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Erez Halfon
Chairman of the Board of Directors



Itzik Levy
Chief Executive Officer

EAPC is looking towards the future and adapting to the new global priorities and to those established by the state. Accordingly, the company is advancing social and environmental considerations and values as part of its business operations, and among its internal and external stakeholders

Letter from the Chairman of the Board and the CEO

We are proud to present, for the first time, the Corporate Responsibility and Sustainable Development Report of EAPC. The report summarizes our activity in 2021, a year of extensive activity in the economic, environmental, and social areas. This report was written in accordance with the standards of the Global Reporting Initiative (GRI), and reflects the company's values of reliability and integrity, accountability, and care for the environment, both human and ecological.

Based on state forecasts for the diversification of energy sources, in the coming years EAPC will continue to lead the field of energy infrastructures in Israel, while concurrently acting on its ambition to develop into additional businesses and markets, with rigorous examination of the concomitant risks and opportunities; openness to innovation and initiative, aligned with economic needs; and full compliance with environmental regulation and requirements. The forecasts referring to various alternative fuels predicts a global trend of rising use of alternative energies, including renewable

energies. At the same time, as Ministry of Energy forecasts also indicates that the energy consumption will continue to be based on fossil fuels, at least for the foreseeable future twenty years ahead, the services of EAPC will remain essential in ensuring the energy security of the State of Israel.

EAPC is looking towards the future and adapting to the new global priorities and to those established by the state. Accordingly, the company is advancing social and environmental considerations and values as part of its business operations, and among its internal and external stakeholders.

At the time of publication of this report, there is war in Europe between Russia and Ukraine, and we are witnessing destruction and a flood of millions of refugees fleeing the horrors of combat. This war has far-reaching consequences for the global energy balance and for the power struggles between superpowers, energy producers, and major consumers. Even before the fighting broke out, Europe was experiencing an energy crisis

in the form of a shortage of natural gas, which caused prices to soar to the point that entire industries shut down due to economic non-feasibility, with energy prices subsidized so that citizens could heat their houses. During such times, the importance of the company's activity and the energy security it provides for the Israeli economy is underscored.

Another ongoing challenge faced by the company and its employees, the State of Israel, and the entire world over recent years is the effort to cope with COVID-19 and its extensive health-related, societal, and economic implications. The continuation of the pandemic has created uncertainty for companies operating in many industries and

fields, including energy, the area of activity of the company.

In conclusion, we would like to thank the employees of the company, who are full partners in its day-to-day work, and many of whom contributed to the preparation and publication of this report. Our employees are the source of our pride; their willingness to take personal and mutual responsibility, even in times of uncertainty, and all the more so in periods of security-related tensions and challenges, enables the company to succeed and meet the challenges it confronts. We are also grateful to the company's clients and partners in its work and on its journey, who together make it possible to realize the driving spirit of this report.

Erez Halfon | **Chairman of the Board of Directors**

Itzik Levy | **Chief Executive Officer**



About EAPC

The Energy Gateway of the State of Israel

6-15 >



Background

EAPC is a significant link in the supply chain of crude oil and energy products to the Israeli economy. The Company supplies the citizens of the State of Israel and its international customers with vital services, routinely and in emergencies, such as port services, storage, and transport of oil and oil products. These services are delivered through extensive infrastructures consisting of fuel ports, tank farms, and fuel transport line systems. As one of the leading companies in the energy sector, the Company works to ensure a reliable, available, and efficient supply while uncompromisingly maintaining safety and protecting the environment, by implementing a range of means and systems, some of which are described in this report.

The Eilat Ashkelon Pipeline Company (hereinafter: "EAPC A") was founded in 1968 to serve as a land bridge for the conveyance of crude oil from the Persian Gulf to Europe and other destinations through marine transport to Eilat, transit

EAPC is an energy infrastructure company that provides storage, transportation and port services for crude oil and energy products for local and foreign customers through a diverse and flexible infrastructure system, based on many years of experience and an international reputation

through a pipeline to Ashkelon, and marine transport from Ashkelon to the final destination. The company was granted a 49-year state franchise, which ended in March 2017. In 2017, the Law for Infrastructures for the Transport and Storage of Oil by an Operator (hereinafter: the "Infrastructure Law") was enacted by the Knesset; under this law, among other matters, the Europe Asia Pipeline Company (hereinafter: "EAPC" or "the Company") was incorporated under the full ownership of the State of Israel. In 2019, all of the employees and most of the activity of EAPC A were transferred to the new company, in full coordination with the state.

Infrastructures of the Company

In order to ensure the energy security of the State of Israel, the Company holds critical infrastructures, including two fuel ports, in Ashkelon and Eilat, at the bases of which tank farms have been built with overall storage capacity of 3.7 million cubic meters, for crude oil and fuel products, and a system of fuel lines of approximately 750 kilometers arrayed from Eilat to Haifa. The crude oil transport system consists of four fuel lines:

- A 42" line at a length of 254 km, connecting the fuel port on the Red Sea shore to the fuel port in Ashkelon, on the Mediterranean Sea.
- A 16" line for fuel products, at a length of 260 km, connecting Givati and Eilat.
- A 16"/18" line at a length of 36 km, running from the tank farms in Ashkelon to supply the refinery in Ashdod.
- A 16"/18" line at a length of 197 km, running from the tank farms in Ashkelon to supply the refinery in Haifa.

Reverse Flow

Due to a series of geopolitical considerations in the local and international arena, alongside substantial changes in the global energy market, about two decades ago the Company embarked on a strategic infrastructure project – Reverse Flow, which added the capability for pumping from north to south in the 42" pipeline. Reverse Flow enables the Company to take advantage of business opportunities for pumping crude oil from the Mediterranean Basin to the Red Sea, and from there to markets in the east, and to use its existing infrastructures and storage capacity in Eilat as a rear base for the Ashkelon terminal.



2

energy ports

4

transmission lines

3.7 million

cubic meters of storage volume for crude oil and oil products

~750 km

length of fuel system extending from Eilat to Haifa

EAPC provides essential services to the economy in the following areas:

- **Crude oil** – Approximately 75% of the crude oil imported to Israel and refined at local refineries (in Haifa and Ashdod) is unloaded at the Company’s ports; the Company is also responsible for storage and pumping to them. Thus, the Company effectively serves as the energy gateway of the State of Israel. The Company also provides infrastructure services to international clients, who use it as a forward base for their operations and/or as an intercontinental bridge. The activities of the foreign clients have numerous advantages for the Israeli economy, including reinforcement of the energy security of the State of Israel, the presence of available crude oil at a competitive price, strengthening of the geopolitical status of the State of Israel, and more.
- **Distillates** – Approximately 15% of the quantity of distillates consumed in Israel is imported using the infrastructures of the Company; the rest is produced by local refineries. These imports serve as a sort of third refinery, allowing competition and “shadow pricing” for domestic distillate prices. The Company’s facilities also serve its international clients as a logistical center for distribution in the Mediterranean Basin, thereby allowing further availability of distillates for the Israeli economy in emergencies.
- **Liquefied petroleum gas (LPG)** – Approximately 40% of domestic consumption of LPG is imported through the EAPC port in Ashkelon. These imports supplement the quantity produced by local refineries to supply the domestic demand for LPG.
- **Coal** – The Company has a coal pier used exclusively by the Israel Electric Corporation for coal imports. EAPC uses the pier to provide unloading services for approximately 50% of the coal consumed by the IEC. In a few years, when the use of coal for electricity production ceases in Israel, the pier is planned to be used for other energy-related activities.
- **Natural gas** – EAPC operates a reception terminal for natural gas from Israeli and external sources. The Company has an agreement with EMG allowing it to operate the natural-gas terminal on its premises. The terminal is used to pump natural gas from the Israeli transport system to the Egyptian system in the El-Arish region. The agreement has strengthened the strategic relationship and cooperation with Egypt in the area of energy.

In addition, an agreement between the Company and the partners in the Leviathan natural-gas field allows pumping of condensate through an EAPC pipeline to the refinery in Haifa. The condensate is a light crude oil, a byproduct of the natural-gas production process. Without a solution for the condensate, it would not have been possible to market natural gas from the Leviathan field; the alternatives, which included laying an additional dedicated pipeline or shipping in road tankers, are costly and hazardous to the environment.



360 marine barrier during the tying up of a tanker in the Eilat pier

EAPC serves as the energy gateway of the State of Israel, and is responsible for its energy security through the delivery of essential services in routine and emergency conditions

75%
of crude oil refined at local refineries

15%
of consumed distillates in Israel

40%
of consumed LPG in Israel

50%
of consumed coal in Israel

Dialogue with stakeholders of the Company – key dialogue channels



תושבים נכבדים,

חברת קצא"א - קו צינור אירופה אסיה, מזמינה אתכם
תושבי שכונת שחמון למפגש הסברה עם נציגי החברה

מתי?

בשעה 20:00 16/06/2021

במתנ"ס שחמון
שדרות ששת הימים 204,
אילת (מעל ביה"ח)

- מספר המשתתפים מוגבל ל-50 איש
- נדרשת הרשמה מראש

להרשמה לחצו כאן



או סרקו

על מה נדבר?

הסכם פעילות
MED-RED החברה

פעילות קצא"א לשמירה על
הסביבה ומוכנות החברה לחירום

- במפגש יינתן זמן לדיון שאלות ותשובות

נשמח לראותכם!

■ לפרטים נוספים:
eitan@bnrc.co.il | 072-2211599

Invitation to a meeting with Eilat residents as part of a community relations activity

The oil market in 2021

2021 was marked by the emergence from the COVID-19 crisis, as vaccines were produced, on the one hand, and by the effort to cope with new variants, on the other hand. Global oil markets sought renewed equilibrium after the unprecedented collapse of demand caused by the crisis in 2020; the pre-crisis conditions may never return.

The most recent forecast by the International Energy Agency (IEA)¹ for the medium term explains how rapid changes in behavior due to the pandemic and a stronger push by governments to achieve a low-carbon future caused a dramatic downward shift in expectations regarding demand for oil in the coming six years. The pandemic required rapid behavior changes, from work at home to cutbacks on overseas travel and leisure culture. The low projected demand forced difficult decisions regarding oil production by states and companies, which were worried that abandoning resources to remain unused would hurt them, while also fearing that new investments in fossil-fuel infrastructures might become useless. Concurrently, more governments are focusing on aggressive policies aimed at expediting the transition to clean energy, in anticipation of a low-carbon future. The million-dollar question is whether global demand will peak earlier than expected, or whether the world is heading towards a shortage of supply.

The immense oversupply built up in 2020 was released into the market, and the global fuel inventory was restored to pre-pandemic levels, excluding strategic reserves, of course. Prices began to soar in late 2020, and continued to do so in the fourth quarter of 2021, creating a future market trend of backwardation². In late 2021, the European continent experienced a severe energy crisis due to a substantial shortage of natural gas. A combination of circumstances led to the shortage of natural gas and of electricity production capacity using both gas and renewable energy sources, causing a leap in natural-gas prices as well as in electricity prices. In certain cases, the price levels led industries to halt manufacturing due to economic infeasibility; in others, governments subsidized excessively costly electricity for consumers. Europe, primarily Germany, has led the adoption of the idea that renewable energies, mainly wind and solar, can serve as a sufficient alternative to the use of fossil resources. Throughout the continent, large-scale facilities were built, with major investments, to produce electricity from these sources, while facilities generating electricity from fossil sources (mainly coal) and nuclear sources were shut down. Yet energy leaders

were confronted by the physical realities of the availability and continuity of supply, arising from the natural characteristics of the renewable resources of wind and sun – renewable energy sources, for all their importance, are not an effective and comprehensive solution. As demand grew, with the shortage that, as noted, caused natural-gas and electricity prices to climb, prices of liquid fossil fuels also progressively soared as demand recovered from the COVID-19 lockdowns. Oil prices started a prolonged rally at the end of 2020, peaking at more than 81 USD per barrel in late 2021, with further gains expected in 2022.

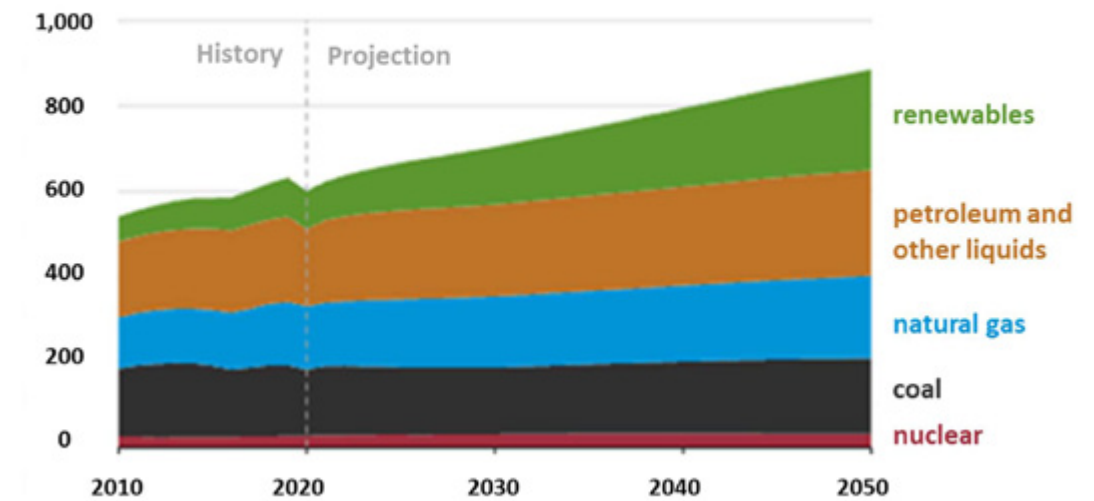
Global demand for oil

Global demand for oil is still suppressed by the impacts of the pandemic, and is not expected to return to the level of 2019 until 2023. Through 2026, in the absence of government intervention and behavior changes, it is the longer-term growth drivers that will further heighten demand for oil. An IEA forecast from 2021 indicates that about five years from now, global oil consumption is expected to reach 104.1 million barrels per day. This forecast represents an increase of 4.4 million barrels per day compared with the levels of 2019. According to the forecast of the EIA³ (U.S. Energy Information Administration) regarding primary energy consumption⁴ in 2050, total global energy consumption will grow by approximately 50% in comparison to 2020, mainly due to growth in non-OECD member countries and natural population growth, primarily in Asia. Renewable energies will grow at the highest pace between 2020 and 2050, reaching a rate almost identical to consumption of liquid fuels, at 27% of overall predicted energy consumption. The increase is attributed to lower cost of the relevant technologies and policy changes by governments, which will contribute to the use of renewable energies in the electricity sector, helping to meet growing demand.

