



El Al Israel Airlines Ltd.

**Corporate Responsibility Report
2012-2013**

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This document was composed by ELAL Israel Airlines Ltd. (the "**Company**") only for presenting the field of corporate responsibility concerning its operations and the operations of its subsidiaries. This is the second report the Company publishes concerning corporate responsibility, and naturally does not exhaust the entire matters the Company deals with. The report includes several issues the Company has chosen to highlight, but including a certain item in the report, or failure to include other items, does not imply certain items are substantial or non-substantial, and does not create any presentation on behalf of the Company regarding its entire operations. To emphasize, the report is based on business data relevant to the Company's operations, and the data contained herein does not replace data published in the financial statements of the Company and/or its subsidiaries. Accordingly, in anything related to financial or other data regarding volumes of operation, profitability, projections etc., the data detailed in the financial statements alone obligates the Company, and in any case of contradiction, the data detailed in the financial statements shall supersede. This document does not constitute a representation or explicit or implicit undertaking, and the accuracy, completeness or correctness of the information or opinion included herein should not be relied upon. The Company or any of its employees or representatives will not be held liable (whether for negligence of any other reason) for loss resulting in any way from using this document or the content thereof or any other manner concerning this document. The future operations reports of the Company and the results of its operations are subject to risk and uncertainty, which may lead to a substantial change in actual results compared to the expected results. Therefore, do not rely on the content of this report for future projections.

From our CEO

Like the State of Israel, El Al was established several decades ago, and their narratives are intertwined. When looking back at the early days of our company, it is easy to see that corporate responsibility has always been our second nature. Corporate Responsibility was our framework for establishing the relationships with communities in Israel and abroad, for protecting the environment, our commitment to our employees (whom we call “the people of El Al”) and more. At the same time, there is no doubt our operations in the field expand annually, especially during the recent years, as this second El Al Corporate Responsibility Report will illustrate.

El Al's obligations are, first and foremost, to our passengers, and we spare no effort to ensure their safety. Therefore, it is no wonder El Al gets rated, time after time, as one of the world's safest airlines, and successfully complies with international regulations and standards. Our concern for the customers does not end there. It is also manifested in subtler matters, the service experience they receive, and attending to their demands and needs. That is why we have recently launched UP - a “leaner”, cheaper and more simple service to five destinations in Europe, enabling thousands of customers to fly safely and without additional costs. I am hopeful that this operation will become a more central part of El Al in the coming years. No doubt, this is one of our greatest challenges for the coming years.

We are aware of the effect that aviation has on our environment, as well as the related risks to which airlines are exposed. But where there are risks, there are also opportunities. Over the years, El Al has been adopting new and innovative technologies, enabling us to reduce our environmental footprint while simultaneously reducing expenses not a simple feat these years, which are challenging in business terms.

The Israeli flag portrayed on the tail of each aircraft in the Company's fleet comes with great responsibility towards the State of Israel and the Jewish people. This responsibility is manifested, among else, by promoting disadvantaged communities and populations here in Israel, and enforcing the bonds between those residing here and the diaspora. This takes place by a large number of social initiatives, some of which initiated by us, others we are proud to participate in.

Last but not least - the people of El Al, our human capital and the reason behind our strength. To offer you a more fair, considerate, attentive and pleasant working environment is our privilege and duty. This is also an opportunity to thank you all for your endless devotion and wonderful work. This is also an opportunity to give my special thanks to anyone involved in publishing this report, and most of all, Mr. Zvika Segal, Director of Corporate Responsibility of the Company.

Pleasant reading!

David Maimon,

President and CEO

From our Director of Corporate Responsibility

I am proud to present the second Corporate Responsibility Report published by EI AI.

While the first report declared our intentions and first exposed the Company's operations in the field, the second report provides the stakeholders more extensive information of the trends and progress in the work. We consider our second Corporate Responsibility Report a tool allowing us to review ourselves compared to the previous year, identify the trends in our work and set goals for the coming year.

As this report reflects, during the years 2012-2013 the Company continued its blessed work in the different fields of corporate responsibility and has assimilated the subject among the management and employees using a variety of means and activities.

The entire Company is aware nowadays of the field of corporate responsibility, starting with the most senior management and up to the entire management and the people of EI AI, including the retired personnel, constituting an inseparable part of our daily work for the community. This awareness and partnership has developed significantly during the past two years, and is also expressed in this Report.

EI AI's CEO, David Maimon, and Hanan Matasaro, VP of Human Resources, believe in the importance of social and environmental responsibility and lead the strategy of collecting together every subject area of corporate responsibility. The results of this strategy are presented in the report before you, referring to the operation years 2012-2013.

We know our work in the field is not complete, and we act from aspiration to constant advancement. I have no doubt the full backup and support from the Company CEO and VP assist the advancement of the field, and strengthen the recognition of the importance of the matter and its promotion in the Company.

Good Vision Ltd., corporate responsibility consultants, continues to support us in the field of corporate responsibility and even helped collect, analyze, process and present of the data, to provide the stakeholders with a complete, balanced and reliable picture. We thank them for their support.

EI AI is a global company, operating in dozens of locations worldwide. Due to the board geographic deployment, the Report will be translated into English, and published later this year.

I am full of hope that this Report reflects our work in the field, and the improvement we experience every year in our work.

Zvika Segal

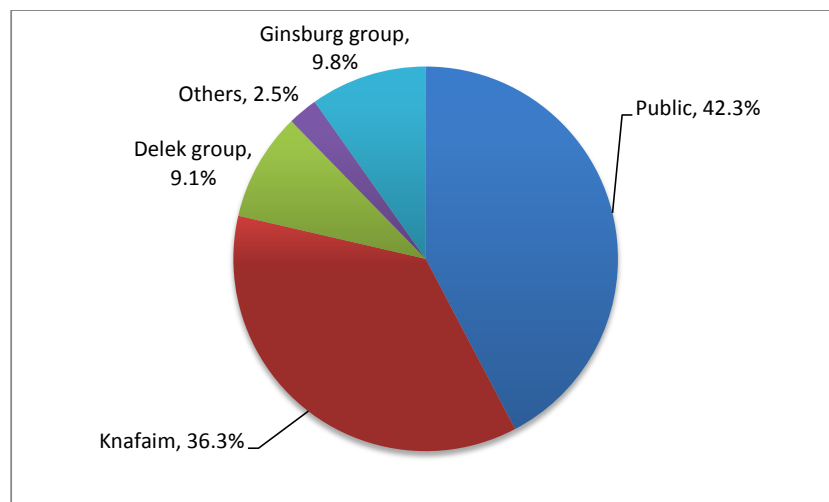
Corporate Responsibility and Community Relations Director

1.The National Carrier

El Al Israel Airlines Ltd. is the stated carrier for the State of Israel in most international line to and from Israel. As an Israeli airline, we consider ourselves obligated to develop the local economy, among else by continuing to grow and yield greater financial value, help the citizens and residents of the State of Israel where possible, and proudly carry the national flag wherever we go.

Nature of Company Ownership

El Al Israel Airlines Ltd. incorporated as a limited liability company on November 15th, 1948, under the name El Al Israel Aviation Company, and on May 16th, 1951, has changed its name to its current name. For most of its years, El Al has served as Israel's national airline, and was owned by the state. In 2003, steps for privatizing the Company have begun, and its shares were offered to the public. Today the substantial shareholders are Knafaim Holdings Ltd., the public, the Ginsburg group and the Delek group. To the best of the Company's knowledge, the State holds about 1.1% of the Company's issued share capital. Therefore, the Company is still considered a "mixed company". Also, the State holds the special state share.

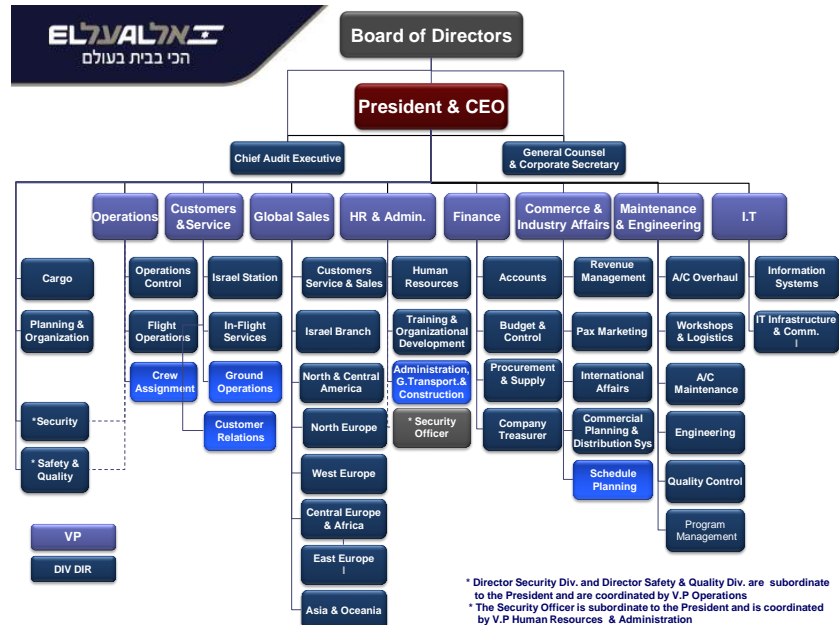


Holdings of Company shares as of 31.12.2013

Company Structure

The organizational functions of the Company can be found in the headquarters, located in El Al Campus in Ben Gurion Airport in Lod. These include management of finances, human resources, procurement, legal advice, IT, security, maintenance and engineering, sales, service and customers, marketing and advertising, air and land operations, and construction.

Organizational structure as of 31.12.2013



Company organizational structure

The Israel Branch offices are located in Or Yehuda, and the sales store is located in Rothschild Boulevard, Tel Aviv.

