. From the way we load over-dimensional cargo for the purposes of transporting it, to the way in which we install escalators in the depths of an underground train station, creative thinking is an integral part of our daily culture.

The need for innovation is also expressed in our creative design and customization of our service lines, and our willingness to reinvent ourselves and launch new operations according to opportunities, risks and the needs of our customers. For example: in 2020, we launched our new operations as a shipping agent for an Israel-Turkey shipping line. Due to the high volumes of trade between Israel and Turkey, the capacities of ships that operated in this maritime trade line had been inadequate for the needs of our customers.

At Fridenson, we identified the need and the opportunity and, in March 2020, we established our subsidiary, Sappan Agencies, to provide a shipping line between Israel and Turkey. Sappan represents the Turkish shipping company, Medkon Lines, in Israel. This cooperation develops and reinforces Fridenson's extensive importing activities from Turkey. At this stage, Sappan's line focuses mainly on incoming traffic and, since the opening of the line in March 2020, 47 container ships have arrived in Israel, importing 9,241 containers to Israel and exporting 323 containers to Turkey.

We are cognizant of the fact that innovation requires willingness to take informed and controlled risks, and we are willing to do so in order to glean the rewards and the business advantages that opportunities inherent in innovation can generate for us and for our customers. We encourage all of our employees to suggest innovative ideas and creative solutions considering their familiarity with our customers and with the work in the field. It is clear to us that their knowledge and experience in identifying opportunities to further upgrade our service and advance the Company and its growth are highly valuable.



### PIONEERING TECHNOLOGIES

It is important to us to examine and try out new technologies, and we are happy to assimilate them in our operations and management systems in order to improve our business and environmental performance and make our work environments safer. Our technological innovation relates to aspects of operating technologies, to the use of more advanced tools to perform logistics tasks and to the IT systems through which we manage our various operations.

In recent years, we have been performing a major process upgrading the IT system managing the Company's daily operations. We regularly examine innovative advanced systems to manage various operating and business aspects, such as customer relations, logistics center management and truck safety systems. Examples of such systems include inventory management systems enabling us to identify the locations of containers and goods in a logistics center using IoT<sup>7</sup> infrastructure to arrange containers and pallets at our logistics centers, systems to manage drivers' work schedules and to track shipments on Israel's roads and during international freight forwarding. We are currently in the process of assimilating a new customer relations management system that constitutes a major component of our efforts to further upgrade the quality of the services that we provide to our customers.

We also take regular action to examine and assimilate diverse operating technologies to help us improve our business and environmental performance. In the field of storage, our vision is to reach full automation that integrates robotic operation of our logistics centers and enables online monitoring of inventories for our customers. Within this framework, we introduced advanced forklifts and robots into our warehouses to help manage our storage areas. The automation in our warehouses supplements our sophisticated IT systems providing precise inventory and fleet management and more detailed customer management. In addition to these systems, we are assimilating IT systems enabling business monitoring and analyses that will enable us to continue improving our design of the customer experience and our operating efficiency. In the field of transport, we are continuing to examine and integrate a variety of technologies in our fleet of vehicles, which enable us to improve the environmental performance of our transport vehicles (such as through reducing our fuel consumption, thereby reducing our emission volumes), and to increase the level of safety for our drivers, our customers and for road users.

We take advantage of our proximity to the Israeli innovation arena in order to remain at the vanguard of technology and to try out pioneering logistics management technologies. Our collaborative efforts with local initiatives help us to streamline and upgrade our processes, while giving entrepreneurs an opportunity to try out tools and acquire experience through working with a major leading company in the field. For example: we participated in a hackathon of the EcoMotion startup community, during which we posed challenges to the participants relating to efficient fleet management.

<sup>7</sup> Internet of Things - relates to physical objects embedded with sensors that connect to the internet and can communicate with other objects and report data and information, which is commonly referred to as "smart" technology, such as smart homes, autonomous cars, wearable devices, etc.