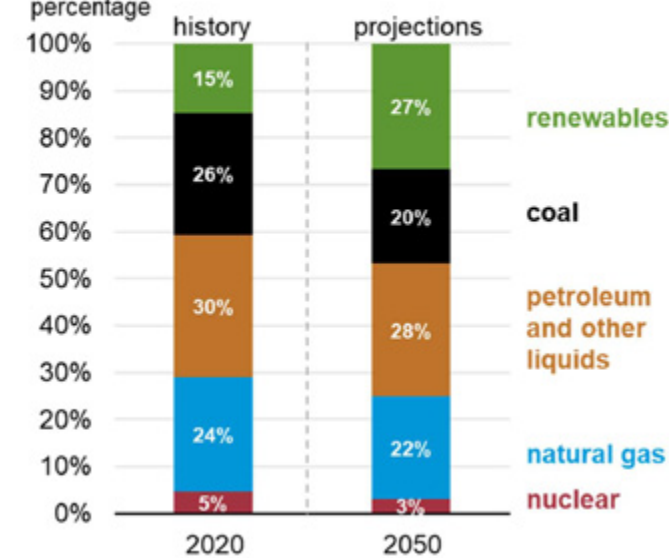
Liquid fuels will remain the largest source of energy, at 28% of predicted overall energy consumption. The pace of growth in liquid fuels is expected to remain almost constant until 2050, when most passenger and freight vehicles will still have internal-combustion engines, while industrial use of the fuels rises during the period of the forecast.

The share of natural gas in overall energy consumption will fall to approximately 22% by 2050, with growth constrained by the use of renewable energies. The share of coal in overall energy consumption is expected to fall steadily, reaching approximately 20% by 2050.

Global primary energy consumption by energy source (2010-2050)
Quadrillion British thermal units



Share of primary energy consumption by source, world percentage



According to the energy consumption forecast for 2050, liquid fuels will remain the largest energy source

¹ IEA, Oil 2021: Analysis and Forecast to 2026.
² Backwardation – when future commodity prices are lower than present prices.
³ U.S. Energy Information Administration, International Energy Outlook 2021 (IEO2021), Reference Case.
⁴ Primary energy – the first stage of energy as it enters the supply chain, without processing or artificial processes.



About the Report

16-21 >



This report reviews the ESG (environmental, social, and governance) aspects of the activity of the Company in 2021. This is the first ESG report by EAPC, giving expression to its commitment to responsible conduct towards all of its stakeholders. The report was written in accordance with the GRI:SRS reporting standard at the Core reporting level, and also addresses the Sustainable Development Goals (SDGs) of the United Nations. This report reflects the performance of the Company at all of the sites and regions of its activity, unless otherwise noted. The report describes the processes, data, and progress of the Company in the context of its ESG performance, and includes goals for 2022-2023.

The purpose of the reporting is to reflect the most relevant information regarding the impacts of the Company on the various stakeholders and the management of these impacts. The Company has undertaken a commitment to continue to report on its ESG performance and maintain transparency and dialogue with its stakeholders, with the aid of these reports. The environmental data and analyses in the report are based on databases of information collected at the various divisions of the Company. The Company will aspire to issue reports periodically; in this periodic reporting, it will inform its stakeholders of material impacts and changes that occur between the dates of the reports.

This report was written with the external assistance of the Corporate Responsibility Department of the BDO Ziv Haft Group, which is providing guidance for the development and absorption of corporate responsibility at the Company.

To communicate on the subjects of the report, please contact the Head of the Regulation and Risk Management Department, Asaf Basel, CPA, by email at asafb@eapc.co.il



➤ Identification of material topics

Materiality analysis is a process that allows the Company to identify and assess the topics most important to its various stakeholders. As a preliminary process to the formulation of its report for 2021, the Company examined the topics it deems material, in accordance with the process required under the GRI:SRS reporting standard. This process allowed the Company to identify the most important ESG topics on which to focus in its report. Beyond the material topics, the Company also reports on additional matters relevant to its operations, including the effects of the COVID-19 crisis, which affected both the activity of the Company and its stakeholders in various ways.

Working methodology for the identification of material topics

1. Sector mapping and review

In this stage, the areas of corporate responsibility most significant for the Company and its stakeholders were mapped, based on an industry survey of the material topics reported by six leading companies in its sector, in the domestic and global arenas⁵, that constitute peer companies for EAPC. In addition, media items and internal documents of the Company, including intra-organizational communications, policy documents, work plans, and more, were reviewed.

24 topics relevant to EAPC were identified within the review of ESG topics.

2. Topic ranking and prioritization based on stakeholder and management expectations

The identified topics were then prioritized based on an analysis including:

- Examination of four investor analysis firms that cover energy-sector companies;
- Compliance with prevailing reporting standards (SASB, GRI);
- Internal ranking of the topics by EAPC management.

At the conclusion of this process, the list was reduced to the ten most material topics for the report.

⁵ The companies examined were PEI, Vopak, Equinor, CLH, Plains, and Magellan

List of material topics

The topics are ranked by importance and categorized as environmental, social, or corporate governance topics.

	Material topic in the report	GRI topic	Scope of impact
1	Prevention of water and ground pollution and preservation of biodiversity	GRI 303: Water GRI 304: Biodiversity	Within and beyond the organization
2	Odor hazards	GRI 103-1,2,3: Management Approach	Within and beyond the organization
3	Safety in the transport process; availability and reliability of energy supply	GRI 103-1,2,3: Management Approach	Within and beyond the organization
4	Environmental management and compliance with regulation	GRI 307: Environmental Compliance	Within and beyond the organization
5	Emissions into the air	GRI 305: Emissions	Within and beyond the organization
6	Fairness, customer satisfaction, and information security	GRI 418: Customer Privacy	Beyond the organization
7	Human capital – work environment, employment terms, and safety of employees and supply-chain workers	GRI 401: Employment GRI 403: Occupational Health and Safety	Within and beyond the organization
8	Crisis management and business continuity in routine and emergency conditions	GRI 103-1,2,3: Management Approach	Within and beyond the organization
9	Treatment of hazardous materials and waste	GRI 306: Effluents and Waste	Within and beyond the organization
10	Proper corporate governance and business ethics	GRI 102: General Disclosures	Within and beyond the organization

Environmental | Social | Governance

➤ Promoting the United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) were formulated in 2015 as part of the 2030 Agenda, which was adopted by every UN member state, including Israel. Seventeen SDGs were set within the Agenda, subdivided into 169 targets, aimed at promoting worldwide sustainable development. EAPC accords high importance to participating in the realization of these sustainability goals. In formulating the corporate responsibility report of the Company, three SDGs affected by the business operations of EAPC were identified.



8. Decent work and economic growth

Sustainable Development Goal

- Targets**
- 8.3 Decent job creation; encouragement of entrepreneurship and innovation
 - 8.5 Full employment and fair work
 - 8.8 Protection of workers' rights and promotion of safe work environments

Activity of the Company supporting promotion of the goal

The Company employs workers and creates jobs, primarily in southern Israel, in areas characterized by a lack of jobs. EAPC also applies advanced, innovative safety measures, beyond the requirements of the law and standards, to protect the safety and health of its workers.



9. Industry, innovation, and infrastructure

- 9.1 Development of quality, reliable, sustainable, and resilient infrastructure

The primary occupation of the Company is supplying energy products; it essentially serves as the energy gateway of the State of Israel. Reliable, efficient delivery of oil and oil products by EAPC allows business continuity for industry, manufacturing, and overall economic activity. The Company also devotes extensive human and technological resources to maintaining its storage and transport infrastructures, in order to improve the efficiency and safety of its facilities, and continually examines the implementation of new, advanced means of monitoring and maintenance.



14. Life below water

- 14.1 Prevention of shore and marine pollution of all kinds
- 14.2 Protection of marine biodiversity and restoration of damaged marine and shore ecosystems

The Company operates from a standpoint of environmental responsibility and applies the principle of maintaining the status quo. The Company's use of open spaces sometimes creates an advantage for species living in these areas, allowing fauna and flora to flourish without interference. For example, at the EAPC beach in Eilat, which was closed to the public for five decades, coral reefs were preserved and thrived impressively. The beaches in Ashkelon allow sea turtles and Israeli mountain gazelle females and their offspring to flourish during mating season.

The Company has monitoring and oversight mechanisms to prevent ocean pollution incidents. In 2021, the Company installed additional protective measures in Eilat in the form of marine barriers fully surrounding the oil tankers (360°), forming an advanced and effective safety mechanism for protection in the event of a marine spill.

The Company has advanced equipment, and it is prepared and practiced at responding in an emergency caused by damage or leaks in marine pipelines.





Protecting the Environment

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The work environment in the various areas of activity at the Company has inherent risks arising from work with hazardous, flammable, polluting, combustible, and toxic substances.

The Company is committed to the values of protection of the environment and preservation of the areas in which it operates, including their biodiversity. The guiding approach for the Company is to embed and utilize the most advanced technological means available to prevent environmental hazards, and to deploy advanced means to handle events when they occur, to minimize the scope of damage to the extent possible. Therefore, new infrastructures and facilities are built based on the best available technology (BAT) in environmental terms, by acquiring equipment and training on advanced systems for prevention, discovery, and treatment of risks of leakage, fire, and environmental damage. Accordingly, alongside routine maintenance, the Company works to progressively upgrade its existing infrastructures and facilities.

Regulatory Communications – To receive licenses and permits, the Company must meet stringent standards pertaining to the prevention of hazards, treatment of hazardous waste, ground treatment, and more. The relevant functions at the Company maintain daily contact with regulators, to ensure full compliance with guidelines. At the terminals, regular drills are conducted to simulate emergency incidents such as leaks, fires, various types of pollution, and more; regulators are invited to the annual drill and receive the conclusions of the drills upon request, including a summary of gaps that emerge and ways of addressing and coping with such gaps.

The Company maintains ongoing contact with its supervising regulators, works cooperatively with them, and acts in accordance with the provisions of the law and with all relevant requirements, including those pertaining to the air, ground, and water. The Company also adopts prevalent international standards, some of which are stricter than local regulatory requirements. Further, the Company often applies monitoring and prevention activities at a stricter threshold than required under local and international standards.

In recognition of the importance of protecting the environment, the Company has formulated a comprehensive, ordered environmental policy for environmental management.

The environmental policy of EAPC is grounded in the following principles:

- The Company complies with regulations and laws, and adheres to the directives of the organizations charged with protecting the environment.
- The Company applies a preventive maintenance policy, within which maintenance work is performed routinely and cyclically, and/or according to reviews of its infrastructures conducted from time to time, to maintain the condition of its systems and prevent malfunctions. Maintenance work is managed using a computer-based maintenance system.
- The Company applies the principle of preventive caution, and therefore implements advanced means of preventing environmental hazards before they occur.
- The Company aspires to improve its efficiency and reduce the consumption of resources used in its regular activity, and takes measures to improve its energy efficiency.
- The Company works to expand environmental awareness among its employees, and engages their participation and partnership in activities undertaken to protect the environment.
- The Company collaborates with external parties to improve and promote environmental issues.
- The Company is committed to managing its environmental impacts to ensure continual improvement, by setting goals and measuring its impacts on the environment in all material aspects of its activity.



An accessory whose purpose is to cool the tank environment during a fire incident

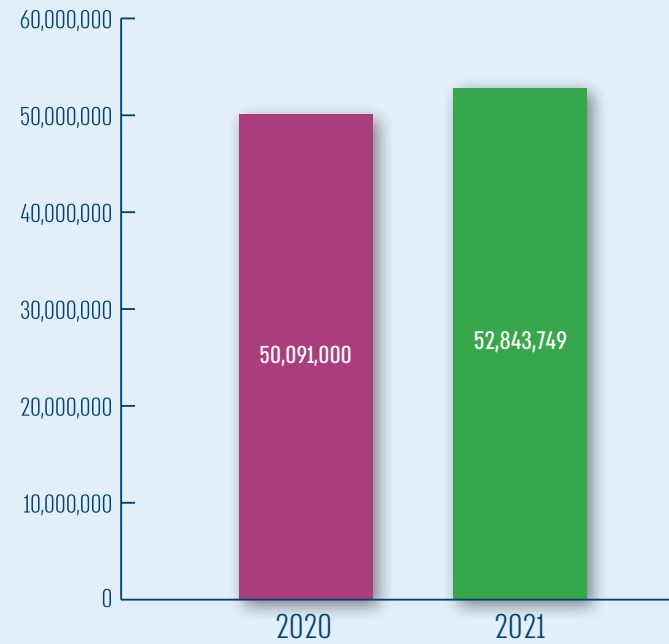
Utilization of resources

EAPC is not a manufacturing company; its mission is to deliver infrastructure services. Most of the power consumption of the Company stems from the operation of pumps, for pumping in its pipelines, and from the operational and office activities of its various terminals. Power is acquired for these operations from the Israel Electric Corporation; in emergencies, the Company can also acquire electricity from the independent power producer, Dorad Ltd.

The Company endeavors to improve efficiency and save on electricity expenses through operational actions, taking the varying prices of electricity throughout the day into consideration to the extent possible.

In 2020, the Company replaced a variable-frequency drive (VFD) in the pumps at its booster station in Glilot, which contributed to an increase in the energy efficiency of the line, with more efficient utilization of consumed energy.