Company Operations

El Al serves a variety of private and corporate customers all over the world. Most of its operations focus on passenger and cargo carrying to 33 different destinations, with regular and charter flights, as will be elaborated below. In addition, the Company provides security and ongoing maintenance services to aircrafts of other airlines in Ben Gurion Airport, and conducts supporting activities via held companies, for example producing and delivering food for its flights and managing travel agencies abroad.

Carrying passengers – El Al activates flights to 33 destinations in about 25 countries in Europe, North America, the Far East, Central Asia and more, as well as interstate flights in the line Ben Gurion Airport – Eilat, using a fleet of 37 aircrafts. Also, the Company operates “codeshare” flights in cooperation with airlines worldwide, and charter flight marketed by Sun D’Or International Airlines Limited. In this area, the Company competes with two Israeli companies (Arkia and Israil), and with over 100 foreign airlines.

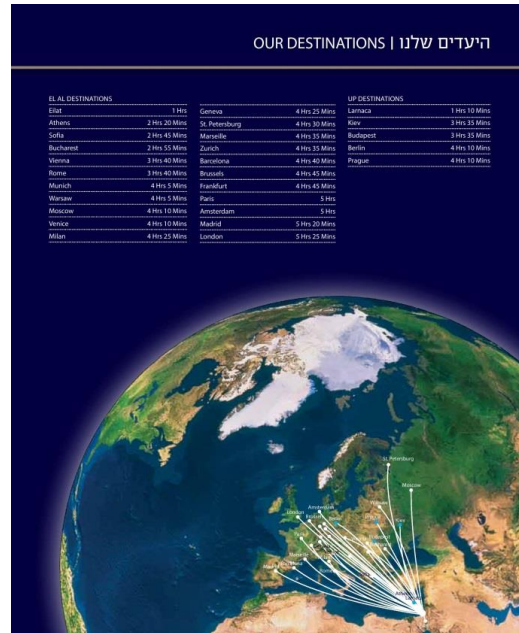
Air tickets, offered and marketed to different audiences around the globe, are sold through travel agents and marketers of vacation packages, as well as directly by the Company. The Company operates a “frequent flyer” customers club. The members of the club receive worthwhile offers and additional benefits. Duty-free products are sold during flights. Income from this field has constituted approximately 91.3% of the total Company income in 2013.

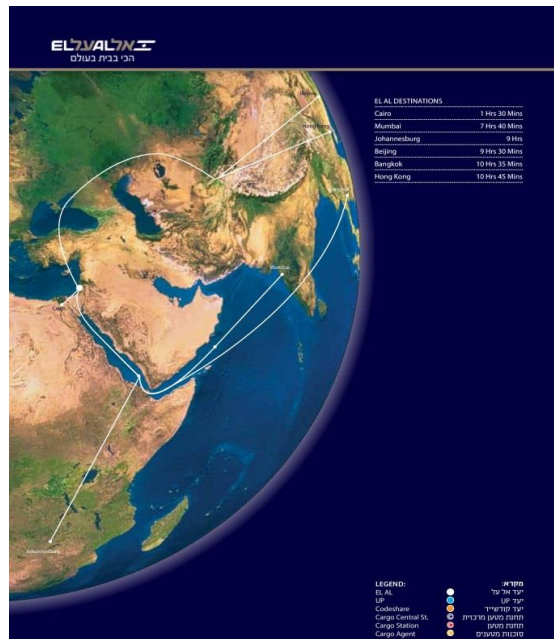
Carrying cargo – the Company offers cargo carrying services to many destinations, using its passenger aircrafts and cooperation with other airlines, as well as land carrying services from the airport. Also, the Company operates direct regular cargo flight to Liège and New York. Starting on June 2011, the Company operates one leased cargo aircraft, model 400-747, used for this purpose only. In this field, the Company competes with one Israeli airline (CAL), seven foreign airlines operating cargo aircrafts regularly, and most airlines carrying cargo in the belly of passenger aircrafts.

The majority of sales in the field of cargo carrying takes place via cargo agents, although also directly by the Company. Income from this field has constituted approximately 3.4% of the total Company income in 2013.

The additional income of the Company, not attributed to the main operation fields, constitute approximately 5.3% of its total income.

Our Destinations

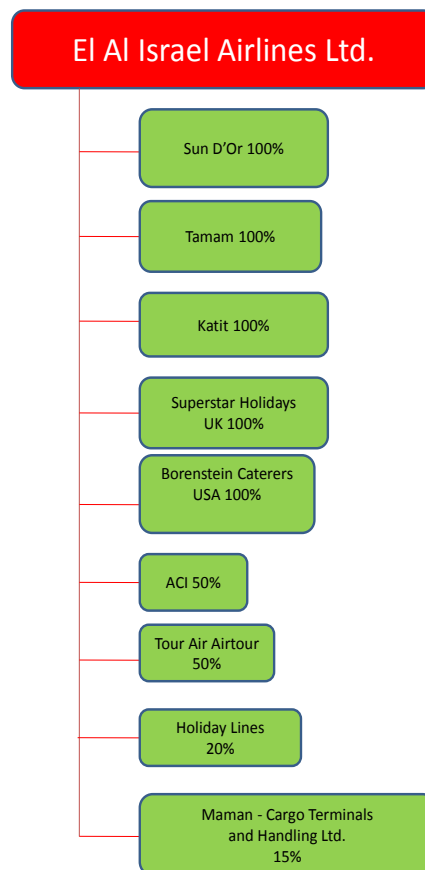




El Al is a member of the International Air Transport Association (IATA) and the International Civil Aviation Organization (ICAO), and representatives of the Company take part in their committees. These bodies are among the most important and influencing in the world of aviation, and the Company considers membership in them mandatory.

Holdings and Subsidiaries

El Al has different holdings in several more companies dealing with supporting activities to those of air carrying. These companies support the operations of the Company itself, and provide services to other airlines. Among the services provided: producing and delivering food, ongoing maintenance, overall maintenance and managing travel agencies aboard. Below is a chart of the Company's structure of holdings, as of December 2013:



The Company's structure of holdings in the active held companies

Below is a description of businesses of the main subsidiaries:

A. Sun D'Or International Airlines Limited

The company, fully owned by El Al, organizes and markets El Al's charter operations to wholesalers and individuals, under the brand name "Sun D'Or". In 2013, there was a decrease of about 6% in its overall activity. As of December 31st, 2013 Sun D'Or employed 27 employees.

B. Tamam Aircraft Food Industries (Ben Gurion Airport) Ltd.

Tamam mainly deals with producing and supplying prepared kosher meals to airlines. Lately, the company has expanded its operations outside the aviation world, and it provides, among else, catering services for institutions. El Al is Tamam's main customer – during 2013, approximately 82.5% of its income resulted from sales to the Company.

C. Katit Ltd.

Katit mainly deals with producing and supplying meals to Company employee.

D. Borenstein Caterers Inc. (USA)

The main business of Borenstein, registered in the US and operating in the John F. Kennedy International Airport in New York, is producing and supplying prepared kosher meals to airlines and other institutions. As of December 31st, 2012 the company employed 89 employees.

E. Superstar Holidays Limited (UK)

Superstar is a tourism wholesaler, marketing vacation packages to travel agents and passengers, and selling discount air tickets to the Company lines. In recent years, Superstar has become one of the largest tour operators of tourism to Israel in the UK and France. As of December 31st, 2013 the company employed 14 employees.

Below is a description of businesses of the main held companies other than subsidiaries:

A. Cargo consolidation: Air Consolidators Israel Ltd. (ACI)¹

The main business of ACI is consolidating air cargos in Ben Gurion Airport, to decrease the price of carrying. In special instances the Company carries the cargo, and usually it is sent via foreign companies. As of December 31st, 2013 the company employed 20 employees.

B. Flights marketing: Air Tour (Israel) Ltd. (“Airtour” or “Tour Air”)

Airtour deals today mostly in marketing the Company's flights and special discounts to all the Company's destinations. The Company pays Airtour treatment fee, and participates in the operational expenses. As of December 31st, 2013 Airtour employed 62 employees.

C. Touring and hotels: Holiday Lines Ltd.

Deals in marketing and selling tourism services, including as a wholesaler, and organizer of charter flights from and to Israel. The Company invested in Holiday Lines with the purpose of increasing its marketing channels in the field of charter flights, and expanding the group's reach in marketing tourism movement.

Marketing is conducted via travel agents, and by distributing seats and vacation packages to the end customer.

¹ EL AL holds its entire class B shares, granting the Company the right to appoint half the directors and participate and vote in general meetings, but not granting the Company the right to receive profits by means of dividend distribution or other benefit distributed in ACI, except for profits and dividends resulting from capital gains, like Airtour.

D. Maman – Cargo Terminals and Handling Ltd.

Maman's main activity is management and logistics of the cargo terminal authorized to deal with all import and export cargos in Ben Gurion International Airport on behalf of the Airports Authority. In addition, Maman also operates in the field of logistic services, leading real-estate properties, and provides aviation services. Maman operates in Israel, the Czech Republic and India. Maman is a public company whose shares are registered for trade in the Tel Aviv Stock Exchange. El Al holds 15% of Maman's shares. The Company also holds options exercisable at a rate of 10%. As of December 31st, 2013 the company employed 1,018 employees.

Company Performance

The following data reflects the Company's financial performance during 2012-2013.