## MAINTAINING BUSINESS CONTINUITY

The field of logistics is the infrastructure driving the economy. Behind all services and products being manufactured and consumed are complex logistics systems and supply chains that span the globe. A delay or malfunction in these systems can cause indirect economic repercussions in a wide variety of fields and spheres beyond the company that has been directly impacted. Consequently, guaranteeing our business continuity is critical, and we at Fridenson invest considerable thought and efforts in doing so. As a company business continuity. With the goal of minimizing the chance that risk factors might materialize and the potential damage that they could cause, we take action to manage these risks to the extent possible. Among the key risk factors to our business continuity are physical or organizational risks to infrastructures and to operations (such as physical damage to the Company's sites or an inability to reach them, or communications disruptions), cyber risks and manpower risks.

In order to continue pushing ahead even in the face of risks over which we have no control, we build redundancies into the system that enable us to compensate for malfunctions while maintaining balance with our efforts to achieve maximum efficiency. Furthermore, when there are delays, we update customers with the most up-to-date information that we have so that they can make the necessary adjustments at their end.

Unfortunately, in our region, and especially at Fridenson's operating sites in Ashdod and in Haifa, we also have to prepare for risks to business continuity deriving from security risks, such as security escalations and even actual warfare. During periods of increased security tensions, we exert all efforts to continue operating while safeguarding our employees' safety to the utmost. Our geographic dispersion, with major operating centers both in northern and southern Israel, affords us operating flexibility that enables us to continue working even during periods of tensions at one of the sites.

An extreme event that impacted our business continuity in 2020 was the Covid-19 crisis. During the lockdown periods when movement was significantly curtailed and the world seemed to stand still, the importance of logistics professionals became very apparent. Our job was to continue operating in order to enable the continuity of the Israeli economy, and we did our job. The entire sector, like the entire world, was dealt a significant shock, but we succeeded in adapting to a new routine relatively quickly, in balancing between working from home and working in the field, in safeguarding our employees' health while ensuring continued service to our customers. In order to comply with the social distancing regulations yet still provide service, we switched to working partially from our homes or, for our field employees, to working in shifts without any contact between them. Our rapid redeployment enabled us to continue providing service without disruption even when we worked from home. We held routine meetings to receive situation reports and we communicated with our customers and suppliers in order to obtain forecasts of their needs and to prepare ourselves accordingly. Additionally, due to the Group's volume of operations and the good professional relations that we maintain, we were able to continue cooperating with shipping and airline companies in order to reserve cargo space for our customers even when they became scarce due to the reduction in the number of commercial flights and due to countries' closing their borders.



### CYBER RISK MANAGEMENT

IT systems are critical work tools for us. They help us efficiently manage our logistics centers and our fleet of vehicles, and we use them to save considerable business information. The volume of our managed data is steadily increasing, which generates more opportunities for us to analyze and streamline our work, and enables our customers to receive more precise information about the execution of their orders. We are increasingly relying on the use of our IT systems, and considering the rise in the level of global cyber risks, we are required to invest considerable resources in protecting our IT systems and our computer infrastructure. We are pleased to report that there were no material cyber incidents in the Group in 2020.

We employ a variety of organizational and managerial measures and assimilate advanced protection technologies in order to contend with these risks. First of all, we are diligent about the orderly management of our IT systems and monitor compliance with the IT systems' maintenance instructions, including periodic audits and data access restrictions according to authorizations, so that only authorized personnel will be capable of accessing data and only the data that they need to perform their jobs. We perform maintenance and upgrades of the defense mechanisms for our systems and servers according to the latest assessments about cyber risks. And of course, in order to sustain business continuity and organizational memory over time, we are also diligent about regular data backups.

Furthermore, we inculcate a culture of data-security awareness among our employees. All of our employees receive training in this subject when onboarding and they receive periodic reminders about our data security procedures. Our IT department invests about 5 hours per quarter training new employees in data-security risks and cyber risks. In addition to the official directives that are employees are expected to follow, it is important that our employees understand the existing risks and the importance of safeguarding the intactness of our systems. We also make sure that relevant suppliers assimilate a culture of risk awareness through audits on our behalf or through training. During 2020, audits/training were provided to three relevant suppliers in the field of computers.

Cyber threats are developing at a rapid pace, parallel to the technological developments and organizations' increased use of IT systems. Therefore, we are diligent about keeping abreast of the threats and the technological developments, and we update our procedures and IT systems accordingly.