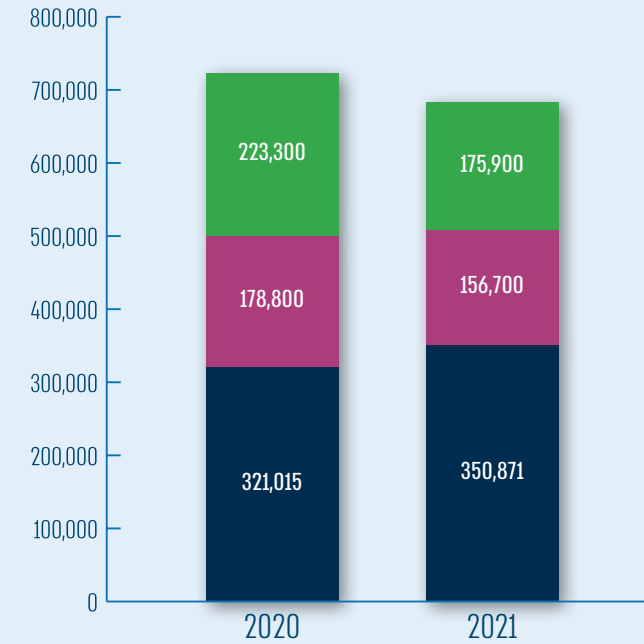
Total electricity consumption (in kWh)*



* The increase in electricity consumption in 2020-2021 mainly resulted from an increase in pumping in the 42" line, due to the contango⁶ during the period of the coronavirus. The contango occurred as a result of the increase in the supply of oil, alongside a sharp drop in demand, which led to a global shortage of storage volumes for oil.

⁶ A situation in which prices of future contracts are higher than the present price. As a result, demand for the Company's services rises.

Total consumption of fuels (in liters)*



Gasoline consumption for transportation

Diesel fuel consumption for operational vehicles**

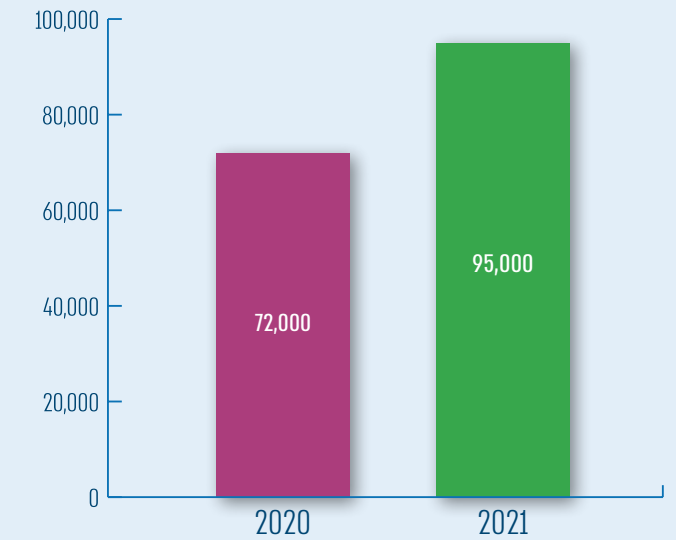
Diesel fuel consumption for ships***

* The data is based on inventory diesel purchases.

** The decrease in the amount of diesel fuel for operational vehicles and the increase in gasoline consumption is partly due to the company's transition from diesel to gasoline vehicles.

*** The decrease in diesel fuel consumption of the ships in 2021 is due to a decrease in operational activity.

Total consumption of water (in cubic meters)*



* The significant increase in water consumption in 2021 resulted from the transfer of large quantities of water in aiding PEI, as a result of a fuel tank fire during Operation "Guardian of the Walls".

The Company maintains a policy of renewing its leased vehicle fleet every 2.5 years; when selecting new vehicles, a leading parameter is fuel consumption

➤ Emissions into the air

EAPC accords high importance to the management of the environmental impacts that derive directly and indirectly from its activity. In the course of planning, building, and operating the infrastructure systems of the Company, actions are taken to enhance efficiency and reduce its environmental footprint.

In this context, it is important to emphasize that EAPC is not a manufacturer, and no chemicals or other processes take place at its facilities that actively generate emissions. Moreover, the function of the Company as an intercontinental bridge between East and West saves significant emissions, through the transport of crude oil via underground pipelines, relative to the alternative of shipping in oil tankers through the Suez Canal or circumnavigating the Cape of Good Hope (the African continent), which would cause substantial emissions of carbon into the atmosphere.

The principal services provided by the Company to its customers are loading/unloading, storage, and transport of fuels through pipelines. Accordingly, any emissions derive primarily from operational or maintenance activities. The Company continually endeavors to renovate and improve its infrastructures and work processes, including by implementing innovative technologies.



VCU system in Eilat

Initiatives to reduce emissions into the air in all stages of operations

Loading tankers and tanker trucks:

Installation of a vapor combustion unit (VCU) in Ashkelon and Eilat – Due to the company's view that reducing emissions is of utmost importance, an innovative system was installed beyond regulatory compliance, to treat gases during the loading of fuels to ocean tankers. The system helps eliminate odor hazards and reduce emissions of organic materials (TOC), including benzene. When ships are loaded, the stream of fuel vapors from the ship passes through a pipeline to the VCU system, onshore where the vapor is burned (oxidized) to eliminate the pollutants.

THE VCU was installed in Ashkelon during 2018. During 2021 two VCU systems (for full redundancy) were installed in Eilat. – an investment of millions of shekels.

Use of a vapor recovery unit (VRU) – The Company uses a vapor recovery system in a facility for distributing distillates to tanker trucks in Ashkelon. When loading the tanker trucks, vapors are not vented directly into the air;

The VCU and VRU systems are monitored and sampled annually by an external company to ensure that they are efficient and comply with the terms of the Israeli Ministry of Environmental Protection. In 2021, there were no deviations in concentrations in any of the samples.

instead, they pass through a system that captures pollutants before they are released into the air, thereby reducing TOC emissions, including benzene.

Storage in fuel tanks

Installation of "socks" – In accordance with international standards, the roof of a fuel tank is not stationary; instead, a floating roof resting on the liquid substance is used, preventing the hazardous accumulation of a gaseous layer between the stored material and the ceiling of the tank. When the tank is empty, the roof is not placed on the tank floor, but elevated on "legs". To avert emissions, the Company installed "socks" (coverings) on the legs and measurement pipes, to prevent pollutant emissions to the surroundings.

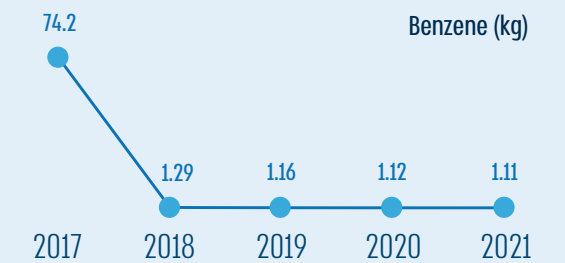
Storage tanks painted white – A simple but effective way of reducing air emissions. The Company paints all of its storage tanks white. In contrast to dark colors, the white color does not accumulate heat; accordingly, the tank is less heated, leading to correspondingly lower emissions.

Implementation of the BLABO cleaning method – An innovative, effective, safe method of cleaning storage tanks in a way that does not cause odor hazards. The new cleaning method is applied to storage tanks while they are closed and sealed, preventing the emission of pollutants and odors into the air.

Emissions into the air from equipment components

Leak Detection and Repair (LDAR) protocol – The Company has adopted the LDAR protocol to monitor equipment components and reduce, to the extent possible, leaks and emissions originating with operational devices such as taps, pipes, pumps, and more. In this process, an external laboratory tests the equipment components using a gas monitoring instrument. The Israeli Ministry of Environmental Protection has established a threshold value for emissions from equipment components. If the tests find higher values, the device must be repaired and monitored again. Monitoring is performed cyclically during the year, with the aim of identifying faulty components within the minimum amount of time. The monitoring process is usually supervised by the Israeli Ministry of Environmental Protection. At the end of each year, a monitoring summary report is submitted, indicating an estimate of total emissions from the components in aggregate as well as emissions by component type. A significant reduction in emissions has been achieved thanks to the regular cyclical monitoring, as shown in the data in the following graphs.

Emission values of the various components, as obtained from an LDAR test, by year



* A significant, consistent decrease can be observed over the years, following the adoption of the LDAR protocol.

■ Total 2021 VOC⁷ emissions, by source (kg)

Storage tanks⁸ 53,608

Benzene	141
Toluene	169

Pipes, taps, pumps⁹ 784

Benzene	1.11
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Truck loading (VRU)¹⁰ 4.31

Benzene	0.07
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Ship loading (VCU)¹¹ 1,607

Benzene	5
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Total VOC emissions 56,003

Monitoring stations

Two monitoring stations have been set up, in the city of Ashkelon and in Kibbutz Zikim, to test for air pollution in populated areas surrounding the Company's facilities in Ashkelon. The stations regularly monitor air-pollution levels; results are presented in full, transparently, and in real time to the Israeli Ministry of Environmental Protection, and posted online for the general public. Both stations are certified under the ISO 17025 standard and maintained by independent professionals external to the Company who are approved by the Israeli Ministry of Environmental Protection. The stations monitor all pollutants in their surroundings, without differentiating EAPC emissions from emissions of other industrial companies operating in this region.

Since the measurement of air-pollution levels at the stations commenced, average pollution values found have been significantly lower than the strict permitted concentration limit values set by the Israeli Ministry of Environmental Protection.¹²

⁷ VOCs – volatile organic compounds.

⁸ The calculation for the tanks is based on EPA Standard AP-42.

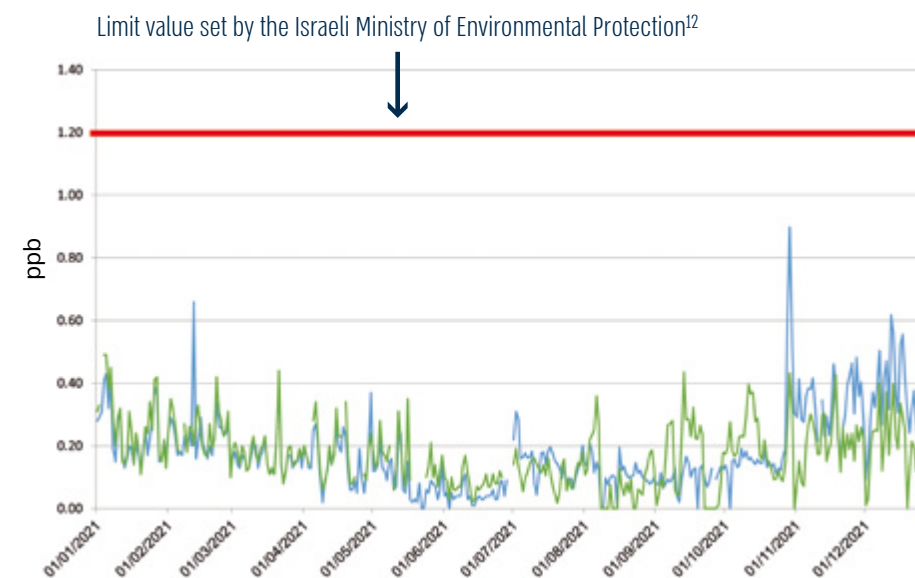
⁹ Based on the LDAR protocol summary report.

¹⁰ Annual estimate based on TOC monitoring at VCU facilities performed by an external company.

¹¹ Annual estimate based on TOC monitoring at VCU facilities performed by an external company.

¹² Environmental values established by the Israeli Ministry of Environmental Protection are very strict compared with the prevalent practice in the Western world. For example, the annual threshold value for benzene (relevant for oil and oil distillate operations) is four times stricter than the value commonly used in the European Union, and seven times stricter than in the United States. Further, Israel is the only country in the Western world to set a daily value for benzene in addition to the annual environmental value.

■ Benzene results from the Ashkelon and Zikim monitoring stations in 2021



Ashkelon | Zikim

	Annual average (ppb)	Daily limit value	Deviations	Annual station availability
Ashkelon station	0.186	1.2	0	96%
Zikim station	0.184	1.2	0	90%



Monitoring station

The daily benzene values measured at the Ashkelon and Zikim monitoring stations are significantly lower than the threshold values set by the Ministry of Environmental Protection

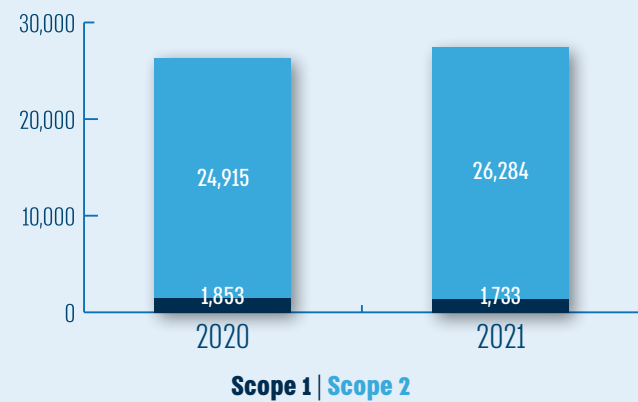
Greenhouse-gas emissions

As part of the ambition of the Company to reduce its carbon footprint, greenhouse-gas emissions arising from its operations are measured and monitored, according to a prevalent methodology in this field. The methodology is based on a calculation tool of the Israeli Ministry of Environmental Protection, and refers to direct and indirect emissions:

- **Direct emissions – Scope 1:** Direct emissions of EAPC primarily derive from fuel consumption for transportation and burning of fuels in generators.
- **Indirect emissions – Scope 2:** Indirect emissions of EAPC primarily derive from the Company's electricity consumption.

Carbon footprint of the Company for 2021: 28,017 CO₂e

The Company's Carbon Footprint, 2020-2021 (in tCO₂e)*



* The calculation does not include fuel consumption by subcontractors who perform work from time to time.

Managing odor hazards

Within its environmental responsibility and the goal of optimally managing its community impacts, EAPC works continually to reduce odor hazards, using the following means:

- **Vapor combustion unit (VCU)** – A system for processing fuel vapors created during loading to ships, which helps reduce odor hazards. See page 28 for details.
- **Vapor recovery unit (VRU)** – A system for recovery of vapors at a facility for the distribution of distillates to road tankers in Ashkelon, which reduces odor hazards. See page 28 for details.
- **Implementation of BLABO cleaning method** – An innovative, effective, safe method of cleaning storage tanks in a way that does not cause odor hazards. See page 29 for details.
- **Leak Detection and Repair (LDAR)** – The Company has adopted this method, aimed at reducing and preventing leaks caused by equipment components, including identifying and repairing leaks. See page 29 for details.
- **Installation of "socks"** – To prevent emissions, the Company installed "socks" (coverings) on the tank legs and measurement pipes, to prevent emissions into the environment. See page 29 for details.
- **Advance preparation for sensitive operations** – Before performing operational activities or maintenance work categorized as sensitive, a preparatory meeting is held, led by the Deputy General Manager of Safety, Environmental Protection and Fire, with the relevant functions at the Company, to prepare a response for every risk involved scenarios.
- **Wind direction monitoring** – In operational activities and/or maintenance work that may cause emissions and odor events, the Company monitors wind directions using a dedicated system. Based on the data, the shift manager decides whether to carry out the activity or postpone it to another time when the wind is not blowing in the direction of a populated area, in accordance with a procedure of the Company that regulates the decision-making



BALBO tank cleaning method

process on that matter. A "MeteoTech" system was added in 2021, allowing future wind direction forecasts and real-time wind analysis in the event of an odor nuisance.