Thousands \$	2013	2012
Sales turnover	2,103,020	2,015,642
Operational expenses	(1,754,167)	(1,701,669)
Out of which, employees salary and benefits	(335,502)	(298,620)
Net profit	348,853	313,973
Payments to capital providers and dividends	-	-
Payments to the state		
Net income	25,442	(17,953)
Total assets	1,567,276	1,508,732
Total undertakings	1,387,401	1,372,787
Total capital	179,875	139,945

Below are income segmented according to geographic regions

	America	Europe	Far East and Central Asia	The rest of the world	Total
2013					
Income –	687,020	979,051	339,436	44,983	2,050,490
income from sectors					
					25,530
Income not attributed to sectors					
Total income in consolidated statements					2,103,020
2012					
Income –	662,761	936,818	322,307	46,599	1,968,485
income from sectors					
					47,157
Income not attributed to sectors					
Total income in consolidated statements					2,015,642

External and Government Assistance

The State dictates to El Al, as to every other Israeli airline, its strict security measures. The State also incurs most of the expenses for them. Below are details of the direct expenses for securing the Company passengers, places and employees, divided between the part financed by the Company and the part financed by the State:

	State financing (thousands \$)	Company financing (thousands \$)	Total (thousands \$)
2013	102,898	15,437	118,335
2012	82,999	33,212	116,211
2011	77,719	40,036	117,755

Apart from that, the Company does not receive any special tax or other exemptions from the State, but has accumulated losses for tax purposes. The Company has loan secured by the Export-Import Bank of the United State (EXIM).

Main Changes in the Report Year

Up to 2013, the employees' corporation (Trust Holdings of El Al Employees Ltd.) held Company shares, by the right to purchase shares granted by the State in the 2003 prospectus. On October 13th, 2013, (according to notification provided to the Company), a Court of Law has appointed a receiver for assets pledged by the employees' corporation for the benefit of Bank Leumi to Israel Ltd., including the shares of the employees' corporation and the rights and moneys related thereto. On December 5th, 2013, the employees' corporation has ceased to be a stakeholder of the Company. To the best of the Company's knowledge, as of December 31st, 2013, the employees' corporation holds no Company shares.

On December 2013, the Company CEO at the time, Eliezer Shkedi, announced he will conclude his position during the first quarter of 2014. El Al's board of directors has appointed the VP Commercial & Industry Affairs, Mr. David Maimon, for the position.

On November 2013 took place the official launch of UP brand, offering discount flights to five European destinations: Belin, Kiev, Larnaca, Budapest and Prague. With this, El Al has joined many other airlines offering the customer to pay a minimal price for the flight itself, alongside the option to buy additional complementary services for additional cost.

Awards, Badges and Ratings

1. Maala Index – “Gold”

Since 2011, El Al has been taking part in Maala Index, rating Israeli Companies according to their performance in the field of corporate responsibility. El Al considers the Index a tool for the management to seriously upgrade its operations in the field. The Company has earned “gold” rating in every year of participation in the Index.

2. Best Companies to Work For List – by BDI and The Marker

During 2012 and 2013, the Company was rated in the 27th and 29th place, accordingly, and second place in the services sector. In 2011, El Al was rated 31st. The rating methodology is based on a process lasting about a year, and composed of two stages: a preliminary survey among a representative sample of over 2000 participants, from the employees population, followed by data collection from employers questionnaires and inter-organizational surveys, and conducting an opinion survey among human resources managers.

3. First place in the Freddie Awards competition

In 2012 El Al won first place in the international competition of the tourism world, the Freddie Awards, for developing upgrades with money and points, in the framework of its frequent flyer club.

4. “The Brand of Brands” in Vacation and Leisure category of the international Superbrands organization

In 2013, the international Superbrands organization chose EL as “the Brand of Brands” in Vacation and Leisure category. The selection process includes a team of experts rating the brands. The team is composed of about 127 leading CEOs and VP marketing, using an international questionnaire referring to criteria of quality, reliability and uniqueness. In the second stage, consumers are presented only with the “Superbrands” selected for each category, and they select only one brand, that is in fact the Brand of Brands, and the leading brand in that category. Brands active in Israel during the recent years, whether local or international, are accepted as candidates for the title.

5. Second place in flight service level, CONDÉ NAST TRAVELER magazine readers’ survey

In a comprehensive readers’ survey conducted by the prestigious travel magazine CONDÉ NAST TRAVELER (16th annual Business Travel Awards), El Al received impressive scores in various categories, and second overall place for flight service level for 2013.

6. First place in safety, Global Traveler magazine survey

For the seventh year in a row (!) El Al has earned the highest scores in the “Best Airline Security” category of Global Traveler magazine. The survey, published this year for the tenth time, asks frequent flyers to list the best airlines, in their opinion, in different categories. In 2013, 22,000 people participated in the survey.

7. The “Winning Launch” Award, the Israeli Marketing Association

The launch of El Al’s low-cost brand, UP, was listed among the receivers of the “Winning Launch” Award of the Israel Marketing Association for October-December 2013. The reasons for the decision were the broad media exposure for the launch and the support received from the public.

‘...with young, eye-level advertising language, the launch was dubbed a success, with 90% increase in El Al sales to the relevant destinations compared to sales during the previous year.’

8. Award Winning Israeli wines served in our flights

Over the last three years, the Company has won several awards from ‘Cellars in the Sky’, after the organization has reviewed the wines it serves during the flight. In the course of the competition, held annually by Business Traveler’s magazine, a professional team of tasters chooses the best wines served on board of airlines worldwide. In 2013, 75 airlines participated in the competition. Since every wine in El Al’s flights is produced by wineries from Israel and in Israel, this is in fact an award for the Israeli wine.

The colors of the flag, the feeling of safety, direct flights to different destinations and El Al's image as the national carrier – all explain the Israeli tourists' sweeping preference to fly El Al. The Israelis consider El Al a national, preferred and undisputed carrier, leading in almost every parameter over the competing Israeli companies.

In 2012, a survey conducted by Globes and Blueberries Panel found that the large majority – 48% of respondents, chose El Al as the Israeli or foreign airline they would rather fly. Also, 72% of the respondents chose the Company as the highest quality Israeli airline, 65% said it has the most diverse flights timetable, 56% believe its security inspections are the best and 44% find the food in El Al's flight to be of the best quality.

Company Stakeholders

El Al's operations influence many people in Israel and abroad – the Company has thousands of employees in Israel and in other countries, our flights service customers from all across the globe, and naturally, as the national company of the State of Israel, we have great responsibility towards its citizens and the Jewish people in general. Therefore, alongside compliance with the law, proper business conduct, care for the environment and other important issues we focus on, El Al considers it highly important to hold a dialog with the persons it has identified as its prominent stakeholders: El Al's employees and customers are the stakeholders most influenced, and directly influenced, from its operations. We acknowledge this relationship, and thus maintain ongoing connections with these two groups, to attend to their needs, requirements and suggestions (much more is elaborated in Chapter 4 of this Report). In addition, as a public company, we are obligated to the shareholders, and make sure to provide them with information and updates, and hold meetings as required. In matters concerning and directly affecting our business operations, we also hold a dialog with government authorities and their representatives.

2. Israel's Civil Wings

A. El Al in the Community

As Israel's national airline, we consider activities for the community and the State and for the Jewish communities in the diaspora to be highly important. This commitment, as defined in the Company's Community Policy Document, is manifested in several foci and initiatives, in which we aspire to exhaust our abilities and relative advantages. We in El Al believe in establishing a long-term relationship with the organizations and societies and aspire to reach cooperation both parties can benefit from. For this reason, we invest most of our efforts in encouraging the people of El Al to volunteer, by locating appropriate frameworks and initiating the preliminary connection. Any idea, suggestion or approach (some of those come from the employees themselves) are inspected independently, including the needs they fulfil and their fit to our objectives. In addition, El Al financially supports the organizations, in which it volunteers, and many others, either with money or equal money – air tickets, exposure to their activity in our flights, and more.

Community Projects

During 2012-2013, the number of Company personnel volunteering for the different projects El Al is involved in, has increased by 10%. Today, almost five percent of the employees, over 200 of them, volunteer regularly. In 2013, these employees have contributed 6,143 hours of their free time, a similar number to that of the previous year. Every year in the Excellent Employee Ceremony, a tribute is made also to the Company's excellent volunteers.

Globally

As part of the Company's efforts to strengthen the bonds with the Jewish communities worldwide, the Company launched in September 2011 the Globally El Al program, for frequent flyers living around the globe. In the framework of the program, El Al contributes 5% of the total points the members accumulate in their frequent flyer account (up to a maximum of 500,000 points each year) for the following causes:

- Flying young Jews to Israel for their first introduction with Israel, jointly with "Taglit" organization.
- Flying lone soldiers to visit their families abroad, together with the Association for the Wellbeing of Israel's Soldiers.
- Making wishes of children sick with life-threatening diseases come true, together with Make-A-Wish Israel.

The points are donated each quarter. During 2013 alone, 372,731 points were donated to each of the above organizations, out of which 150,630 to the Association for the Wellbeing of Israel's Soldiers.

Ahmed and Hassan were both born with chronic kidney disease, and have undergone many treatments and hospitalizations during their short lives. Ahmed and Hassan are treated in the Rambam Hospital, where they've met. The similarity seems to end here, but a year and half ago the children underwent an operation for kidney transplant at the same day and from the same donor – a 15 years old Jewish boy killed in a car accident. Following the transplant the two children grew even closer, and became best friends. When the volunteers of Make-a-Wish came to visit them, they found out both children dream of flying to the EuroDisney in Paris. Due to the strong bond between the two, it was decided to make their shared wish come true, and fly them together. Ahmed, Hassan and their families went to EuroDisney, played, had fun and met all their favorite characters. Upon their return, they said this was “an experience they will never forget”.



“Taglit” project participant prior to boarding the aircraft taking them to Israel (Photo: Shahar Azran)

“El Al Ambassadors”

Starting on September 2011, El Al pilots and flight attendants take an active part in representing, “hasbara”, marketing and improving Israel’s global image, in the framework of a joint project with the Jewish Agency, the Ministry of Foreign Affairs and the hasbara organization Stand with Us. The “ambassadors” come to lecture and speak of Israel in front of audiences in universities, Jewish communities and different organizations.