## ETHICAL AND RESPONSIBLE MANAGEMENT

First of all, responsible management of our customers' supply chains requires our Group and our supply chain to be ethically managed. Fridenson operates within business, social, geographic and environmental contexts. Within these contexts, Fridenson operates ethically and honestly according to its statutory obligations and its own internal values: reliability, professionalism and customer-centric service. These values are taught to all of our employees, are incorporated in our work culture and serve as our north star when we reach decisions and during our daily conduct.

Our responsibility for our customers' property is at the core of Fridenson's business operations. Fridenson customers are confident that we will conduct ourselves professionally and responsibly throughout the service track, including storage, all aspects of freight forwarding, transport and our overall management of their supply chains, and that we will make sure that their shipments reach their destinations safely. Our customers' and partners' confidence in us is of paramount value to us and is critical to our business success. In order to maintain their confidence, we are diligent about conducting ourselves professionally, fairly and respectfully and about complying with all laws and procedures practiced in our profession, whether at issue is safety at our logistics centers, being ethical during customs clearance or anything in between.

### BUSINESS ETHICS

Ethics is the way in which our values are translated into our routine conduct. Treating our customers fairly, being honest with the authorities, designing a respectable work environment for our employees – all these are part of the actual manifestations of our business ethics. As part of our commitment to conduct ourselves professionally and ethically, we compiled a code of ethics out of our guiding principles and have begun assimilating it in the Company.

The Group's code of ethics derives from our values and specifies the conduct guidelines for our managers and employees both inside the Company and with external parties. In this way, we encourage responsible conduct to create an ethical work environment and to ensure our employees' welfare, as well as to maintain excellent relations with external parties. This is the foundation for good work relations over time and it contributes to the Company's robustness.

Fridenson is a company with a very wide variety of business operations and service lines, from financial operations, such as our insurance agency, through inventory management and transport, to interfaces with government entities, such as our customs clearance operations. This variety of operations dictates a range of norms and work habits. Our code of ethics creates a uniform foundation so that all Fridenson employees know what values guide our work and what we expect from them in their interactions with each other and with our stakeholders. We expect our employees to implement our ethical principles in their business units and main interfaces.

Our code of ethics is based on human dignity and on society's fundamental principles. It specifies the key principles of labor relations, conduct with customers, suppliers and the authorities, the handling of data and key principles for maintaining the safety of employees, the environment and everyone with whom we come into contact.

The purpose of our code of ethics relating to conduct between our employees is to define our rules of behavior and to guide the behavior of all of the Group's employees in order to create a pleasant work environment based on mutual respect, without discrimination, in of our employees and we swiftly and aggressively handle any incident of sexual or any other kind of harassment. As an employer, Fridenson Group is also committed to treating all of its employees fairly and with respect – in relation to their employment conditions, in our daily conduct, in the interpersonal relations between managers and employees and in providing equal opportunities to all of our employees to work and advance at the Company.

It is our professional obligation to conduct ourselves meticulously and fairly, particularly in our service lines involving daily interactions with local and international authorities and government agencies. In our service lines, the principles of our code of ethics addressing the prevention of conflicts of interest and the prohibition of accepting or giving favors are particularly important.

We are confident that our employees act according to the principles of our code of ethics and maintain the Fridenson Group values that are conveyed therein, because only in this way can we jointly provide the best service and demonstrate our respect, fairness and reliability to all of our stakeholders. As of 2021, all of our new employees will receive training in our code of ethics as part of their onboarding process at the Company.

## CORPORATE PURCHASING RESPONSIBILITY

Underpinning Fridenson's operations is an extensive network of suppliers that provide the infrastructure for our operations. Our success depends on them just like their success depends on us. This cooperation is enormously important and we are diligent about using only professional suppliers that we believe have the same values as ours. This is how a strong supply chain is built, which is critical to the Group's prosperity and guarantees operating continuity. As a company whose core business is to responsibly manage supply chains, it is our responsibility to set an example in the way we manage our supply chain.