- **Incident investigation** – When an odor hazard event occurs, the causes of the event are investigated and organization-wide conclusions are drawn regarding ways of preventing recurrence of the event.
- **Poison supervision forum** – The Deputy General Manager of Safety, Environmental Protection and Fire leads a quarterly poison supervision forum to discuss, among other matters, emission events.

- **Audits** – Ongoing and localized audits are conducted at the sites of the Company, both internally by the Company and by the Israeli Ministry of Environmental Protection.
- **Contact with government agencies** – Prior to performing planned maintenance work that may cause odor hazards, the Company notifies the relevant government agencies and the Israeli Ministry of Environmental Protection.
- **Public complaint hotline** – A telephone line for complaints is available to the public 24/7. All complaints received are reported to the relevant functions at the Company, examined, and documented. The Company reports all communications received to the Israeli Ministry of Environmental Protection on a quarterly basis.

Waste treatment

The core activity of the Company is unloading/loading, storage, and transport of fuel and fuel products. These materials are "hazardous substances" (hereinafter: "HS"), as defined in the Hazardous Substances Law, 1993. As part of the Company's current operational activity, wastewater is generated from time to time, such as water that accompanies oil cargoes, and is treated by the Company's biological treatment system. HS waste may be generated in routine maintenance and treatment activities at the facilities of the Company (paint packaging, burnt oil, rags, etc.); the waste is disposed of, according to the procedures, to licensed sites.

In cases of malfunction, HS may contaminate the ground and/or the sea; ground contaminated in the past may also be discovered in the course of proactive work or digging.



Contaminated soil – When suspected polluted soil is discovered, the Company immediately removes the soil for storage in a dedicated sealed non-seeping pallet constructed inside the plant. Next, the soil is removed to a regulated site approved by the Israeli Ministry of Environmental Protection, in accordance with its procedures, including sampling by a certified sampler, manager approval for the removal based on results of the sample, and documentation in the systems of the Company.

Treatment of contaminated soil by year (tons)

	2019	2020*	2021**
Quantity of soil treated and removed	1,537	11,309	18,821
Percentage of soil removed for biological treatment	67%	95%	100%

* The significant increase recorded in 2020 resulted from the ecological beach restoration project in Eilat; for details, see page 43.

** The significant increase recorded in 2021 resulted from the Mash'en event; for details, see page 40.

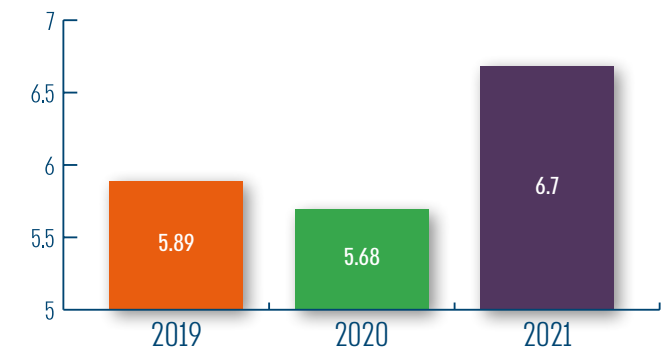
Non-soil HS waste treatment – The Company separates HS waste (jugs, paint packaging, burnt oil, rags, etc.) from household waste. At its sites in Ashkelon and Eilat, the Company has set up fenced zones with signage to separate waste. Removal is performed in accordance with the procedures of the Israeli Ministry of Environmental Protection, by a licensed contractor, to licensed sites only.

Total HS waste disposed in 2021



Paper waste treatment – The Company treats office paper waste and cardboard waste in a regulated and structured manner; in 2021, it initiated an intra-organizational campaign to encourage employees to recycle and reduce paper use.

Paper waste sent to recycling (tons)*



* Due to raised awareness at the Company, more paper waste was recycled in 2021.

Biological wastewater treatment – In accordance with the Company's business license in Ashkelon, biological treatment is applied to wastewater generated by its routine operations (crude oil loads containing certain quantities of water, pipeline washing, etc.). Before biological treatment begins, the contaminated water is drained into a designated container. The fuel naturally separates from the water in the container, so that the layer of fuel floats on the layer of water. Following the phase separation, the fuel layer is pumped back into the fuel tanks, and the remaining water mixture is transferred to a designated standard facility (a physical fuel and water separator), where further separation of fuel and water occurs. Water in the lowest layer flows through a pipe to the biological treatment facility; the fuel layer is pumped into a designated collection container and returned to the fuel tanks. The biological treatment system operates based on the activated sludge method. The system consists of three bioreactors – essentially, three pools in which the oils are broken down by bacteria. The biological treatment is based on aerobic bacteria that convert fuel products into carbon dioxide. The Company maintains the conditions for cultivation of the bacteria using a monitoring system, adding oxygen via blowers and nutrients when necessary. At the conclusion of the treatment, the water is tested in reference to threshold values established by the Israeli Ministry of Environmental Protection. Approximately 50,000 cubic meters of wastewater was treated in 2021.



➤ Protecting water sources, land, and biodiversity

EAPC aspires to protect natural resources and preserve biodiversity throughout the chain of its operations. During project planning and when building and operating its facilities, environmental surveys are performed to examine the impact of the activity on the environment, as part of the planning and licensing process at the Company. In addition, ground surveys are performed at the Company's facilities from time to time, in accordance with the requirements of the Israeli Ministry of Environmental Protection.

The Company carried out a historical survey at its facilities, which served as the basis for a plan it submitted to the Israeli Ministry of Environmental Protection for a ground exploration and pilot passive gas survey.

There are fourteen groundwater monitoring wells at the Ashkelon Terminal, eight of which were installed in 2020 as part of the ground exploration plan to ensure that there is no seepage of oil into groundwater. The wells are sampled annually by a licensed laboratory, and results of the sampling are submitted to the Water Authority. In addition, the Company operates in accordance with API (American Petroleum Institute) Standards 653 and 2610, and applies all required measures to prevent fuel leaks.

The risk survey performed by the Company in 2019 indicated that the principal risk for the Company is the risk of "damage/leaks in underground pipelines that may cause harm to a pipe and/or a fuel leak." Such a leak may contaminate water sources and soil, and harm biodiversity; the Company therefore takes action to prevent materialization of the risk.

Actions to manage and monitor the risk

The Company operates in accordance with international standards and the regulations of the Israeli Ministry of Environmental Protection in all matters pertaining to pipeline integrity and strength testing. Testing activities encompass the use of a range of technologies and the implementation of tools for advanced protection, control, and documentation, as described below:

¹³ Cathodic protection is a method used to protect pipelines at the Company from rust by creating an electric circuit.

Smart PIG – Once in two and a half to five years, the Company, through a leading international company, uses a Smart PIG robot that moves through the entire line and provides accurate information about the condition of the pipeline at each point. If the need for any repair is discovered, the Company performs the repair in accordance with API standards. The tests are performed at twice the frequency required under API Standard 570, which prescribes testing once every five years. The most recent test was performed in 2021.

- **Smart PIG** – Once in two and a half to five years, the Company, through a leading international company, uses a Smart PIG robot that moves through the entire line and provides accurate information about the condition of the pipeline at each point. If the need for any repair is discovered, the Company performs the repair in accordance with API standards. The tests are performed at twice the frequency required under API Standard 570, which prescribes testing once every five years. The most recent test was performed in 2021.
- **Surveys** – Every five years, an external examination of the pipelines is conducted through an international contractor, to complement the internal test performed using the Smart PIG. The examination consists of close interval potential surveys (CIPS) to examine the continuity of insulation in the pipelines, and a direct current voltage gradient (DCVG) test to examine the integrity of pipeline coatings. The surveys include, among other matters, testing of the effectiveness of the cathodic protection system¹³.
- **Risk-based inspection (RBI)** – An RBI of the lines was completed in 2020. The inspection was the first of its kind in Israel, conducted through international companies, in accordance with the API 1160 standard and under the guidelines and ongoing guidance of the Israeli Ministry of Environmental Protection. The RBI consisted of two stages: an environmental phase, to analyze environmental sensitivity along the pathway of the lines, and an engineering phase, to analyze line quality. The inspection indicated that the lines were sound.



Smart PIG robot

- **Nationwide operation control room (Shigur)** – The Company's operational control room, staffed 24/7, oversees the network of line flows, capacities, and leak discovery. The control room receives real-time data from the transport line systems, provides an initial response to communications from the public (via the ombudsman contact center posted on the Company's website), and manages emergencies in real time with immediate response capabilities, through remote control and implementation of emergency procedures.
- **Leak discovery system** – The Company has a system to automatically alert a control room staffed 24/7 in the event of a suspected leak. The system is based on pressure, capacity, and density control, in accordance with the API standards (1149, 1130, 1155).
- **Implementation and upgrade of command and control means** – Command and control systems at the Company are backed up by several lines of defense, to ensure continuous and reliable operation. The Company upgrades its command and control systems from time to time by updating software and hardware, adding transmitters along the line pathways to reduce false alarms, and remotely monitoring essential data.
- **Routine rounds and pipeline inspections** – The Company routinely tours the land transport line pathways to inspect the integrity and soundness of the lines, and to locate leaks, hazards, and work performed by third parties without coordination with the Company. Inspectors maintain ongoing contact with all relevant parties on the line pathway (farmers, business owners, factories, and private individuals). Line pathways in southern Israel are also scanned aerially from time to time, to locate hazards in areas with low navigability.
- **Signage** – Prominent, clear signs have been installed along the Company's transport lines, indicating ways of contacting the Company, for the use of parties interested in performing work near the line pathways or report hazards. The Company maintains the signage along the lines.
- **Coordinating work and reporting hazards** – The Company's website has referral information for coordinating work and reporting hazards. Communications are received by the control center and referred to the professional functions.
- **Planning protection** – The Company applies a planning protection process to identify and ensure continuous monitoring of plans for future construction in proximity to its transport lines. The Company also informs municipal engineers and planning committees of current line pathways within their jurisdictions each year. When a plan for construction work in proximity to the lines is identified, the Company assesses the situation and generates objections if necessary.

- **Implementation of geographic information system (GIS)** – The information system serves as a database for information regarding the lines and nearby infrastructures, including geographical location, work performed on the lines, potential risks, past events, etc.
- **Company contractor supervision mechanism** – The Company engages reputable and experienced external contractors to perform work along the lines. The Company maintains a system of incremental training for the contractors; in practice, a small number of dedicated contractors have been authorized as having the knowledge and experience to perform highly sensitive work on the lines. When work is performed along the transport lines by contractors, the Company operates external and internal supervision systems to protect the soundness and integrity of the lines and ensure compliance with relevant procedures.
- **Emergency preparedness portfolio of contractors executing work** – In accordance with the supervision procedure provided by the Israeli Ministry of Environmental Protection, the Company requires contractors to maintain an emergency preparedness portfolio containing a comprehensive safety plan for coping with spill events, adapted to the work being performed.
- **Professional operating procedures and directives** – The Company has a comprehensive set of emergency, safety, operational, and maintenance procedures, which are updated from time to time.
- **Emergency deployments** – During the execution of work on the lines, emergency means are available in the field to handle leaks and fire events, such as pumps; portable tanks; PLIDCO and Krausz (sealing and bonding means); portable fire extinguishers; rescue devices; personal protective equipment for employees; and more. These means are practiced, maintained, and tested routinely. The Company also has emergency storage units of critical equipment dedicated to handling emergencies.
- **Emergency portfolio** – The Company has an emergency portfolio containing, among other things, a folder of work procedures addressing the conduct of the Company during an exceptional event or operational event, including events of damage or leaks in subterranean lines.
- **Maintenance and redundancy spheres** – The Company conducted a project to examine its maintenance systems and the level of redundancy needed, based on the required availability, response times, inventory of replacement parts, supporting functions (internal/external), and criticality. Based on the examination, the Company reinforced the set of required supplies and its service agreements with external suppliers.
- **Compliance with standards** – The Company remains current on updates of international standards, and participates in international conferences in areas related to testing the integrity and strength of transport lines; modifications and improvements are made accordingly, as required.
- **Earthquakes** – The Company has prepared to cope with and minimize damage caused by harm to the lines as a result of an earthquake, through means including running a steering committee on this subject, consulting professional experts to assess earthquake damage to transport lines, installing an alert system, validating procedures, holding nationwide drills, and more.
- **Drills** – The management and employees of the Company conduct an annual drill simulating a fuel leak in the lines, with the participation of the Israeli Ministry of Environmental Protection.
- **Investigation and lessons learned** – At the conclusion of a line damage/leak event or near-event, the management of the Company conducts inquiries to learn lessons regarding the causes and outcomes of the event, the way it was managed, and future preventive measures. If necessary, the Company updates the relevant procedures. The results of the investigation are distributed by an automated system to inform the relevant employees, and implementation of the recommendations is monitored.

Preserving existing conditions – Across the 750 kilometers of the lines where its infrastructures are installed, from Eilat to Haifa, EAPC applies the principle of preserving existing conditions. When work is performed, the Company ensures that after completion of its work the site is restored to its previous condition and that any temporary environmental disruption it may have caused is eliminated. Moreover, the use of open spaces by EAPC creates an advantage for species living in these areas, in that it prevents human activity and allows fauna and flora to flourish without interference. For example, the coral reefs in Eilat, which were closed to the public for five decades, were preserved impressively. Local wildlife also thrives at the Ashkelon beaches, including female sea turtles and their offspring during nesting season, as well as Israeli mountain gazelles.