Flight attendants and pilots with language and rhetoric skills, wishing to present the beautiful and positive face of the State of Israel were selected for the project. Its participants underwent an intensive training course with the organizations partnering in the initiative. The pilots and flight attendants fully volunteer and dedicate their free time to the activity in this framework.

In 2013, the number of ambassadors has increased to 110. In 2012, 62 hasbara tasks took place, and in 2013 – 94 tasks.

Small Change Big Difference

In the framework of this fundraising operation, in cooperation with Bank Hapoalim, El Al passengers receive an envelope in which they are requested to donate “small change” – Israeli or foreign. The money is converted into Shekels and donated to two non-profit organizations: Aleh and Alut (the Israeli Society for Autistic Children). In addition, people with autism are employed in the process of sorting the small change. They earn a framework, employment and income.

Aleh is a chain of houses for children with complex physical and cognitive impairments, helping approximately 650 children all over Israel, and thousands more children residing at home and suffering from different disabilities. The collected donations enable Aleh to offer different classes and enrichment activities, giving the children of Aleh satisfaction and joy, alongside optimal solution to their special needs.

Alut was established by parents of adolescent and adult children diagnosed as having autism or PDD. Alut acts to promote the rights of all people with autism in Israel, and improving the service they, and their families, receive. The Society treats approximately 4000 families. With the help of the passengers' donation, a new “Alutaf” center was established in Netanya in 2013. The center treats 18 newly diagnosed toddlers with autism. Also, a new eating disorders clinic was established in Alut's Autism Center (this is a common issue for toddlers with autism), and more children can now participate in Alut's summer camps all over Israel.



בואו נעזור להם יחד

אפשר לבקש משאלות, ואפשר גם להגשים אותן.

הכסף הקטן (מטבעות ושטרות) שנשאר לכם מהנסיעה לחו"ל, יכול לעשות שינוי גדול בחיים של אלפי ילדים מוגבלים. בעזרתכם, נוכל לסייע לעמותות אל"ט ועלה להקים גנים ומרכזי טיפול מתקדמים ולהעניק תקווה לילדים המקסימים האלה. מעטפת התרומה תיאסף במהלך הטיסה ע"י צוות אל על. אז אנא אל תשכחו אותם. תודה.

ילדי אל"ט ועלה מאחלים לך טיסה נעימה ושימלאו כל משאלותיך לטובה.



ALUT
אגודת ילדים ונוער
הישראליים עם צרכים מיוחדים



ALEH
עלה
בית לאנשים בלתי נורמליים
תל אביב - יפו



EL AL
הכרטיס אל העולם



בנק הפועלים
להזדהות ראשון זה מרחיב!

למען הקהילה בישראל

“Young Entrepreneurs” Project

“Young Entrepreneurs” Israel is a non-profit organization encouraging independent thought and economic action in adolescents, aiming to develop in them business entrepreneurship. Every year, about 185 groups from high-schools, junior highs and community centers, from all sectors and populations, and all over Israel, participate in the organization’s leading program – “Doing Business”. In this program, groups of entrepreneurs from all over Israel submit business plans for a product they came up with. Ten groups are chosen for the finals, taking place in EI AI offices. The finals include colorful presentation stands, presenting the product to referees and a Q&A panel. In between, EI AI employees visit the stands and choose their favorite group. In 2013, the first place was awarded to the entrepreneurs from Zinman school, Dimona, who developed the Yummy-surprise plate – a plate of food for children with room for a surprise.

The organization is a member of the international umbrella organization – Junior Achievement Worldwide (JAW). Approximately 6 million students participate in its programs each year. JAW’s motto is to teach youth how to leave their impression on the world around them, as individuals, as employees and as consumers, and to train them to the future world of employment, economics and business while stressing the commitment of the business community for cooperation with the education system.

The cooperation between EI AI and “Young Entrepreneurs” Israel has begun on 2006 and in the course of the years became a tradition for both organizations. In its framework, beyond the above, representatives of dozens of groups visit EI AI offices, its workshops, flight attendants training centers and the control center and receive information of the Company’s operations.

Both organizations believe the cooperation enables the young entrepreneurs inspect closely the conduct of a large business corporation in the Israeli market, how to identify a business opportunity, the meaning of responsibility, the meaning of good service, and the importance of contributing to the community. The feedback from students, instructors and teams of young entrepreneurs testify of a meaningful, fun and contributing experience, and all of them appreciate the extraordinary devotion of the people of EI AI.

“Larger than Life” organization

“Larger than Life” organization was established on 2000 by parents of children with cancer as a non-profit organization. The organization’s goal is to make a significant change in the lives of the children and their families, in the mental, social and health aspect, by creating joyful experiences alongside constant improvement in the quality of healthcare and medical conditions.

In the course of the past seven years El Al has been donating air tickets to the US and enabling dozens of children to embark on a vacation of a lifetime, and, for several days, forget the disease, pains and difficulties and replace them with moments they will remember forever. The assistance includes also expedited security checks and check-in for the groups when arriving at the airport, approving over-weight and personal, meticulous and sensitive hosting on the flights.

In addition, El Al helps operate the Train of Smiles project in Purim, a holiday happening for the entire families and children of the organization.

Orr Shalom organization

Orr Shalom organization develops and operates a therapy solution for children in risk of every sector in the Israeli society, according to an ordered and years-long therapy methodology. Using a variety of services, programs and frameworks, the organization helps the children and their parents overcome the emotional, educational and social difficulties, to grow, develop and fit in the community as normal citizens.

In 2010, a strong bond was formed between a group of El Al flight attendants and the family home "Nahariya". The flight attendants would come to the home once a week, and organize enrichment, fun and play activities for the children. Today we can definitely say the bond has become a real asset for the home's parents, team and, of course – the children, to which the volunteers serve as role models. We remember one incident, in which two volunteers spent the night before a special and important inspection with one of the organization's children, and on the inspection day accompanied him and supported him and the family. Also, we are proud to say one of those volunteers has turned into a full-time employee in the organization and an instructor in that home. Another employee, exposed to the organization's work as a volunteer there, today coordinates the volunteers of Orr Shalom in the Tel Aviv University.

Additionally, every Purim, El Al volunteers help the organization with selling Purim baskets. The sale profits are all dedicated for the children's activities and frameworks. The volunteers organize sale stands in El Al Campus and even go from office to office and offer "their goods" to the employees. This activity has raised tens of thousands of Shekels, greatly contributing to the success and continuity of the project.

At the end of 2013, a new volunteering project started to form and is currently operational, with the adolescent girls living in Orr Shalom's Goldsmith's Home. A new team of flight attendants headed by Reut Levi leads the project with exceptional involvement and care.

Employing "Nechalim" students

For over two decades, El Al has been employing each year about 20 students from the "Nechalim" religious technologic center, which aims at building a better future for

youth in risk by providing professional training. Students from the center work for two days a week, with salary, in El Al's transport and ground equipment garage, and usually also in the summer holidays and after graduation, until they enlist in the army. During 2012 – 2013, El Al has employed in the framework of this project 21 students each year.

“Yahad Morim” (Together Teachers)

The vision of Yahad Morim's project is to enforce the status of teachers in the education system and the society. In the framework of the project, volunteer “teaching assistants” help the teachers in their work, and present them as the leading figure of the class, alongside contribution with experience and tools they bring with them. At the same time, the volunteers are exposed to teaching and education from the teacher's perspective, and get to know the complexity of the role, become sort of ambassadors on their behalf, and even help reduce the tension, existing sometimes between parents and teachers. The number of volunteers has increased over the last two years.

Schneider Hospital

Sub-branch Food and Provisions held two community volunteering activities in 2013. The first one, “kids cooking for kids” took place in June. Children from the culinary class of the professional school Ort Zrifin were recruited for cooking a festive meal to the children and families of the children hospitalized in the Schneider Hospital, under professional guidance of Chef Segev Moshe. A special menu was created for the activity with the hospital's dietician, and food manufacturers were also recruited.



In September, El Al employees have returned to Schneider Hospital, this time, for the holidays, established a sweet buffet with the chef. The activity included serving from buffets, and a cart with sweets rolling between the beds of children who, due to their condition, are not yet allowed to walk around.



Ma'aleh School of Television, Film and the Arts

Over the course of the previous year, we included the final films of “Ma’aleh” school in the entertainment systems in our flights. The cooperation began when the school approached us with a suggestion to play the most successful final films. The suggestion was accepted with enthusiasm, and we decided to start a pilot channel for screening the students’ films. What started out as a pilot became a regular channel in El Al flights, with new films every season, and of course the young filmmakers receive extensive exposure. Furthermore, one of our passengers visiting Israel said he decided to enlist to the school after watching the films.

Friends for Health

In 2012 and 2013, El Al hosted a group of about 60 children with special needs, treated by the organization. The children were escorted by volunteers from the Company’s aircrew in a tour of El Al, including visiting the aircrafts repair and engines building hanger, boarding an aircraft, lunch at the dining room and lighting a Hanukah candle and an activity with the participation of the CEO, senior management and the people of El Al. Apart from that, El Al continues to collect medicines not in use, which Friends for Health organization passes on to patients who need them but cannot afford them.

Atid – Scientific High School – Lod

In 2013 the staff of Maintenance and Engineering Division, led by Akiva Zatelman, Baruch Greenberg, Haim Becher and Yehuda Brikman, have recruited to help the robotics team of the scientific high school in Lod to build the model representing them in the technology competition organized by First in Israel, and hopefully also internationally, if they score high in the competition.