When managing our purchasing, our first consideration is to find the best product or service to fill the business and operating need, to verify its quality and, to the extent required, to verify that it complies with the relevant quality and safety standards. However, this is not all that we do before deciding to engage with any given supplier. We also vet the supplier itself, and not just its products. Suppliers are required to fulfill threshold requirements that are examined by our financial department before an engagement is approved. For example: a supplier's compliance with statutory requirements is a fundamental condition to an engagement. Other conditions include that a supplier is diligent about paying salaries and social rights and about complying with quality and safety standards that are relevant to its sphere of business.

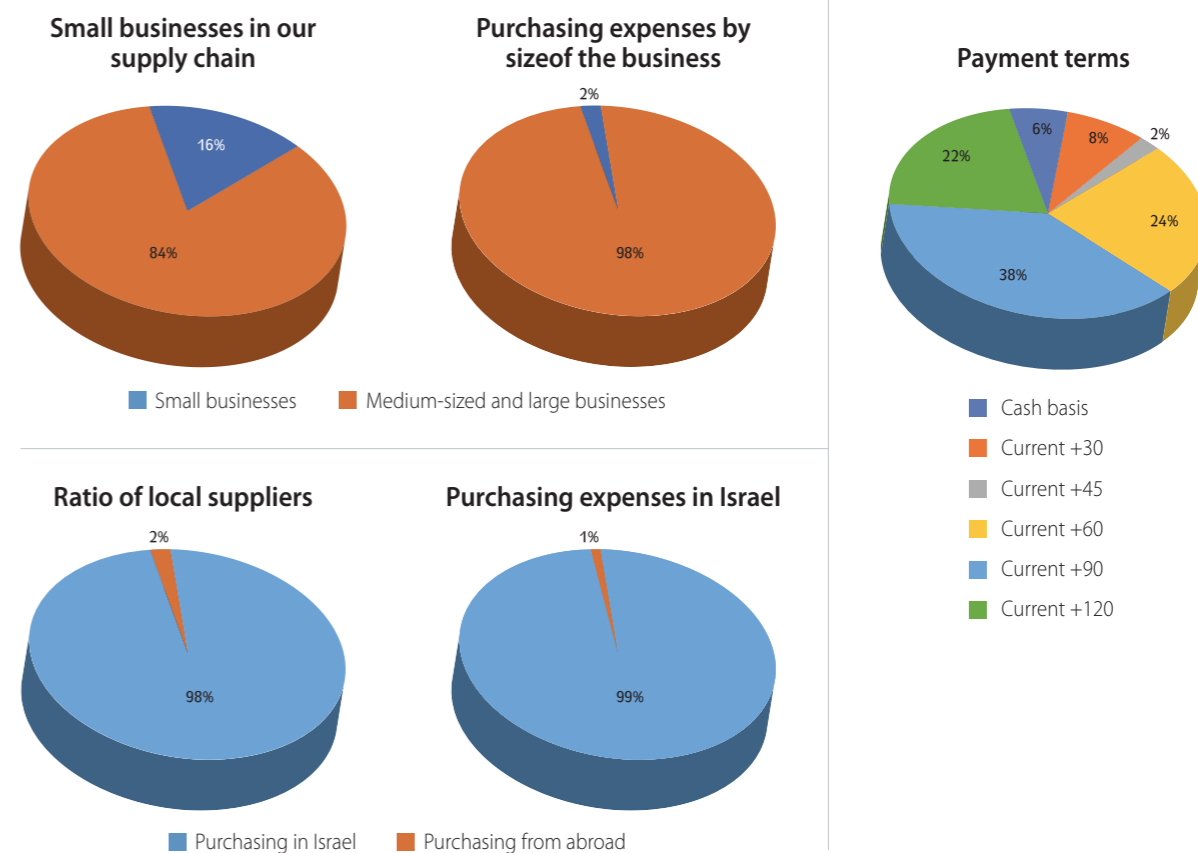
In particular purchasing sectors, the Group is also already taking into account considerations of social or environmental added value when selecting suppliers. In particular, in some instances, we prefer to work with local suppliers and small businesses as part of our contribution to the development of the Israeli economy, as well as for business and economic reasons. In some purchasing sectors, we try to select suppliers offering added social value. For