Pipeline maintenance work

The Moshav Mash'en event

In August 2021, the Company discovered a fuel stain on the 18" line near Moshav Mash'en. Once the leakage was discovered, the Company immediately activated its emergency procedure, which includes operational actions to minimize damage, reporting to all relevant parties, mobilizing employees to the location of the event, directing contractors and heavy machinery, digging to reveal the damaged line, pooling and pumping the oil into road tankers, removal of the contaminated soil to a licensed site, and replacement of the damaged line section. The duration of the event, from discovery of the leak to restoration of the line to flow capability, was approximately 30 hours. At this writing, the event is under investigation by the Environmental Police.

Evrona Nature Reserve

In 2014, in the course of the development of access roads to the new Ramon Airport and the change in drainage routes of the Raham Stream, the Eilat Ashkelon Pipeline Company was asked to change the pathway of its oil pipeline. During the course of the work, a designated connector was detached, resulting in a spill into the environment of approximately 5,000 cubic meters of crude oil, which flowed through the Evrona Nature Reserve. The length of the land area contaminated was approximately 6 km.

The oil flow was stopped and damming valves were closed immediately – remotely, from the control room. The Company activated its emergency

procedure and took responsibility of the event. The Company cooperated with the authorities and spared no effort or resource in minimizing the damage, in accordance with all requirements of the Israeli Ministry of Environmental Protection, with full transparency and to the satisfaction of the government agencies.

Over the course of the two days following the event, approximately 2,000 cubic meters of oil were pumped and returned to the company's tanks. Within a week, approximately 30,000 tons of contaminated soil, which had absorbed approximately 800 cubic meters of oil, were removed. In total, approximately 55,000 tons of contaminated soil were removed, and approximately 1,500 tons of oil evaporated. The nature reserve opened to the public four months after the event.

Since the event, EAPC has worked to rehabilitate the ground, in collaboration with the Nature and Parks Authority and the Israeli Ministry of Environmental Protection. A unique soil-cleaning project was fully financed by the Company and executed in collaboration with the Nature and Parks Authority and the companies Netafim and Liquid Gas. In the project, physical and biological processes were employed to break down long carbon chains using bacteria, allowing them to decompose in nature. Under the guidance of the Nature and Parks Authority, soil scarification was performed at the site, to aerate the ground through loosening and wetting, with the aim of improving water drainage and forming a soft foundation for plants. Today, flora and fauna populations are growing steadily, indicating stabilization of the ecosystem.

Prevention of marine pollution

In view of the high importance accorded by the Company to the prevention of marine pollution, it invests extensive resources in acquiring equipment, training skilled personnel, and implementing the most advanced technologies to prevent such events and to address events when they occur.

The Company operates in full compliance with regulatory requirements and with the national plan for addressing marine pollution. The facility emergency plan, derived from this plan, addresses the ways of handling marine pollution, the required equipment, emergency drills, and practices for activating the system when necessary.

An overarching drill is conducted annually to test preparedness for emergency events resulting from damage or leaks in marine pipelines. The drill is conducted jointly by Company management and external parties relevant to coping with an emergency, who are invited to participate; these include the Israel Police, Magen David Adom, the IDF Homefront Command, and the Ocean and Coastal Areas Division of the Israeli Ministry of Environmental Protection. In the event of a marine pollution incident, even if its cause is unrelated to EAPC, the Company is committed to responding and assisting using its advanced equipment and skilled personnel.

This area is also managed as part of risk management at the Company. Many activities are carried out to manage and monitor the risk, including the following:

- **Eilat pier 360 marine barrier** – In 2021, the Company began to install a marine barrier surrounding its oil tanker at 360 degrees, to serve as an additional safety mechanism. In the event of a spill into the sea, the spill can be contained within the Company's compound and treated immediately, without damage to the environment beyond that area.
- **Running a Smart PIG through marine lines** – Smart PIGs are also run through the Company's marine lines, to examine the condition of the pipes installed at each point. For further information regarding the PIG, see page 36.
- **Pilots** – The Company has trained and authorized pilots who are responsible for the entry, docking, and exit of ships at the port. The pilots oversee loading and unloading throughout the process, to ensure that no damage is caused to underwater transport lines or connectors during tying, untying, unloading,

Eilat pier 360 marine barrier –

In 2021, the Company began to install a marine barrier surrounding its oil tanker at 360 degrees, to serve as an additional safety mechanism. In the event of a spill into the sea, the spill can be contained within the Company's compound and treated immediately, without damage to the environment beyond that area

and loading operations. The Company has a team of sailors who work on board the ships, reporting to the pilot, throughout the loading/unloading period. This team is responsible for the immediate response to any scenario.

- **Divers** – The Company has a crew of trained, experienced divers who carry out various types of necessary underwater work.
- **Scanning marine transport lines** – Divers of the Company scan flexible transport lines at each loading/unloading to examine the integrity and soundness of the lines and to locate any hazards.
- **Double protection for flexible pipelines** – The Company uses flexible marine pipelines with a double layer of protection to prevent leaks.
- **Use of breakaway couplers on marine lines** – The Company uses an automated safety device on its marine connectors, which closes both sides of a flexible pipeline in the event of a tear in the pipe or a rise in pressure.
- **Approval of tankers before arrival at the port** – Prior to the arrival of a tanker, and again before docking, all of its regulatory permits are rigorously inspected. If any of the documents are missing or expired, the tanker is sent outside the port until the required confirmations are supplied.

Photo by EAPC: Evrona nature reserve, 2020





- **Double hull ships** – EAPC is one of the first companies to prohibit ships more than twenty years old from entering ports under its responsibility. In effect, this means that only ships with a double hull (which have a space between the outer hull of the ship and the storage tanks, to prevent leaks) are permitted to the Company's ports.
- **Marking of underwater lines and docking areas** – The underwater line corridor pathway has been posted in the relevant places for use by sailors when tying a tanker to a connector, and docking areas of the ships have been delineated by marking and signage.
- **Operations planning** – The Operations Division writes an operational work plan for loading and unloading tankers, according to data received from the client (data regarding the freight), to prevent stress situations in the operational infrastructures.
- **Command** – The Company has a command and control center staffed 24/7, which oversees the operation of the terminal, including the marine lines, capacities, and leak monitoring. The command center receives the required information and manages emergency events in real time, with the ability to respond immediately.
- **Port observation** – The command center is also staffed by observers who supervise the movement of vessels within the port.
- **Advanced equipment for the treatment of marine pollution** – The Company is supplied with modern equipment on a significant scale for the treatment of marine pollution events, including, among other things, marine barriers – an emergency means deployed in the ocean to bound, reduce, and contain the leak to the extent possible; skimmers for suctioning of oil stains; floating suction heads; floating portable marine pooling tanks; breathing systems; pumping wagons; various absorbents; solvents; and more. The Company has a maintenance and equipping plan, based on the wear-and-tear and use of the equipment.
- **Purchasing of new tugboats** – The Company has leased two new tugboats with improved capabilities from the coal company owned by the Israel Electric Corporation. The planning of the new tugboats included installation of additional capabilities for emergency operation.
- **International and local standards** – The Company routinely remains current and acts in accordance with international standards of the International Marine Organization (IMO) and the guidelines of the Israeli Ministry of Environmental Protection and the Administration of Shipping and Ports in all matters pertaining to the examination of the integrity and strength of marine transport lines. These actions include the

use of a range of technologies and implementation of advanced tools for protection and monitoring.

- **Professional operation procedures and directives** – The Company has a comprehensive set of emergency, safety, operational, and maintenance procedures that are updated according to regulatory changes; examples include safety rules for loading and unloading tankers, safety rules for divers in underwater work, and more.
- **Cooperation with Eilat Port** – The Company has an agreement with the Eilat Port regarding the management of emergency events.
- **Maintenance system** – The process of control over the execution of preventive maintenance at the Company has been embedded at every level of execution and management, including adjustment of existing maintenance procedures to needs in the field.
- **Drills** – The Company holds two annual drills, at each of its compounds (in Ashkelon and Eilat), concerning marine pollution, with the participation of the Ocean and Coastal Areas Division of the Israeli Ministry of Environmental Protection. The Company also

occasionally participates in drills held by the Ocean and Coastal Areas Division of the Israeli Ministry of Environmental Protection, including international drills.

- **Training** – Representatives of the Company regularly participate in relevant international conferences and courses, including simulator training.
- **Marine event emergency team** – The Company has established emergency teams in the Ocean Department to handle marine pollution, and emergency teams in the Line Maintenance Unit to handle coastline pollution. The teams train accordingly, and a factory emergency plan has been written on this subject, derived from the national response plan for marine oil pollution, and approved by the Ocean and Coastal Areas Division of the Israeli Ministry of Environmental Protection.
- **Investigation and lessons learned following marine pollution** – At the conclusion of a line damage or leak event or near-event, the management of the Company conducts inquiries to learn lessons regarding the causes and outcomes of the event, the way it was managed, and future preventive measures. If necessary, the Company updates the relevant procedures. The results of the investigation are distributed by an automated system to inform the relevant employees, and implementation of the recommendations is monitored.

The ecological beach in Eilat

In a joint educational initiative with the city of Eilat, an ecological museum and classrooms are planned on a beach that has been transferred from EAPC to the city. In 2019, during the course of the work for restoration of the coastline, suspicion arose of contaminated soil within the area of the beach. In accordance with the guidelines of the Israeli Ministry of Environmental Protection, the Nature and Parks Authority, and the Water Authority, the Company is working to monitor and rehabilitate the beach in order to contain and treat the contamination and prevent the future spread of contamination in this area. As part of the treatment, the Company performed ground and water surveys, and all removable soil was removed, based on the findings, up to the rock level of the beach. Concurrently, groundwater samples were taken, as well as ocean and ocean floor samples. The treatment and rehabilitation of the beach are still in progress, in accordance with the requirements of the various regulators.

› Regulation

The Company operates in an extensive regulatory arena consisting of laws, regulations, orders, licenses, permits, directives, guidelines, etc. (hereinafter: "Legal Directives"), issued by numerous and varied regulators. The Company views adherence to all of the duties to which it is subject as of the utmost importance. EAPC considers an organizational culture of compliance with the law an essential condition for the sound management of the Company and for the realization of its goals and objectives.

In 2016, the Company established a dedicated division headed by a Deputy General Manager – the Regulation, Risk Management and Procurement Division (hereinafter: the "Regulation Division") – the mission of which includes assisting the Company, its officers, and its employees in maintaining a culture of compliance, with all of the associated implications. The Regulation Division is part of the lines of defense of the Company.

In 2020, the Regulation Division completed a five-year plan in which it scanned hundreds of Legal Directives containing thousands of provisions and guidelines applicable to the Company in areas such as the environment, safety, labor law, security, fire safety, and more. Gaps found during the internal examinations were presented for discussion by management, and courses of action were established to close the gaps.

To help the Company meet all of its obligations, in 2018 the Company acquired an IT system for regulation management, which was specifically adapted for its needs and activities. Following each internal examination conducted by the Regulation Division, the findings are entered into the system for follow-up, so that managers can observe the compliance situation in their area of responsibility in real time and receive direct alerts via email of every task created on the system. The Company set up a "guiding function" and an "executing function" within the system for every provision of the various Legal Directives. The guiding function, which is a headquarters function, is required to write procedures and determine how the directives are to be implemented, and to monitor implementation in practice; the executing function is required to carry out the specified actions. Compliance tests continue to be performed routinely by the Regulation Division.

Having an organizational culture of compliance with the law is a necessary condition for the proper management of the company and the fulfillment of its goals and objectives

› Community relations

The Company founded its community relations array in 2021. The purpose of the unit is to foster communication with stakeholders of the Company, with an emphasis on fence-adjacent communities – residents of Eilat and Ashkelon – through continuous direct dialogue, exposure to the essential activity of the Company and its contribution to the economy, exposure to the Company's actions to protect the environment and its own facilities; create transparency; and build trust in its relationships with stakeholders. Within these activities, the Company invites fruitful discourse with any interested party, so that the Company can receive feedback directly from the public and provide answers and information in response to any questions raised, with the aim of cultivating good relationships with its neighbors and improving transparency regarding its operations.

The following activities were carried out in 2021:

- A meeting with environmental organizations and key activists.
- A meeting with the mayor of Eilat and members of the municipal committee for the protection of the environment.
- A meeting with students from the Hebrew University of Jerusalem.
- Open meetings with residents of Eilat and Ashkelon.
- An open meeting with sailors in Eilat.

In 2021, **9** meetings were held with the public to improve transparency regarding the Company's activities



Open talks with Eilat residents

› Innovation

The Company founded its Innovation Division in 2021. The division was established to realize the immense potential of EAPC as an intersection of the fields of infrastructures and energy – a key strategic focus with the potency for growth through innovation and entrepreneurship. As a midstream link in the oil and gas industry, EAPC’s perspective on the challenges of today’s energy economy is oriented towards meeting the challenges of tomorrow.

The Innovation Division has two main goals:

- a. Streamline, advance, and improve methods of activity at the Company (optimize routines and regular budgets).
- b. Identify and grow new areas of activity in the field of energy infrastructures, with an emphasis on renewable energies.

The Company’s analysis, based on various forecasts, indicates that the energy “pie” in Israel and worldwide will grow in the future, as the renewable energy component also grows, but crude oil remains a key component. As a government company, EAPC views itself as having an obligation towards the state to be part of the global effort to take the foot off the pedal in traditional energies and push forward in sustainable energy sources. As noted, these are gradual and concurrent processes; the mission of the new Innovation Division is to accelerate the transition.

Through the Innovation Division, the Company plans to develop and adapt to the economic, social, and technological transformations underway in Israel and worldwide in the areas of renewable energies, energy efficiency, and environmental safety. The Company views innovation as a value that can expand frames of thought and broaden horizons, in terms of new business activities as well as routine operations.

The decision to create the Innovation Division is grounded in the belief that these goals can be achieved through the promotion and development of advanced technologies, by integrating

the capabilities, assets, and knowledge of the Company with those of other technology companies, entrepreneurs, development groups, researchers, investment funds, and market players.

The Company has a unique and highly valuable position in relation to the needs of research and development companies throughout their foundation and growth periods, creating opportunities for effective collaborations. Further, the Company believes that connection with the relevant ecosystem in the fields of energy and technology may be fruitful for both parties; accordingly, it endeavors to reach out to and collaborate with start-up companies, peer companies facing similar challenges, funds, international investors, and knowledge exchange and commercialization companies, with the aim of bringing about the development and application of technologies and the origination of innovative products that are congruent with the goals and needs of the Company.