The children have prepared and studied a year in advance, and building the robot itself took six weeks, during which the mentors from the Company supported them and gave them access to their workshop.



EI AI Retired Personnel Volunteering

EI AI considers it highly important to keep in touch with its retired personnel, who have served it with loyalty for many years and have accumulated rich and extensive professional knowledge. One of the methods to keep in touch with them is creating volunteering frameworks for them, together with the Company. For example, EI AI's retired personnel volunteer in the Kadima Youth Centers chain, operated by Lasova Organization, for children in risk. These centers allow the children to enjoy a warm meal, social activities and enrichment classes after school. At the end of the day, following a light dinner, the children go back home. The activity is meant to help the children grow and become active and contributing citizens in the State of Israel. EI AI's retirees play with the children, tell them stories, help with their homework, participate in social activities and in general keep a close, warm connection with them. Each volunteer contributes from her/his experience, skills and according to her/his abilities.

Other frameworks in which EI Al's retirees participate include: Asif Ha'ir, an additional Lasova project, and the organizations Yad Sarah and Milbat, helping to increase the quality of life and inclusion in society of children, adults and elderly with limited functioning, by using an adjusted technological environment.

Donations

EI Al's donation to the community is regulated by a procedure. The VP Human Resources is in charge for its execution. For example, in 2013 EI Al has purchased air tickets in an overall value of approximately NIS 40,000 to the children of Variety organization, invested NIS 45,000 in the Young Entrepreneurs project, donated over NIS 100,000 to the adopted battalion (beyond the costs of food, hosting in the Company and the other shared activities), and has also donated NIS 18,500 to a variety of organizations, such as the Association of Rape Crisis Centers in Israel, 'Yad Beyad', 'Mishan Lamarpe', 'Beterem', the Association for Fighting A-T Disease and more.

In this context, we would point out that in the framework of duty-free sales in EI Al flights we offer two products, the income from which are provided to the Israel Cancer Association – a Psalms book and a keychain designed by Michal Negrin. In 2012, \$24,500 were collected thanks to this activity, and in 2013 - \$62,000.

Also, a sum of NIS 1,800,000 was collected by EI Al during flights in the framework of the Small Big Change project, in 2013.

All in all, the Company has donated NIS 301,977 in 2013, and approximately NIS 1,500,000 more of equal money donations. In 2012, the Company has donated approximately NIS 317 thousands, and NIS 2,471,884 equal money.

Discounts Committee

The Discounts Committee is authorized to approve discounted air tickets for medical and humanitarian reasons. In 2012, the Committee has approved discounts with a value of \$14,928. In 2013, it approved discounts with a value of \$14,268.

Activity of the Subsidiaries Tamam and Katit

- Supporting Keshet organization, the home for special families (children with special needs)
- Supporting the Israeli Association for Mental Health
- Supporting the Yozma association for holding Bar/Bat Mitzvah meal for mentally challenged children.
- Producing an image film with Masahim high school – children with difficulties to adapt emitted from the education system.
- Cooperation with Olim Beyahad association for including academics from the Ethiopian community in the employment world.
- Supporting a Seder night for Holocaust survivors and residents of Alut and Alutaf homes.
- Celebrating the Sigd holiday with the Ethiopian community members.

- Celebrating Mimouna holiday with Moroccan community members.
- Activity with Shekel association – catering and help in the holidays.
- Catering the staff and customers of Alut and Alutaf organization.
- Supporting El Al in the adopting of Battalion 202.

B. El Al and the Environment

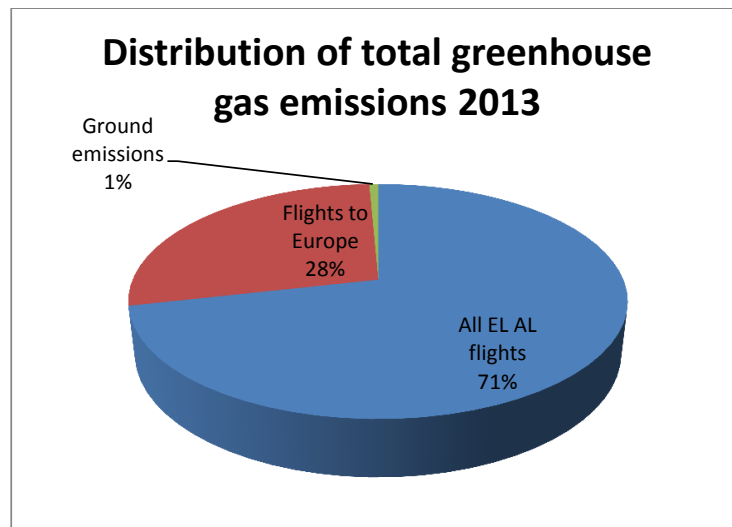
The human society faces many environmental challenges – climate change, polluted water sources and depletion of natural resources, to name just a few – affecting all of us. Climate change directly affects the activity of airlines. Extreme weather can disrupt timetables, landing in an airport other than the planned destination, and longer than planned stay in the air or on the ground. All these have extensive financial implications. On the other hand, it is important to remember our place and contribution to the creation of these changes. Therefore, it is no wonder monitoring environmental effects has become mandatory in recent years. In this regard, airlines and El Al among them have prominent responsibility to attempt to decrease their direct and indirect effects on the environment, especially in light of the increasing demand for flights. That is why, as stated in the Company's sustainability policy, *"we operate together with other entities in order to guarantee sustainable aviation in Israel, out of the understanding that Earth's resources belong to everyone, and should be sustained for the next generations"*.

Reducing Carbon Footprint

El Al's flights (aerial activity) are responsible to most of its greenhouse gas emissions. Ground activity is the source for the other emissions, including fuel intake by vehicles etc., and electricity intake. The table below details the total emissions of the Company. The following chart displays the percentages of each emissions source, with the aerial activity divided between flights to Europe and to the rest of the world, due to the reports to the EU-ETS mechanism, as will be explained below.

Carbon Footprint: Air and Ground Activity 2012-2013

Complex (scope)	2012 (tons I2e)	2013 (tons I2e)
Complex 1: direct emissions from jet fuel intake	2,120,085	2,150,873
Complex 1: transport and ground activity heating fuel intake	6,182	5,785
Complex 2: electricity intake	16,095	15,281
Total carbon footprint	2,142,362	2,171,939



Note: despite minor changes in the emission factors between 2012 and 2013, the relation between them has remain the same

Reducing the use of jet fuel

1. In the table above, a slight increase in jet fuel emissions for El Al flights is apparent. The increase results from the increasing number of flights in 2013, compared to 2012. However, over the course of the recent years, several actions were taken to reduce jet fuel intake (as follows), and we can safely assume if it were not for these actions, the fuel intake, and the resulting emissions, would have been higher. The Fuel Saving Team acts to find solutions for reducing the jet fuel intake. The team includes representatives of the relevant branches and divisions: air operations, inflight service, aircraft cleaning, maintenance, control center and flight controls (the latter are relevant for anything related in aircrafts weight and balance). The team meets once a month to discuss possible solutions in this area, and twice a year instances of flights in which an extraordinary amount of fuel was consumed, and the reasons behind that, are inspected. The main moves were: removing the flight Mechanic Folder Kits and engine oil from the aircrafts. These have saved approximately 46 kilos from the weight of each aircraft. In addition, removing the Fly Away Kits from the aircrafts, each weighing 400 kg. Instead of the kit, the Company signed poll agreements for kits located in the destination airports.
2. For reducing additional weight from the aircrafts, professional literature was removed from the cockpit and replaced with tablets.
3. Each El Al flight has a designated alternative airport, for landing in case there is a problem with the original airport. Defining a list of alternative airport help prepare better, and reduce fuel intake.

4. The 737-900 aircrafts are equipped with wingtip devices reducing fuel intake. Upon the utilization of two such aircrafts so far, the number of aircrafts equipped with such wingtip devices has increased to 14.
5. The team has decided to reduce the use of energy-wasting auxiliary engines meant to load compressed air to the aircrafts during parking, while the aircraft engines themselves are turned off. Instead, the electricity is supplied from the boarding gate, from vehicles supplying ventilation and generators.
6. 30 shipping containers (for loading cargo) made of lighter plastic materials were purchased, instead of the more-common aluminum. When a container is no longer used because it is defective, a plastic container replaces it.
7. The aircrafts' engines are regularly washed, which can reduce fuel intake by 1.5%-2.5%. In addition, in order to reduce drag resistance and fuel intake, the aircrafts are regularly washed.
8. The propellers of the 777 fleet are being replaced with improved aerodynamic propellers. This change is supposed to reduce fuel intake by about 0.6% for each engine. The project will spread over 4 years, and is due to end by the end of 2017.
9. The team considers reducing the number of newspapers on board.

We should also note a memorandum of understandings executed with Weeltug, offering to install an electric engine for the front wheel (nose) of the aircrafts, enabling driving the aircraft from parking to takeoff without operating its engines, and likewise, ceasing to use the aircraft engines from landing to parking. The product itself still undergoes development and experiments.

EU-ETS Mechanism

As part of the global war against climate change EI Al considers itself a warrior in, the Company joined the European Union Emissions Trading System mechanism, the EU-ETS, already in the pilot year 2010. This mechanism of the European Union was established for financial indemnification in anything related to exceeding or reducing greenhouse gas emissions resulting from aerial activity. In its framework, EI Al and each airline flying to and from Europe receive a cap of emissions, covering part of their total flights, in which they may trade. In case the actual emissions of the airline are lower than its cap, the company can sell the surplus created in the emissions market or keep the surplus for future emissions; if the airline expects that its emissions will exceed the cap, it can act to reduce the emissions or buy additional emission caps in the European emissions market – whichever is cheaper and better for the company.