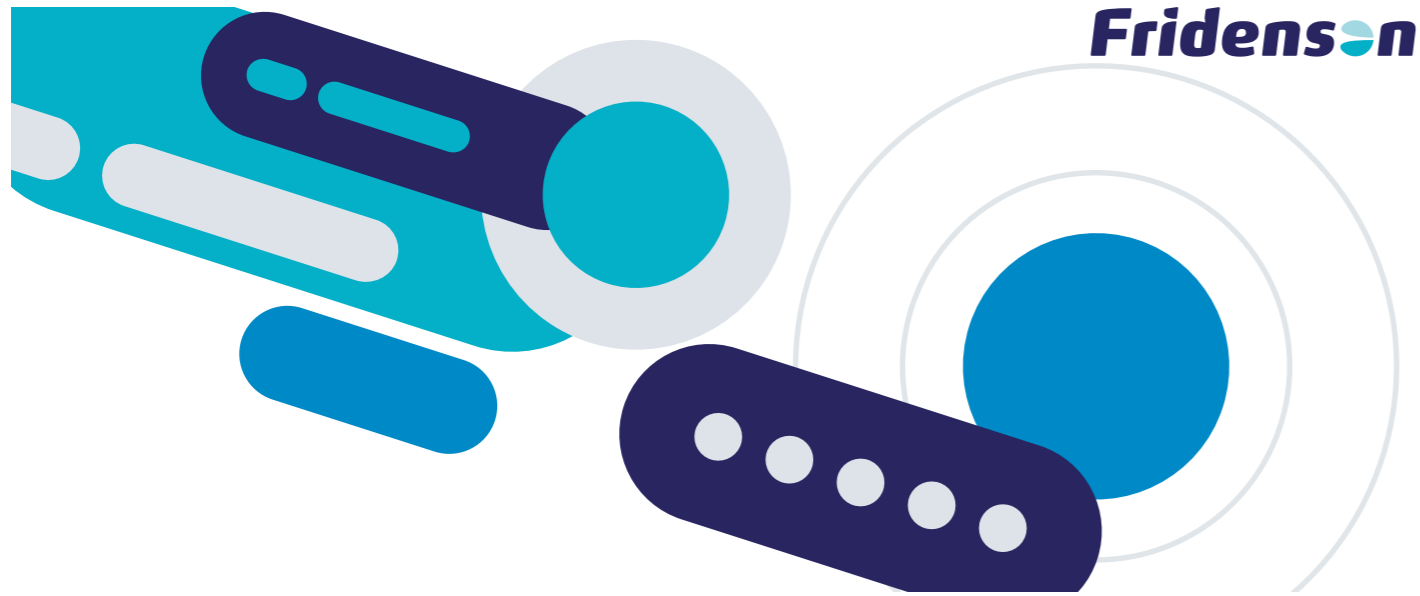
example: the supplier of the Group's uniforms is Bull-Shirt, a rehabilitation enterprise for people with disabilities, from which we purchase the uniforms that we provide to our employees twice a year. The integration of people with disabilities in employment at the plant with professional accompaniment enables them to integrate in the workforce safely and in a controlled manner, and helps them attain financial independence and a higher sense of capability. Additionally, we formerly worked with the NGO "Bayit Cham," which offers a pioneering, innovative pre-rehabilitation program providing a training and employment process dedicated to men with disabilities from the religious/ultra-orthodox Jewish society in Israel.

We are diligent about conducting ourselves with fairness towards our suppliers, from fair supplier selection, through tenders, to strict adherence to payment terms. Besides our statutory obligations, it is important to us to maintain good relations with suppliers, since we are all part of the same system and their success is our success.

Within this context, one of the key issues that we are particularly diligent about is adhering to payment timetables prescribed in agreements with our suppliers. Our payments are transferred to suppliers by bank transfer precisely on their payment due dates. We try to extend a helping hand to our suppliers, especially our small suppliers, and work with them even on the basis of payment within one month (and, in particular instances, even immediate payment), out of the understanding that small businesses have cash-flow difficulties with longer-range payments. Especially during 2020, due to the Covid-19 crisis, during which many businesses encountered cash-flow hardships, we advanced payments to suppliers that needed it, with the aim of helping them survive the crisis.

### OUR SUPPLY CHAIN PROFILE





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