As a midstream link in the oil and gas industry, EAPC’s perspective on the challenges of today’s energy economy is oriented towards meeting the challenges of tomorrow

The Company offers broad platforms for collaboration with its innovation activities, such as:

- a. Use of the Company’s infrastructures for field experiments and demonstrations (pilot projects);
- b. Investment in start-ups and business collaborations;
- c. Guidance for professionals in a range of fields, and use of the Company’s laboratories;
- d. Collaborations with academic and research institutions;
- e. Guidance for companies and ventures in receiving grants.

In accordance with the needs and challenges it has identified, the Company considers involvement in the following areas of activity:

- a. Renewable energies;
- b. Energy storage;
- c. Environmental technologies;
- d. Operational technologies;
- e. Process digitization.



Human Resources

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EAPC is committed to the nurturance and development of its employees on the professional and personal levels, to caring for their health and well-being, and to providing them with an appropriate, safe, responsible work environment



Human capital is the most important component of the power and strength of EAPC. Employees are the Company's most valuable asset and the essential driver of its success and ability to confront the challenges it faces. Therefore, EAPC is committed to the nurturance and development of its employees on the professional and personal levels, to caring for their health and well-being, and to providing them with an appropriate, safe, responsible work environment. The Company relies on a small-scale, efficient, high-quality workforce with specific professional knowledge and unique areas of expertise, able to lead it towards the continued success of its business and enabling it to overcome challenges. The Company's personnel is characterized by long years of service, contributing to their professionalism and experience, a warm and family-like work environment, and a commitment to mutual support among employees.

The Company's employees are part of its national mission to protect the energy security of the State of Israel; they bring a sense of purpose to their work, continually keeping the best interests of society and of the public in view, during both routine and emergency times. Labor relations between management and employees at the Company are founded on mutual respect, partnership, and long-term commitment. The Company rigorously maintains compliance with the provisions of the law in all matters pertaining to the employment of its own employees and the engagement of contractor workers (in cafeteria and cleaning services) at its sites.

The human-resources policy of EAPC is grounded in the following principles:

- Mutual trust and respect are the cornerstone of the relationship between management and employees; employees are full partners in processes at the organization.
- The protection of human life is an essential and sacred value. The Company does everything in its power to minimize risk to human life or health.
- Managers set a personal example and are involved. An open-door policy and open dialogue between employees and managers are encouraged.
- All employees are treated fairly and equitably, with uncompromising protection of their rights.
- An inclusive and diverse work environment is promoted, with the prevention of harassment and abuse of any kind.
- Excellence and professionalism are encouraged; the Company invests in the development and cultivation of human capital, including professional and managerial training and training to support employee enrichment and general skills.
- The Company invests in a rich, varied set of well-being benefits and offers support to employees experiencing a personal or family crisis.

Work environment

The employees of EAPC are full partners in its endeavors, and its relationship with them is therefore built on a foundation of mutual trust and respect. The Company is dedicated to appropriate labor relations and good interpersonal communication, which it sees as crucial components in the creation of a pleasant work environment. EAPC places special emphasis on appropriate, kind, decent, respectful behavior of its employees towards their colleagues, and takes care to cultivate a warm and family-like work environment among employees in its various units.

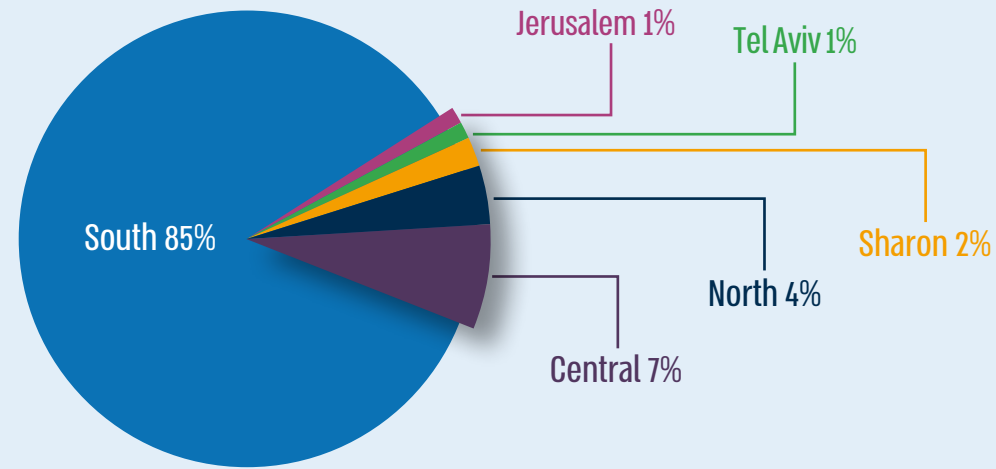
Employees of the Company by rank and gender (in percent), December 31, 2021

	Women	Men
Board of directors	20%	80%
Board of management	0%	100%
Middle management	20%	80%
First-tier management	7%	93%
Employees	20%	80%
Total	18%	82%

COVID-19

At the outbreak of the coronavirus pandemic, EAPC exercised extra caution, going beyond the guidelines of the Ministry of Health, to protect its employees and ensure the business continuity of the Company, which provides an essential service in routine times and emergencies to the State of Israel. Management held periodic discussions, based on the developments in the pandemic, and often resolved to implement restrictions earlier, before they were imposed by the authorized agencies. However, the Company did not place its employees on unpaid leave, continuing its operations while protecting their personal and occupational safety during this challenging period. Due to the nature of the work at the Company and its status as an essential enterprise, a substantial part of its employees continued to work at a scope of activity similar to routine times, with the required adjustments and in line with the guidelines of the Ministry of Health. The Company purchased laptop computers and peripheral equipment as necessary for employees whose work could be performed remotely, from home. The Company also made sure to remain in regular contact with employees who were sick with the coronavirus or in quarantine, in order to check on their condition and attend to their needs.

Geographical distribution of employees of the Company, by place of residence (%)



99%

of the employees of the Company are employed full time

89%

of the employees of the Company live in geographically peripheral regions

13.5

years – average length of service of employees

100%

of employees went through a feedback process in 2021

41

average age of EAPC employees

11,800

total hours of employee training

1,475

total training days in the organization

6%

employee turnover rate

5%

of employees received tuition aid

Diverse hiring

The Company accords high importance to hiring employees from diverse population groups. Beyond the moral duty and justified business practice of a diverse workforce, EAPC is, as a government company, required to maintain appropriate representation of diverse population groups. Accordingly, a human resources manager has been appointed to oversee this area and has undergone dedicated training for that purpose. When recruiting, the Company grants precedence, to the extent possible, to people with disabilities, and maintains ongoing contact with the Equal Employment Center and with non-profit organizations specializing in this field to locate suitable candidates.

Prevention of harassment and abuse in the workplace

EAPC works to create a respectful work environment, free of all kinds of harassment and abuse. Accordingly, the organization has appointed the Head of the Well-being and Administration Department as supervisor of sexual harassment; the supervisor was given dedicated training for this role. Procedures and rules on the prevention of sexual harassment are posted in salient locations throughout the offices, as required by law. Each year, all employees of the Company take part in computer-based training and are asked to complete a tutorial on this subject. Employees are also required to read and sign the code of ethics of the Company, which addresses the prevention of sexual harassment, among other matters. In 2021, within the annual Safety Days held at the Ashkelon and Eilat terminals, training sessions were held to highlight and reinforce the importance of that matter. Employees of the Company and of its subcontractors can contact the supervisor directly, either openly or anonymously, to report incidents of harassment to which they have been exposed. One complaint concerning sexual harassment was received in 2021. The complaint was addressed by the supervisor of sexual harassment.

Gender diversity

Historically, due to the professions of the workers employed at a company of EAPC's type, the majority of its employees have been men; however, the

Company considers it important to promote women in all areas of activity, including those considered to be typically staffed by men. In recruiting new employees and in intra-organizational mobility, the Company therefore grants preference to the employment and promotion of women.

Dialogue with employees

As part of the Company's emphasis on creating a pleasant, family-like work environment, an open-door policy is maintained, giving employees access to conversations with their individual managers and the managers of the Human Resources Division on any topic. The CEO of the Company also holds periodic talks, which were conducted via Zoom during the coronavirus pandemic, to inform all employees of the Company of developments in its activity. In addition, the CEO manages a group on the messaging application WhatsApp, in which all employees of the Company are included, to transmit essential information and updates from time to time.

The Deputy General Manager of Human Resources and Administration maintains regular contact with members of the employee union at the Company, to preserve its excellent labor relations, provide updates on current topics, and resolve issues, to benefit all employees of the Company. An intra-organizational portal is at the disposal of employees, where they can find information about available jobs within the organization, company procedures, tutorials, training materials, and current updates.

As part of the effort to encourage innovation and efficiency at the Company, a mechanism has been put in place for the submission of suggestions for improvement of processes by employees. Employees win a monetary reward when their suggestions are selected for implementation.

Evaluation talks are held with employees annually, within the feedback process at the Company. In this process, managers reflect employees' strengths and weaknesses and their expectations for the future, and goals are set collaboratively.

A senior executive conference is held each year, with the managers of the Company participating, to present the activity of the Company over the last year and prepare for the coming year. During the coronavirus pandemic, the conference was held in online form.



Employee development and well-being

Organizational training and development

To encourage excellence and professionalism, the Company invests extensive resources in developing employees' skills and capabilities. Excellence and outstanding performance are recognized and commended in ceremonies for outstanding employees, who are also awarded a bonus. Training, qualification, and instruction processes at the Company are measured, managed, and supervised routinely by the Head of Training and Organizational Development. Performance data are available to all managers and employees, through various reports and interfaces on the organizational training system, EAPC Academy. In 2021, as the COVID-19 crisis receded, the number of training hours grew by 14%, due to a return to in-person instruction.

The training program at the Company consists of three main categories:

- Professional training relevant to various occupations.
- Management and enrichment training supporting employees' general capabilities. This category includes, for example, the managerial reserve program for department heads and programs for mid-level managers.
- Regulatory training programs which the Company is required to hold by law.

Beyond that, EAPC accords high importance to employee education and encourages its workers to enroll in educational programs, also offering tuition aid for academic studies. In 2021, the Company provided tuition aid to approximately 5% of its employees.

The majority of the Company's employees are employed under collective contracts. The Company values the promotion of employees internally to vacated positions, and encourages its employees to apply for positions within the organization, to support their occupational development and promotion outlook. New or vacated roles are advertised on the organizational portal, sent via email, and posted on notice boards.

In 2021, 3.5% of employees were promoted to a higher rank in intra-organizational mobility processes. Guards and security personnel are employees of the Company, in every way, and many are promoted within the Company and remain with it over many years.

Employee well-being

To ensure appropriate employment conditions and promote employee well-being in both professional and personal life, the Company strives to create a balance between work demand and leisure time, and provides an extensive and rich package of benefits to its employees. The benefits and well-being package are designed to respond to family needs, leisure needs, and the promotion of balanced and healthy lifestyles. Only 1% of the employees of the Company are employed part-time; these workers are eligible for the same terms and benefits as all other employees, under the collective agreement.

Employee benefits include:

- Events and teambuilding activities organized for employees and their families. These include annual getaways for employees and families, an annual Company Night for employees, family trips, teambuilding days, and appreciation events for long-serving employees.
- The package of benefits for employees and family members includes offers of comprehensive medical insurance policies, as well as culture and leisure activities at subsidized prices.
- EAPC forms attractive agreements for its employees with organizations such as banks, private vehicle leasing firms, insurance companies, pension funds, investment houses, and more.
- Incentives for outstanding employees who meet targets.
- Employees nearing retirement are offered a preparatory course for the employees and their spouses. Workshops are also held on this subject, and pension advising is provided at employees' request. The Company allows every retiring employee to receive a pension advising package from a leading consultancy in Israel as a retirement gift.

➤ Health and safety throughout the supply chain

The protection of human life is a value of the highest order at EAPC. The Company acts in accordance with its safety policy, which is an integral part of its strategy and is based on strict safety standards. The Company diligently protects the health and safety of its employees, including subcontractor workers, at its offices and in every location where it operates; it ensures the supply of appropriate protective equipment, the performance of survey examinations, and the existence of a suitable and ergonomic work environment.

Within the promotion of workplace safety and hygiene, a safety supervisor has been appointed for each terminal, tasked with overseeing the implementation of safety procedures, ensuring that safety training is conducted, addressing deficiencies and gaps, and publishing an annual safety plan for the terminal.

Before infrastructure projects begin, an examination of the processes and the full range of risks inherent in the project is performed. The safety supervisor prepares a dedicated document specifying the safety conditions, required preparations, and expected stages, and employees of the Company and the executing contractor are required to adhere fully to these specifications in their work. To ensure that work is performed in line with the established procedures, the Company holds surprise audits as well as preplanned audits and issues reports on the audit findings.

The following are the main actions taken by the Company to ensure protection of the safety of its employees and contractor workers:

- Formulating safety procedures and monitoring their application.
- Supplying the most advanced equipment for the protection of employee safety, including during work with hazardous materials and work at height, and regularly examining the soundness of the equipment.
- Investigations of incidents leading to accidents or near-accidents and organization-wide communication of the conclusions to all employees.
- Regular monitoring of indicators such as accident severity and frequency, aimed at reducing the quantity of accidents, locating sites requiring additional attention, and monitoring trends to provide an optimal response to various developments.

- Encouraging and raising employee awareness using various means, such as screensavers, television screens throughout the offices, and intra-organizational communication.
- The employees of the Company are represented by seven managers and seven workers on a joint committee on safety and health for management and employees, in line with the provisions of the law. The safety committee meets eight times during the course of the year, or more frequently if necessary.
- Safety supervisors meet each quarter to discuss safety issues and events, if any.
- The Company holds a safety day at each terminal for all employees.
- In the event of updates and changes to work and safety procedures, the relevant training and instruction programs are immediately renewed accordingly.

The safety unit at the Company handles the following areas:

- Instilling a culture of safety at the Company.
- Managing safety risks within the organization.
- Holding safety training.
- Conducting routine occupational safety and hygiene management activities.
- Reporting, investigating, and monitoring work accidents.
- Tracking the implementation of safety recommendations.
- Performing safety tests.
- Promoting safety among contractor workers.