In 2012, the International Civil Aviation Organization (ICAO) has declared on designing a global program for reducing and monitoring greenhouse gas emissions for the civil aviation sector. The decision states that each organization member submits proposals in this matter until 2016, to be implemented by 2020. Following this decision, the EU-ETS authorities have taken a “stop the clock” approach –

postponing the original mechanism measuring the total emissions of airlines flying to and from Europe, and measuring only the emissions resulting from inter-European flights (taking off and landing in European airports), since these flights are under the clear authority of the European Union and cannot be disputed.

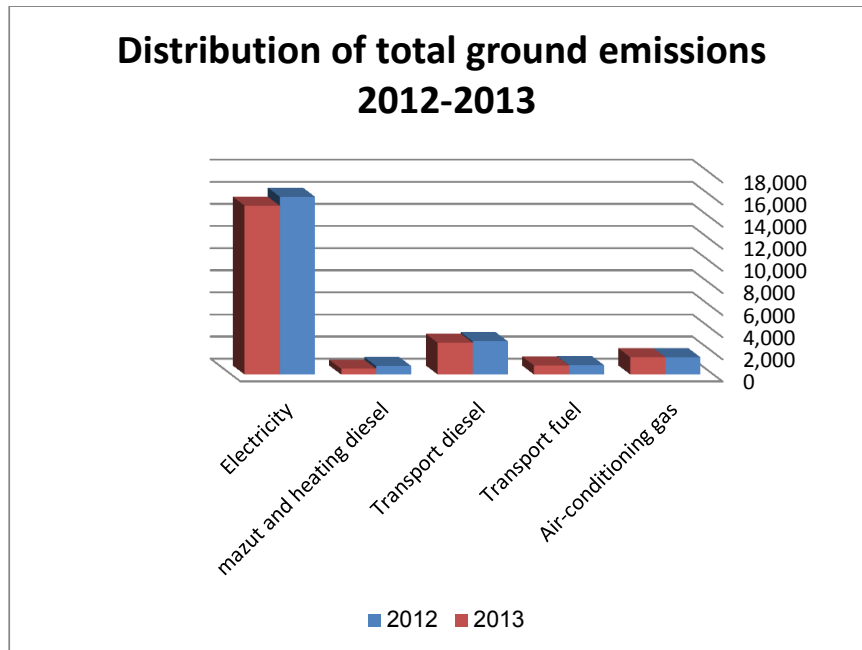
In 2013, El Al has decided to provide the EU-ETS mechanism with two reports: a short one, referring only to internal flight of the Company aircrafts between European airports; and a more complete report of all El Al flights from Ben Gurion Airport to Europe and back. The European Union Parliament is supposed to determine, in the course of 2014, which report will be used by the EU-ETS mechanism to measure the emissions of El Al and the other airlines. Another European suggestion is that the greenhouse gas emissions will be measured from the moment the aircrafts enter the airspace of the EU countries, and until they leave that airspace. Since the decision regarding the change of measurement and charge method and exceeding caps is yet to be received, El Al prepares for every option.

Greenhouse gas emissions from flights to Europe reported to EU-ETS (2011-2013)

Year	Greenhouse gas emissions (tons I2e) reported to EU-ETS	Activity in the framework of EU-ETS
2011	848,410.56	Trial year requires report (payment is not required)
2012	831,053.68	Calculation and payment for exceeding, for inter-European flights only.
2013	838,074.55	Calculation method still unknown, waiting for a decision of the European Parliament.

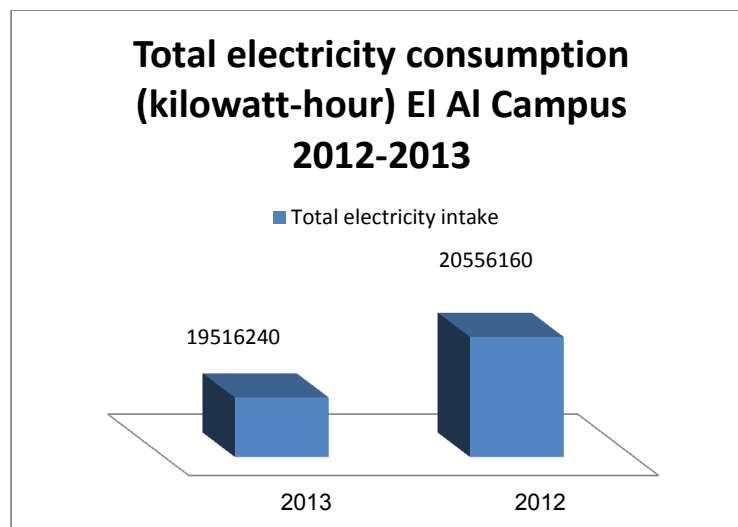
Reducing electricity intake

When differentiating between the causes of ground activity emissions, it is apparent the main source is electricity intake.



In the summer of 2013, for security reasons, the Fire Fighting Authority prohibited treating two aircrafts at the same time in the main repair hangar, hangar 3. This decision has led to increased use of hangar 2, and a resulting increase of electricity intake in this field (working in two hangars instead of one). At the same time, two moves took place which finally reduced the electricity intake in 2013, compared to 2012. The first project focused on increasing efficiency of lighting, by dividing the responsibility for reducing use of lighting, upgrading the light bulbs and adjusting them to the current nature of work. On the other hand, the second project focused on the air-conditioning systems, and included taking out a chiller that would often break, while updating the times of shutting down the air-conditioning systems when employees are not active with a proper control system.

Additional measures taken during the report year for reducing electricity intake include switching to new, more effective air-conditioners (with grade A energy performance level), upgrading the light bulbs and switching to energy-saving dishwashers in the subsidiary Tamam. As the chart below demonstrates, efficiency and savings have increased when comparing 2012 and 2013.



Saving when using fuel

When looking at the table summarizing the carbon footprint (resulting from aerial and ground activity), we can identify a decrease in total emissions from intake of fuel for heating and transport, resulting from the measures taken to increase efficiency. When looking also at the fuel consumed directly, we can notice a decrease of mazut intake between 2012 and 2013. Mazut is used for operating the heating and cooling systems of El Al Campus.

Apparently, the main reason for reducing fuel intake from 2013 compared to 2012 is stopping the processes facility in the hydraulics structure for several months, for upgrade and renovation, and the fact the January-February of 2013 were warmer than the average, and did not require as much heating as the same months in 2012. Still, we can assume intake during 2014 will still be lower than 2012, because of moves for saving.

Data on heating fuel intake in El Al Campus (liters)

Year	Light mazut	Diesel
2012	245,007	7,600
2013	173,667	600

Transport

In order to reduce fuel intake of company vehicles, the rating of vehicles offered to managers and employees (mostly in the field of sales) to those entitled for a vehicle was reduced, so that the offered vehicles have more efficient fuel intake. Also, two

hybrid vehicles were added to the vehicle fleet. In the operational vehicles fleet, we hope to move to electric operational vehicles already in the coming years. And at the same time, we are reviewing additional suggestions, such as turning off the service vehicles' engines when they stand near parked aircrafts. As we can see, the amount of fuel consumed by the Company vehicles has been reducing every year for several years, and we welcome this decrease.

Fuel intake data (liters) in the Company and operational vehicles fleet 2012-2013

Year	Diesel	Petrol
2011	1,163,765	419,238
2012	1,114,601	371,743
2013	1,064,591	359,695

Water and Sewage

As we can see, these two measures have decreased between 2012 and 2013. El Al Campus's sanitary sewage is directed to the central Sewage Treatment Facility (STF) in Ben Gurion Airport, owned by the Airports Authority in Ben Gurion Airport. The industrial sewage is directed to the Lipodan site in the Shafdan compound.

Water and sewage data (cubic meters) 2012-2013

Year	Water intake (cubic meters)	Sewage (cubic meters)
2012	173,000	102,568
2013	141,696	76,747

Waste

In recent years we have stated orange bins for oil cans and rags dirtied with oil in each aircraft parking, and have started sending out the byproducts from the different workshops (copper, iron and aluminum) to be recycled. After the initiative of El Al's subsidiary, Tamam, we started using reusable cutlery in El Al flights also in economy class, in order to reduce waste amounts on flights.

Toxic waste in 2012-2013

Type	Measure	2012	2013
Emulsion	Cubic meters	305,300	140,000
Oil filters	Kg	2,460	2,160
Polluted packages	Kg	55,681	91,090
Cyanide wash water	Liters	0	800
Batteries (collected in barrels)	Liters	1,000	802
Paint	Liters	14,960	10,200
Organic material	Liters	1,850	4,050
Acids	Liters	29,300	13,540
Used batteries	Units	2,000	1,000
Paint sludge	Liters	Not measured	4,920
Acid liquid	Liters	Not measured	8,200
Drugs to destroy	Liters	90	400
Emulsion (oil+water)	Liters	Not measured	12,700
Fluorescents (light bulbs)	Liters	Not measured	3,900
Rags dirtied with paint	Liters	Not measured	1,400
Oxygen generators	Liters	Not measured	2

It is apparent that in most categories, the amount of toxic waste produced in 2013 decreased, compared to 2012. In some cases, the increase results from increased business operations (such as polluted packages) and in some, from better collection (like in the case of medicines). In the table below, it is apparent that we have improved also in most of the moves to separate waste for recycling from 2012 to 2013.