Road safety

The Company has two transportation safety officers. One officer is responsible for all aspects of transportation at the Company, regularly communicating the importance of road safety to employees, and holding training on this subject at least twice a year. The second officer supervises the operational field, enforces safety rules, and ensures the safety of pedestrians and drivers. All Security Department vehicles have been fitted with devices to track driving characteristics, which provide alerts of deviations from permitted limits.

Employee health

As part of its effort to protect the human capital of the Company and its competence, the Company emphasizes preservation and nurturance of its employees' health. In accordance with the law, annual noise and air quality monitoring and control processes are conducted at its activity sites, to ensure and preserve a safe work environment. The Company also provides its employees with medical testing for early discovery and prevention of disease every two years, or annually for employees aged forty or older. The Company finances expanded periodic testing for employees who work at sea, and refers workers to a marine occupational physician.

During the reported year, 68 safety events ("near-accidents") and nine accidents were recorded. There was no significant change relative to 2020 in the severity or number of accidents

Clients of EAPC

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EAPC's broad range of clients stems from its operations as an energy infrastructure company, its strategic location, its professional expertise, and the reputation it has earned over the years. All of these factors and more expand the potential for interest from additional customers, who occasionally join its existing customer base.

The capabilities of the Company, which include substantial storage volumes, ties with local refineries, and bidirectional transport abilities between two trade zones, create an extensive and varied target audience for EAPC. Its customers are EAPC's highest priority; the Company is committed to fair and reliable conduct towards all of its customers, alongside uncompromising adherence to employee safety and the protection of the environment. The Company also strives to deliver efficient, excellent service, work collaboratively with customers, be attentive to their needs, and proactively launch innovative, groundbreaking efforts to contribute to their success.

The essential service provided by the Company to the State of Israel is made possible by the Company's infrastructures, which include fuel ports and tank farms in Ashkelon and Eilat with overall storage capacity of 3.7 million cubic meters for crude oil and fuel products, and a system of transport lines of approximately 750 kilometers from Eilat to Haifa. These infrastructures enable

the Company to offer its customers a range of services, including unloading, storage, and loading of crude oil in Eilat and Ashkelon; transporting crude oil between the tank farms and to refineries; storing distillates and LPG in Ashkelon; delivering distillates to the Israeli economy; distributing distillates and LPG to road tankers; filling and distributing portable gas tanks; and providing coal unloading port services to the Israel Electric Corporation.

Customer communication channels

EAPC maintains ongoing, everyday contact with its customers, according to need, primarily through the Commerce and Marketing Division and the Operations Division, with the corresponding functions of its customers. Marketing activities are also conducted by initiating meetings with potential customers and participating in international conferences. The Company's website presents marketing information in four languages (Hebrew, English, Russian, and Chinese). The Company invests extensive efforts in finding international clients interested in using its services, including storage services in Ashkelon and Eilat and the use of the 42" line connecting these locations. Many customers also initiate contact with the Company to receive service, in view of its competitive terms and the outstanding reputation EAPC has built over the years.

EAPC's customer portfolio contains some of the largest trade and energy

companies in the world, including companies that for many years had no economic or commercial interaction with Israel. The Company's ability to market its services to international customers has strategic value for the state, particularly in view of the Arab boycott of Israel, which still has a significant impact, all the more so in the energy market.

In 2020, EAPC conducted a customer satisfaction survey, examining various aspects such as the degree of satisfaction with the level of service, the integrity and pleasantness of contact people at the Company, service prices, and more. The overall level of satisfaction was found to be very high; specific gaps and areas for improvement in connection with customer interactions were mapped and remedied.

The energy economy in Israel

EAPC serves as the energy gateway of Israel in the domain of liquid fossil fuels. Approximately 75% of the crude oil consumed by the Haifa and Ashdod refineries is unloaded at the Ashkelon Port. Approximately 15% of the distillates consumed by fuel marketing companies in Israel, if not acquired from local refineries, are also unloaded in Ashkelon, and approximately 40% of LPG consumed locally is unloaded by gas marketing companies at the EAPC port in Ashkelon.

The importance of EAPC to the domestic economy imposes a heavy responsibility on the Company, which recognizes that its activity is vital to the energy security and functional continuity of the State of Israel. The Company supplies the need for storage and flow to the refineries, as well as capabilities to unload distillates, provide emergency storage for the electricity economy, and store and deliver LPG to the Israeli market, equitably and impartially.

The Company also provides a transition and landing site for natural gas from the gas reservoirs of the state en route to power plants in Israel and delivery to Egypt. This activity is of vital importance to the diplomatic and strategic relations of the State of Israel with its southern neighbor.

Activity with international clients

EAPC is one of the largest and leading companies in the world in fuel storage, and provides its foreign customers with port, storage, and transport services. In addition to its strategic location, the Company has the capacity in Eilat

The Company's capabilities and its creation of operational redundancies, developed based on a realistic vision of ensuring the supply of energy products to the State of Israel, have proven themselves time after time during security crises and breakdowns in the supply chain of corresponding products

to harbor giant tankers that cannot pass through the Suez Canal, offering a significant advantage to its foreign clients.

The Company is not barred from working with any international customers, provided that they are not classed as an enemy state. Beyond the contribution to EAPC's profitability, working with international clients provides significant strategic advantages to the state. Concurrently, the development of EAPC's infrastructures for the benefit of its international clients reinforces the energy security of the Israeli economy as a whole:

- Prices of distillates stored at the Company's facilities serve as a benchmark for the output of local refineries (essentially serving as a sort of third refinery).
- The existence of an available, accessible crude oil supply enables local refineries to purchase this supply without incurring additional shipping costs, which lowers their costs and ultimately lowers product prices for end customers.
- The Company's reputation, the relationships it has cultivated, and its global recognition as a substantial energy player facilitate the supply of energy products to the Israeli economy even during emergencies.
- The reach of the international clients' operations in the Mediterranean Sea and the Red Sea creates access to two trade zones.



Med-Red Agreement

2020 was marked by a number of geopolitical changes in the Middle East, including the normalization agreement signed with the United Arab Emirates in September 2020 – the “Abraham Accords”. This agreement created new opportunities for EAPC in the Gulf region and in late 2020, EAPC signed an agreement with Med Red Land Bridge Ltd.

The agreement is centered on the operation of a land bridge to transport oil between the Mediterranean Sea and the Red Sea, using existing EAPC infrastructure between Eilat and Ashkelon. The deal encompasses crude oil unloading, storage, flow, and loading services. This agreement paves a new path for trade from the Persian Gulf to the Middle East. The use of the Company’s facilities as a land bridge forms the most inexpensive, rapid, efficient alternative, compared with the existing options, such as transport through the Suez Canal or circumnavigation of the Cape of Good Hope in Africa. The agreement was signed for a period of ten years, with activity to ramp up gradually and stabilize as of the fifth year. It should be noted that the agreement steps up activity that has been conducted by the Company routinely for decades, and does not represent a new channel; rather, it relies on transport using existing EAPC systems, with no need for the construction of additional infrastructures.

Strategic and environmental advantages of the agreement

- The agreement would provide a significantly shorter and more efficient route for transporting oil and oil products from the Persian Gulf region to demand areas in the West, or alternatively, from production sources in the Mediterranean Basin to destinations in the East. Beyond the monetary savings, this route has environmental benefits, in that less days of marine transport and shorter times of ships at sea would significantly reduce air pollutant emissions.
- The agreement has strategic and economic value for the State of Israel, forging closer partnerships and trade ties with Arab countries and strengthening the peace agreements and Israel’s international standing in the region.
- It would also strengthen the energy security of the State of Israel, through the supply of crude oil from two trade zones.

- A substantial part of the profits of the deal would flow into the national treasury.
- The movement of crude oil through Israel would allow domestic refineries to purchase crude oil at more affordable prices, lowering fuel costs for consumers and easing the cost of living.
- The agreement, effectively, would weaken the Arab boycott, which is still quite significant in the energy sector.
- The deal would create new jobs for residents of Eilat and Ashkelon, directly and indirectly.

In May 2021, three environmental organizations – Zalu, the Society for the Protection of Nature in Israel, and Adam Teva V’Din Israel Union for Environmental Defense – filed a petition with Israel’s High Court of Justice demanding the cancellation of the deal. The main claims against the deal focus on its legality (EAPC is alleged not to have obtained the required approvals) and on the environmental risk that may arise from an oil leak, due to a malfunction or intentional sabotage, threatening the marine environment and unique natural values of Eilat Bay. The petitioners and other environmental organizations that object to the agreement also point to rising risk of ground pollution as a result of increased activity in EAPC lines, and the potential for damage to tourism and the economy in the city of Eilat.

An interministerial team headed by the Director-General of the Office of the Prime Minister was established to prepare the state’s response to the High Court of Justice. Having examined the contentions of the petitioners, the team rejected these arguments in its conclusions and stated that EAPC had acted with permission and authorization in accordance with the law, and had received all of the required approvals for the deal. Following the submission of the state’s response to the High Court of Justice and a preliminary hearing, the petitioners withdrew their petition, leading to the final approval of the deal.

Another difficulty in the realization of the deal is the new policy announced by the Israeli Ministry of Environmental Protection after the deal was signed – “zero added risk” in Eilat Bay. The policy restricts the quantity of cargo permitted to be unloaded or loaded at the Eilat Port to 2 million tons per year. At this writing, the Company has filed a petition with the District Court against the Israeli Ministry of Environmental Protection and the implementation of the new policy.

In this context, it is clarified that the Company is working in cooperation with and in line with the guidance of the Israeli Ministry of Environmental Protection professionals. The Company has applied multiple measures, in coordination with



Ship tied to Eilat pier

the Israeli Ministry of Environmental Protection, to reinforce its means of preventing leak risks and minimizing damage in the event of an incident. Actions taken by the Company to mitigate marine and land risk include procuring innovative, advanced equipment to treat marine pollution events; contracting with a marine contractor specializing in treating marine pollution events; and installing a 360-degree marine barrier around a ship tied to a pier in Eilat. The Company has also conducted a marine operations risk survey, based on the scope of activity anticipated in five years’ time, and is working to implement the conclusions of the survey and update the factory emergency plan according to the guidelines of the Israeli Ministry of Environmental

Protection. The Company operates in all matters pertaining to the land lines in compliance with the standards of the American Petroleum Institute (API) and the binding Israeli standards, including the performance of various tests by international experts, such as running a Smart PIG robot to check the condition of the lines internally, close interval potential surveys (CIPS) to examine the continuity of insulation in transport lines, direct current voltage gradient (DCVG) surveys to examine the integrity of transport line coatings, and a comprehensive risk-based inspection (RBI) of the lines. Based on an analysis of the results of these surveys, the Company is working to maintain the lines and adopt standards stricter than the regulatory requirements in this area.

➤ Business continuity in routine conditions and emergencies

EAPC is an essential enterprise for the energy security of the State of Israel, in routine and emergency periods. In times of crisis, the facilities and reserves of the Company enable the state to overcome hardships in energy availability in order to supply the needs of the economy and the residents. Examples include the crisis in the supply of natural gas from Egypt in 2011-2012, and a temporary crisis in the supply of natural gas from the Tamar field in 2017. These breaks in supply necessitated a backup in the form of alternative electricity production using fuel oil and diesel fuel, which were imported via EAPC facilities.

A steering committee headed by the Deputy General Manager of Operations, consisting of representatives of various disciplines at the Company and guided by external consultants, tasked with writing a recovery and business continuity program (BCP) for all of the core activities of the Company, completed its work in 2020. The report was presented to Company management and used as a foundation to derive actions to execute in order to satisfactorily maintain these programs.

The Company has been able to quickly and flexibly adapt its operations to dynamic changes in the domestic and international energy economy. Examples include the establishment of the Dorad power plant¹⁴ which began commercial operation in May 2014, and effectively opened the electricity market in Israel to competition, as well as the establishment of the LPG unloading, storage, and distribution facility in Ashkelon in 1998, following the decision to close the LPG facility at Gilot. The infrastructure built in Ashkelon allows for another source as imported LPG supply, adding to the limited production of LPG at local refineries.

¹⁴ The Dorad power plant is held at a rate of 37.5% by the Eilat Ashkelon Pipeline Company.

➤ Information security and cyber defense

The energy market in which the Company operates requires a high level of confidentiality to be maintained. The Company is responsible for ensuring that information regarding the commercial operations of its customers does not leak to unauthorized parties or to anyone not meant to receive sensitive business intelligence. Some information regarding the Company is privileged under the Penal Ordinance (Designation of a Confidential Matter) (Temporary Order), 2016, and contracts with foreign clients contain a detailed confidentiality provision that is binding for both parties.

Beyond the sensitivity and privilege applicable to information regarding the operations of the Company, there is a risk that a cybersecurity event may impair the availability, reliability, and integrity of the Company's operational systems, which are commanded remotely and monitored through various control systems. Accordingly, the risk of damage to information security or cybersecurity is categorized as a key risk for the Company. This risk may emerge from intentional harm, human error, a lack of control and supervision, a supplier update, or a malfunction caused by a technical deficiency in information security and information system management. The Company is categorized as a guided entity by the Israel National Cyber Directorate; as such, it maintains continuous contact with guidance officials and complies with their requirements. The Company conducts processes to manage and monitor risk at the level of the board of directors, including approval of work plans, immediate reporting of significant cybersecurity events to the CEO and board of directors, and internal audits of information systems and security procedures, which are discussed by the audit committee of the board of directors. EAPC also has internal procedures on topics related to computers and secure work environment management. Controls and monitoring are applied routinely to ensure that the procedures are implemented at the various units.

In the reported year, there were no cases of loss of customer information or breach of customers' privacy.



Supply Chain

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The activity of EAPC is based on a supply chain composed of suppliers of goods, contractors, and various service providers. The Company treats its suppliers, its contractors, and their employees with honesty and respect, and is uncompromisingly dedicated to protecting their personal well-being, health, and safety. Within this approach, the Company ascertains that workers are given appropriate employment terms and maintains regular oversight of fair payment and protection of workers' conditions in accordance with the law.

The Company views its suppliers and contractors and their employees as contributors to its success and as full partners in its endeavors; accordingly, it cultivates its working relationship with them with the aim of enhancing their ability to meet its requirements, including in the areas of safety, occupational health, quality execution of work, and protection of the environment.

The large majority of goods acquired at the Company are designated for projects, as well as for maintenance equipment and replacement parts for sensitive systems that transport and store fuel and gas. EAPC purchases equipment of the highest quality that meets strict international standards and has reliable certificates attesting to the source and quality of the equipment and the supplier. If necessary, the Company sends a representative to visit the manufacturer's factory to ascertain equipment quality and compliance with standards. This rigorous policy contributes to protection of the safety of employees, suppliers, the community, and the environment.

As a government company, EAPC manages its supply chain and purchasing activities in congruence with the requirements of the law and in line with the Mandatory Tenders Law, 1992. The Company has a tender committee, headed by the CEO, required to discuss any contractual engagement above the threshold set by law. Public tender proceedings are posted on an online mailing system maintained by the Company for interested suppliers and contractors and in the press, as required by law.

The Company makes an effort to engage contractors categorized as microbusinesses or small businesses. Breakdown of contractors engaged by the Company in tender proceedings in 2021:

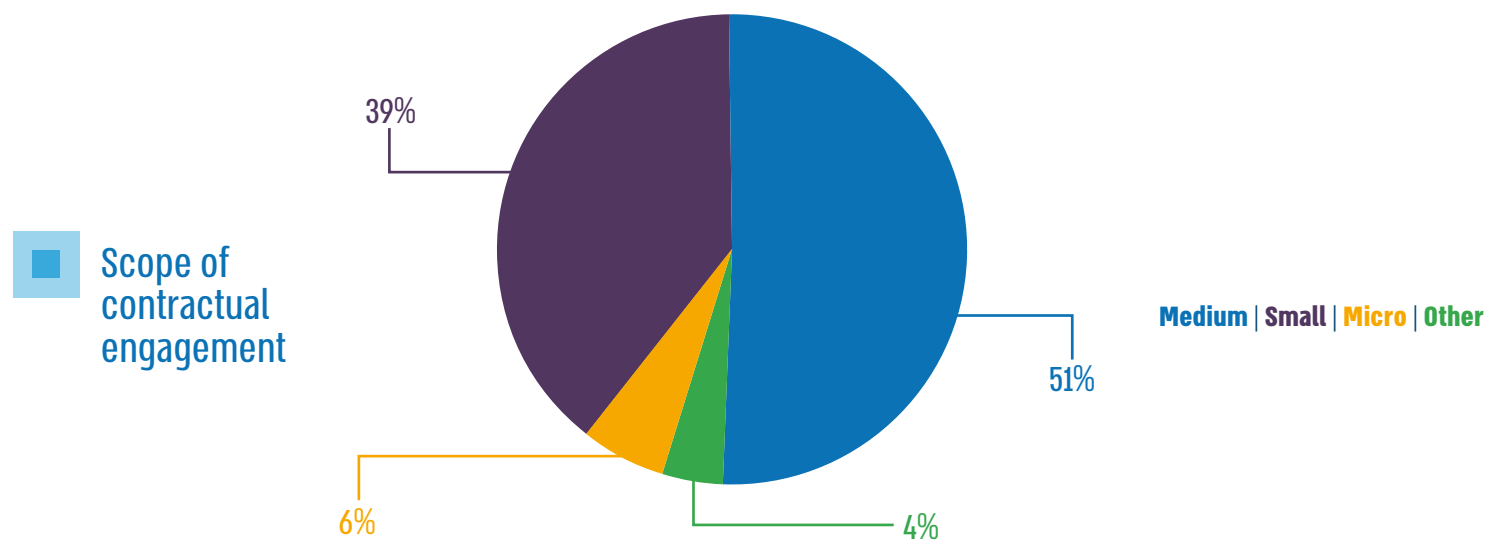
- **"Medium-sized business"** – A business that employs 21 to 100 employees, or whose annual transaction volume is greater than 20 million NIS but does not exceed NIS 100 million.
- **"Small business"** – A business that employs 6 to 20 employees, or whose annual transaction volume is greater than 2 million NIS but does not exceed 20 million NIS.
- **"Microbusiness"** – A business that employs up to 5 employees, or whose annual transaction volume does not exceed 2 million NIS.

➤ Safety of contractors of the Company

Contractors providing services to the Company are required to comply with the strictest safety and environmental protection standards, in line with the Company's requirements for its own employees. Before the execution of potentially risky work involving contractor employees, the Company conducts a risk survey to determine the risk level and ensures that the risk does not exceed a reasonable level. Advance planning, thinking, and preparation are conducted according to the risk level, along with relevant training and instruction for contractor employees, with the aim of minimizing risk to the extent possible.

During the COVID-19 period, which was characterized by high levels of uncertainty, EAPC made every effort to shorten payment times for its suppliers and contractors, to help them navigate the crisis.

The Company conducts regular oversight in the field at its work sites via contractor employee safety managers and the safety supervisor of the Company. Additional monthly reviews are conducted by the Safety Department Manager and the Deputy General Manager of Safety, Environmental Protection, and Fire. In the event of an accident, deficiency, or breach of safety rules, an in-depth inquiry is conducted and a formalized procedure is applied to extract lessons learned and communicate the conclusions to the organization as a whole, in order to prevent future recurrence of such incidents. If necessary, the Company penalizes the contractors and may discontinue its engagement with them, with all the ensuing implications





Business Ethics, Corporate Governance

70-77 >



Pier 1 – Eilat

Business ethics

EAPC upholds a culture of appropriate business conduct by its employees and managers in the discharge of their duties. The foundation for the sound and appropriate conduct of the Company is rigorous adherence to all of the external rules and regulations and the internal procedures of the Company. All EAPC employees and managers are expected to demonstrate personal responsibility and act in accordance with the principle of the code of ethics in all spheres of their activity, while ensuring that the rules are followed and respected. The Company is a member of the Association of Oil Companies in Israel; it has no political affiliation.

The Company's code of ethics was formulated and approved by the board of directors in 2016. The code charts a course for desirable conduct by the Company, while strengthening the connectedness of employees and managers and creating an organizational language grounded in values. The code of ethics is posted on the Company's portal and signed by every new employee during onboarding. All employees of the Company complete a "read and signed" form for the code of ethics through the organizational training system, each year.

The Deputy General Manager of Human Resources and Administration is responsible for ethics. Various channels are available to employees who wish to consult on or report a concern over an ethical breach, openly or anonymously, via telephone, email, and a message box available 24/7. The contact information is posted on notice boards located throughout the premises of the Company and on its online portal. The Company also promotes an open-door policy, encouraging all employees to contact the Deputy General Manager of Human Resources and Administration directly if necessary. Communications

are handled discreetly and confidentiality is maintained. One complaint of a suspected ethical breach by an employee was received in 2021. An in-depth inquiry into the circumstances of the matter was conducted.

Corporate governance

The board of directors of EAPC shapes the policy of the Company and supervises its performance, in line with all regulatory requirements, particularly the directives of the Government Companies Authority, which in April 2020 became the main regulator of the Company in the area of corporate governance. Among other matters, the board of directors determines the overarching strategy of the Company, its action plans and the way they are realized, and principles for financing and prioritizing these plans, as well as approving new areas of activity and determining the means of management of such activities.

As EAPC is a company under the ownership of the State of Israel, its directors are appointed by the relevant ministers and the committee for the appointment of senior executives of the Civil Service. Directors are selected from a list compiled by the Government Companies Authority. Candidates must meet objective criteria for inclusion in the list.

Committees of the board of directors

The board of directors of the Company has appointed four committees for the management of its activities, as follows:

- The audit and risk management committee
- The personnel, finance, and investment committee
- The business development and strategy committee
- The safety, security, and protection of the environment committee

Chairman of the board of directors: **Erez Halfon**

Committee memberships: • **Chairman of business development and strategy** • personnel, finance, and investment
• safety, security, and protection of the environment

Members of the board of directors: **Yaakov Ganot**

Committee memberships: • **Chairman of safety, security, and protection of the environment** • Personnel, finance, and investment

Members of the board of directors: **Refael Danieli**

Committee memberships: • **Chairman of personnel, finance, and investment** • business development and strategy • audit and risk management

Members of the board of directors: **Ilan Cohen**

Committee memberships: • **Chairman of audit and risk management** • business development and strategy

Members of the board of directors: **Yael Frisch**

Committee memberships: • Audit and risk management • safety, security, and protection of the environment

The EAPC board of directors:

5

directors

40%

external directors

60%

directors with accounting and financial expertise

20%

women on the board of directors

2

directors aged less than 50

3

directors aged 50-80

33

board and board committee meetings in 2021

95%

attendance at board meetings

99%

attendance at board committee meetings

Remuneration policy

Remuneration procedures are conducted in accordance with the directives of the Government Companies Authority. This includes a formalized employee evaluation procedure performed through a digitized system and feedback talks held by managers with their employees. Goals are set for the Company and approved by the board of directors; targets are derived from these goals for each division and for senior employees.

Prevention of conflicts of interest

The members of the board of directors act in accordance with the Companies Law and the Board of Directors Procedure to prevent situations of a conflict of interest. Before taking office, every director signs a commitment to an absence of conflict of interest. Directors are required to sign this form each year, and to notify the Corporate Secretary in the event of concern over a conflict of interest between the director's role at the Company and their other occupations and/or personal matters. If a topic with respect to which a conflict of interest exists is discussed at a board meeting, the relevant director does not attend that meeting and does not receive materials pertaining to the topic.

Management of environmental, social, and governance (ESG) aspects in the activity of management and the board of directors

Within the Company's emphasis on embedding ESG aspects in its activity, in 2020 the Deputy General Manager of Regulation, Risk Management, and Procurement was appointed supervisor of corporate responsibility. The Corporate Responsibility Report, written as part of this lateral process, was discussed and approved by the board of directors, and approved by the CEO of the Company. The Company manages the issue of sustainable development in accordance with the international GRI

standards, the circular on the subject of sustainable development issued by the Government Companies Authority in 2009, and the "Guide for Sustainable Development at Government Companies" published by the Israeli Ministry of Environmental Protection and the Government Companies Authority in 2013.

In both the routine work and the annual objectives of the Company, the board of directors addresses environmental and social topics such as the approval of the code of ethics, protection of the environment, preparation for climate crisis, emergency preparedness, and more. Exceptional events, including events and hazards with environmental impacts, safety events, and more, are reported immediately to the board of directors.

Corporate governance survey

In 2020, the board of directors of the Company performed a quality assessment of its internal audit system. The assessment was conducted jointly by two leading firms in this field, an accounting firm and a law office. The audit examined the internal audit system of the Company, including its interfaces with the board of directors and management, the qualifications of the Company's internal audit staff, and process planning and implementation. The work encompassed examination of relevant regulation applicable to internal audit and comparative evaluation of leading and prevalent practices, including in reference to relevant legislation, the guidelines of the Government Companies Authority, and the standards of the Internal Auditor Bureau. The findings of the report were discussed by the board of directors, which adopted its conclusions.

Various aspects of the effects of weather changes, extreme natural events, changes in trends in the energy market, and the consequences of stricter requirements of environmental regulation are examined within the risk management procedure at the Company. The Company aspires to minimize these risks to the extent possible, while creating business opportunities and expanding its positive environmental impacts



Ship tied to a monobuoy

Looking ahead to 2022-2023

List of ESG goals

Establish a monitoring station in Eilat

In order to monitor air quality in the vicinity of the Eilat terminal, the Company will act as instructed by the Israeli Ministry of Environmental Protection to establish a monitoring station operating 24/7 and broadcasting real-time data by demand, similar to the stations established in Ashkelon and Kibbutz Zikim.

Install a monitoring system on the fence

In addition to the monitoring stations set up in Ashkelon and Kibbutz Zikim, the Company plans to establish an additional monitoring system on the fence of the Ashkelon terminal, including an advanced sensor system, to provide a comprehensive air quality solution.

Perform a ground survey in Eilat

Further to the historical survey carried out several years ago, the Company was asked by the Israeli Ministry of Environmental Protection to conduct an investigation of the ground aimed at finding polluted spots. The Company submitted a plan for the survey, approved by the ministry in 2021; the work is planned to be performed in 2022.

Upgrade the biological treatment facility at the Ashkelon terminal

The Company, with the guidance of the Israeli Ministry of Environmental Protection, will work to add a tertiary settlement and filtration treatment system, to improve water quality values at the exit from the treatment facility and meet higher standards.

Install two velocity regulators

Pressure regulation is currently performed by throttling the line when the engine is working at full capacity. Installation of the regulators will allow the engine RPM to be lowered, thereby modifying the pressures in the line, leading to significant energy savings.

Replace old engines

As part of its efforts to save energy, the Company plans to undertake a project to replace older engines with higher-efficiency new engines. All principal engines that need to be replaced have been mapped. Engines with a low power factor leading to high reactive energy consumption (wasted heat energy) will also be replaced.

Energy survey

The Company plans to carry out a survey of office energy consumption in 2023, and examine ways of reducing energy waste.



Tanks in Ramat Yotam

Disclaimer

This document reflects the policy of the Company, which is "beyond compliance with the provisions of the law." As such, it reflects the objectives, goals, and milestones decided upon by the Company, which it aspires to attain, but with which it has no legal obligation to comply. This document is current as of December 31, 2021. The Company has endeavored to ensure that this document is correct and accurate; to the best of the Company's knowledge, it is in fact correct and accurate as of the aforesaid date. However, like any document, it may contain generalizations, imprecisions, errors, and omissions, and accordingly, the Company takes no responsibility for its accuracy or completeness, and does not permit reliance upon or use of the information included herein by anyone. Further, the Company has no obligation to update the information included herein. In any case of discrepancy between the information in this document and the information in reports submitted to the various regulators, the officially reported information prevails. Finally, the evaluations and estimates of the Company included in this document are of the Company alone, and as with any qualitative information, they reflect evaluations and estimates that are subjective by nature and may not be measurable.

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* EAPC adheres to the Penal Order (Declaration of Confidential Matters), 2016, under which the company is prohibited from disclosing this information in full.

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Corporate Responsibility Report 2021

To communicate on the subjects of the report, please contact the Head of the Regulation and Risk Management Department, Asaf Basel, CPA, by email at asafb@eapc.co.il