Solid waste for recycling 2013-2012

Waste type	2012	2013
Trimmed vegetation*	1,440 cubic meters	1,440 cubic meters
Paper	71 tons	79.5 tons
Newspapers	11 tons	20.5 tons
Cardboard	51.2 tons	50.4 tons
Plastic bottles	3 tons	3.6 tons

*estimation only

Noise Prevention

El Al has general flight procedures answering every requirement regarding noise in airports around the world where the Company operates. In addition to those, we also have specific noise procedures for noise limitations in airports where the general procedures do not suffice. The procedures include clear instruction for the horizontal and vertical profile of the flight, and the height for moving from lift off power to climbing power, and manner for folding the landing gear. In addition, when approaching landing, El Al orders its pilots to lower wheels and flaps as late as possible, in order to reduce the noise hazard to residents living in the access path area, and to activate the APU as close to the flight as possible.

Additional Environmental Aspects

The processes facility used for washing aerial parts (by dipping in special substances) was upgraded with an expense of NIS 350,000 during 2012, and is now more environmental-friendly. Thanks to the upgrade, the washing materials are transferred after use to a sealed cellar, preventing leakage of polluting substances to the ground.

Drying and storage shelves were installed in the painting room next to the filtering system, so that after the painting the parts remain in a closed room next to the fume closet, removing the poisonous fumes. We should note an employee of the paint workshop came up with the idea.



Finally, the following actions were conducted during 2012 and 2013:

- Acoustic protection for rooms used for running aerial facilities.
- Emissions sucking systems were deployed.

- Employees can report of environmental hazards in the safety management system, including the severity and location of the hazard, and additional information. The reports system enables producing statistic information of environmental events.
- A climate inspection was conducted in the El Al Campus. Levels of carbon dioxide, temperature, relative humidity, airflow and dust concentrations were inspected.

Environmental Management

Towards the end of 2013, we have decided and started to perform an environmental gaps survey, examining El Al's compliance with the environmental requirements in the following fields:

- Emissions (particles and dissolvents)
- Sewage (processed)
- Solid waste (from producing and treating sewage)
- Hazardous substances
- Noise
- Runoff from the operational platforms and land pollution (rain mixed with hazardous substances)

The gaps survey will be comparing to the requirements of the business license, poisons permit and environmental rules and regulation; and will inspect activities with environmental implications, analyze the emission sources (air, sewage, runoff, hazardous substances, noise, waste, etc.), will help complete the database if required and will also include sampling and analysis. Actions for execution, work plans and priorities will be derived from the survey, according to different parameters such as requirements of authorities, techno-economic feasibility and costs of regulation, including timetables and possible alternatives for closing the gaps. We should note that already in 2012, El Al has conducted a historical land survey, with a cost of NIS 50,000.

3. Flying Above and Beyond

The Company's board outlines its policy and supervises the performance and actions of the CEO. In order to ensure the Company complies with the legal requirements applicable, the Company has formulated mechanism and control programs, aimed at ensuring full compliance and fulfillment of its legal obligations, and making sure the conduct of the Company adheres to ethical codes and standards customary in Israel and abroad.

The Company Board

The rules regarding the board's roles and authorities are detailed in the Board work procedure, meant to enable the board members to perform their position in a proper, efficient manner, without favoritism and with adequacy to the public interest and the interests of the Company. In the framework of its positions, the board is responsible, among else, to:

- Determine the Company's action plans, principles for their financing and prioritize them;
- Review the Company's financial situation and decide on the credit limits the Company may take;
- Decide on the organizational structure and salary policy;
- Decide to issue a series of debentures;
- Compose the financial statements and report to the annual shareholders meeting of the status of the Company's matters and the business results;
- Issue shares and securities up to the limit of the Company's registered share capital;
- Define the Company's policy regarding exposure to different risks (credit risks, market risks, operational risks, liquidity risks, legal risks, etc.);
- Supervise the implementation of an Internal Compliance Program;
- Decide and discuss actions and transactions requiring its approval pursuant to the Company bylaws, procedures and the provisions of the Companies Law.

The Board Procedure also determines the special roles and authorities and the chairman of the board, and the board's composition. According to the Procedure, the number of directors will not exceed 15 and will not be less than 5, including independent directors and external directors. In addition, at least two thirds of the directors, the board chairman and all external directors, will be citizens and permanent residents of Israel, and have proper security clearance, as detailed in the Company bylaws. Below are the names of directors serving in the board as of December 31st, 2013:

- Mr. Amikam Cohen – Chairman
- Mrs. Tamar Mozes Borovitz – Vice Chairman
- Adv. Yahuda Levy – Vice Chair

- Mr. Yair Rabinowitch – external director, has accounting and financial expertise
- Prof. Joshua (Shuki) Shemer – external director, has accounting and financial expertise
- Mr. Pinchas Ginsburg – has accounting and financial expertise
- Mr. Shlomo Hanael
- Mrs. Sophie Kimerling
- Mrs. Ruth Dahan (Portnoy) – independent, has accounting and financial expertise

As we can see, at that time, the Company board included three independent directors (the Company procedure states that at least one third of the directors should be independent), out of whom two – Mr. Yair Rabinowitch and Prof. Joshua (Shuki) Shemer – are external directors. The Companies Law determines provisions limiting the Company's ability to dismiss an external directors. Provisions regarding the compensation for external directors are also set there. Mrs. Ruth Dahan (Portnoy) serves as an independent director, that is, she was appointed with a simple majority, but meets the qualifications for the appointment of an external director set by the Companies Law. One third of the board members are women.

A director's role involves great responsibility, and the board members need to have certain knowledge, experience and skills in order to fulfill their position properly. Knaifaim Ltd., the holder of control of the Company, provides its recommendations for appointing directors, other than external directors, after reviewing the professional background and experience of the candidates and their qualifications to the position. According to the bylaws, at least one third of the serving directors should have accounting and financial expertise, and one or more of them should be external directors. Currently, the two external directors and the independent director all have accounting and financial expertise. We should note that apart from the inspection El Al and Knaifaim hold prior to appointing the directors, as detailed above, each director is required to declare they have the skills and time required for fulfilling the position properly, and that they are professionally qualified or have accounting and financial expertise, as the matter may be. Each director also declares that they undertake to report to the board chairman or the CEO of any matter, issue or event which impairs or might impair their ability to continue serving in the Company's board. The directors participate, from time to time, in professional and regulatory training sessions, provided by internal and external entities to the Company.

The Legal Advisor and Company Secretary, or anyone on his behalf, is responsible for composing the minutes of the board and committee meetings. The minutes include the names of those participating, the date of the meeting, manner of convening (or the decision not to convene), names of directors prevented from participating in the discussion and the reasons for that, the main points of the discussion and the decisions made in the meeting. The directors receive a draft of the minutes, and any director believing the minutes do not reflect the contents of the meeting may add comments no later than the board meeting in which the minutes are approved. The chairman of the board/committee signs the minutes after their

approval. Employees and managers are summoned to board meetings if the need arises, in order to discuss matters related their field of occupation/expertise.

The board has determined, in the framework of the Board procedure, rules and procedures for follow-up on implementation of its decisions. The Board procedure determines that once every six months, the Legal Advisor and Company Secretary distributes to the board members a “decisions follow-up table”. The table includes a list of decisions made by the Company board meetings over the course of the past six months, including the timetable set for implementing the decision, if any, the date in which it was received, the body or person responsible for its implementation, and its status of implementation. In the years 2012-2013, the Legal Advisor and Company Secretary has provided the board decisions follow-up table to the directors within thirty days from the end of each quarter.

The Board's Committees

Several committees operate under the board, serving as its proxies. The board determined the fields of responsibility and authorities of the committees, and may delegate certain authorities to them, except in matters it is legally required to discuss and decide, in the presence of all board members.

The board appoints the committee members according to their experience and skills, and each committee elects one of its members to be the chair. The compositions of the regulatory committees – the audit committee, balance committee and compensation committee – are determined by the Companies Law. According to the Board procedure, a person who is not a director may not serve in a board committee that holds delegated authorities from the board. Also, at least one external director will serve in such committee; persons who are not board members may serve in a committee advising and recommending to the board only. As of December 31st, 2013, all members of the board's committees also serve as directors in the Company board.

The committees have the mandate to determine and make decisions in matters under their responsibility, except for matters regarding to which the Companies Law or the Company bylaws or the Board procedure determine their role is only to discuss and recommend to the board. Each committee may decide on specific work procedures. The authorities and responsibilities of the audit committee, the balance committee and the compensation committee are pursuant to the provisions of the law. As for the other committees:

Security committee – established pursuant to the provisions of the Company bylaws, discusses security matters.

Corporate governance committee – established according to the provisions of the Company's Internal Compliance Program (see below) regarding securities and corporate law. The committee is the entity responsible, in the board level, for supervising the Program's implementation.

Human resources committee – discusses anything related to human resources in the Company.

Finances and budget committee – discusses and approves the Company's budget. Also, the committee discusses ad-hoc matters of financial implications.

Market risks management committee – responsible for defining and updating the Company's risk management policy, monitoring the implantation of the policy and granting directions/approvals to the Company management to deviate from implementing the policy accordingly.

Audit Committee	Balance Committee (the Committee for Review of Financial Statements)	Market Risks Management Committee	Security Committee	Government Relations and Regulation Committee	Corporate Governance Committee	Human Resources Committee	Compensation Committee
Yair Rabinowitch – Chairman	Yair Rabinowitch – Chairman	Pinchas Ginsburg – Chairman	Amikam Cohen – Chairman	Amikam Cohen – Chairman	Amikam Cohen – Chairman	Amikam Cohen – Chairman	Yair Rabinowitch – Chairman
Prof. Shemer	Ruth Dahan (Portnoy)	Shlomo Hanael	Yudi Levy	Yudi Levy	Yudi Levy	Yudi Levy	Prof. Shemer
Ruth Dahan (Portnoy)	Prof. Shemer	Yudi Levy	Prof. Shemer	Yair Rabinowitch	Yair Rabinowitch	Tamar Mozes Borovitz	Ruth Dahan (Portnoy)
	Pinchas Ginsburg	Prof. Shemer	Shlomo Hanael	Tamar Mozes Borovitz	Sophie Kimerling		
	Shlomo Hanael	Ruth Dahan (Portnoy)		Shlomo Hanael			

The committee chairman is responsible for convening its meetings, setting the agenda and managing those meetings. Information and data the committee members require for the discussion in matters on the agenda and for making decisions will be provided the committee members a reasonable time prior to the meeting, and at least 48 hours in advance, in order to enable the committee members to prepare properly. Each committee member may include issues in the agenda, provided they have asked the committee chairman to do so at least 48 prior to the time set for the meeting. Minutes of the meetings, including all recommendations and decisions received in them, are provided to the review and approval of the board members. The directors will be notified of decisions or recommendations of the a board committee requiring board approval, a reasonable time before discussion in the board. The Internal Auditor is notified of board and committee meetings and he may participate in them.

General Meetings

General shareholders meetings are a legal mechanism enabling the entire shareholders of the corporation, including the shareholders from the public, to participate when voting for certain decisions which are subject to the approval of the corporation's shareholders.

The Company publishes notices of convening shareholders meetings in the form and dates specified by the provisions of law in this matter. According to the provisions of the Company's Internal Compliance Program, the Company is required to hold the general meeting no later than November 30th. Apart from the annual shareholders meeting, the Company board decides whether to convene special shareholders meetings for approving different decisions. Also, the board must convene a special meeting at the request of one of the directors, or at the request of a shareholder(s) holding at least 5% of the issued share capital and a percentage of the voting rights, or at least 5% of the voting rights.

The chairman of the Board, or, in his/her absence, the vice chairman of the board, heads every general meeting of the Company. If the vice chairman is also absent, the shareholders participating in the vote will elect a chairman for the meeting. The Legal Advisor and Company Secretary or anyone on his behalf documents the meeting and composes the minutes, to be signed by the chairman of the meeting.

In 2012, one annual shareholders meeting took place, as well as one special meeting. In 2013, one annual shareholders meeting took place, as well as two special meetings.

Conflict of Interests Prevention

In the framework of the Company's Internal Compliance Program, a Conflict of interests' procedure was approved, for directors and senior office holders. The procedure sets guidelines for cases in which the interests of a person and/or an entity related to that person might situate the person in a personal conflict of interests regarding an issue, decision, action or transaction on the agenda of the board or its committees. The procedure also sets instructions for situations involving potential personal interest for a director, or conflict of interests. The procedure obligates any director with personal interest in an existing or proposed Company transaction to notify of the matter promptly, and no later than the first board meeting discussing the transaction. Also, the director is subject to a duty to avoid any action which has or might have conflict of interests between fulfilling the director's role in the Company and another role of the director, or the director's personal interests.

Senior office holders in the Company are requested, at the time of their appointment and at least once a year, to answer a questionnaire about parties related to them. The Company's Legal Advisor and Secretary is responsible for formulating and updating, from time to time, a list of entities related to the Company, according to information received from the senior office holders' questionnaires. The office holders must report to the Company of any change in the information they have reported to

the Company, in the framework of the related parties questionnaire. The said list is distributed to different Company entities soon after its update, and is published on the Company's intranet site.

In general, the Company will not provide information to a director regarding a matter or transaction in which the director has personal interest. As for contracts classified by the audit committee as "extraordinary transaction", the director holding personal interest will not be present in the discussion concerning that interest, will not be counted for determining the required legal quorum and will not vote on the matter. In case of doubt whether the circumstances suffice to create a personal interest in a Company transaction or action, the director will approach the board chairman and convey to him the entire relevant facts. The board chairman, after consulting in the matter with the Legal Advisor and Company Secretary, may determine the presence of such office holder, holding personal interest, is required for presenting the relevant matter, and in such case, that director will be present in the discussion only for presenting the matter, and will not be present during the vote.

Internal Compliance

On December 2011, the Company board has approved, after receiving the recommendation of the corporate governance committee, the main points of the Internal Compliance Program regarding securities laws and corporate laws (the Compliance Program). The Compliance Program manifests the Company's recognition in the importance of compliance with the law by the Company's employees, managers, board members and relevant service providers, and includes every aspect of the Company's policy regarding prevention of violations and dealing with them, including the policy for assessing damages of violations and preventing their reoccurrence.

The purpose of the Internal Compliance Program is to assimilate and enforce norms of compliance to the law, rules of ethics and other rules of conduct among the Company, its office holders and employees, thereby ensuring compliance of the Company and individuals in it to the provisions of the securities laws. The Compliance Program includes measures for internal identification of potential violations and failures, such as inside information leak outside the Company, or forbidden influence on trading Company shares. An effective Compliance Program can be used by the CEO and the board when fulfilling their supervision duty, and may credit the Company in case of any violation of securities laws.

The Compliance Program includes outlines for the operation of the internal compliance apparatus of the Company, as well as central procedures, like those mentioned in this Chapter, including: board work procedure; audit committee roles and authorities definition procedure; related parties transactions procedure; conflict of interests for directors procedure; office holders compensation procedure; reports procedure (non-financial); inside information procedure; providing information to the media and capital market procedure; considering compliance when promoting employees and managers procedure; and considering compliance when

compensating employees and managers procedure. The Company board has approved and adopted the Internal Compliance Program and its main procedures, and also, at the recommendation of the CEO, appointed the Legal Advisor and Company Secretary, Adv. Omer Shalev, as Internal Compliance Officer.

During the years 2012-2013, the Officer took different actions in the framework of assimilating the Compliance Program among Company employees and managers, including training session regarding internal compliance by the Officer to employees and managers of the Company and its subsidiaries, and to bodies providing services to the Company; surveys were conducted among Company employees for inspecting the effectivity of the Internal Compliance Program; and audits were initiated for inspecting the implementation of the compliance procedures. In addition, the Company's intranet site includes online courses in Hebrew and English for board members, managers and employees of the Company and its subsidiaries in Israel and abroad. The courses describe the principles of the Company's Internal Compliance Program and central compliance procedures.

In the course of 2013, a survey for identifying compliance risks in the fields of securities laws and corporate laws was conducted by an external company. The survey inspected the actual control the Company has for ensuring compliance to the relevant legal provisions, including the work procedures implemented and the actions conducted in the Company in light of the Compliance Program. The surveyors have found the work processes in the Company provide sufficient solution for preventing securities laws and corporate laws violations, and provided recommendations for strengthening the control – which the Company has fully implemented.

According to the provisions of the Compliance Program, the corporate governance committee convenes at least twice a year and discusses the report of the Compliance Officer. The report includes, among else, a description of the actions taken in the course of the report period, in terms of securities laws and corporate laws, a review of compliance events and the measures taken for dealing with such events and preventing the reoccurrence of similar future events, and an update file regarding legislation amendments, instructions of the Israel Securities Agency and substantial decisions received in the framework of legal procedures concerning securities laws and corporate laws.

The Company has attached to its periodical statements in 2012 and 2013 a "corporate governance questionnaire", to provide proper disclosure to the public of aspects related to corporate governance. Concerning 2013, it should be noted that the companies were not required to answer the questionnaire, but still, the Company complied with all mandatory provisions included in the said questionnaire in both report years.

Internal Audit

The Companies Law imposes on a public company to hold internal audits. The internal audit should inspect actions of the Company, office holders and position holders from different aspects, such as proper management, efficiency and potential for improvement. Also, its role is to follow-up the implementation of the board's policy, the execution of decisions, and to help formulate risk management actions. The internal audit of El Al group is comprehensive, and concerns every field of operation – starting with maintenance, security, safety, compliance with the law, inflight service, sales, marketing, financials, information systems, ethics (see below), human resources, training and more. In fact, every subject and process of the Company is subject to audit, conducted in transparency and together with the audited party.

Pursuant to law, the Company board must appoint an Internal Auditor, following the suggestion of the audit committee. The Internal Auditor is one of the Company's means of control, but operates as a separate mean of control, above the other means, in order to guarantee the system operates well as a whole. The Internal Auditor has free, constant and direct access to every document and information of the Company or one of its employees, as well as to any regular or computer data and every automatic data processing system in the Company, including financial data. Also, the Internal Auditor is counted among the Company's senior executives, and is present in all management meetings.

The Audit apparatus has diverse tasks, including pre-planned inspections, ad-hoc inspections, risks surveys, dealing with compliant of deviations from procedures and suspected improper conduct, formulating and leading a program for embezzlement prevention and more. In 2013, 34 audit report were composed, together with about 40 more such tasks, as described above. In total, approximately 12,000 audit hours were invested, in the Company's Israeli operations alone.

The Internal Auditor works according to an annual work plan, determined, among else, based on the following considerations:

- The risk the matter poses for the Company's activities and profitability.
- The existence of adequate, applicable and efficient controls in the audited field.
- Suggestions of VPs and Branch Managers.
- Findings of previous audits, and implementation speed of recommendations submitted.
- The effect the matter has on the Company's profitability, service to passengers, passengers' security and safety, the employees and the aircrafts.

The Company Internal Auditor has a page in the Company's intranet website (the organizational portal). This is one of the means he has for providing information and updates to the entire Company personnel. Any suspicion for violation of the law, ethics or the Company's business management can be reported through the website, which also includes newflashes, legislation modifications and professional materials.

Ethical Behavior

Every organization is exposed to embezzlements and frauds. In recent years, the exposure has increased and together with it the regulatory requirements have become stricter. This has led to a more active approach. In the course of 2012-2013, many actions for reducing and preventing embezzlements and frauds were conducted, some direct and some indirect. Among them we can name: formulating a construed program, holding a risks survey, creating a hotline for employees complaints, composing an ethical code (see below), creating a reports mechanism (as elaborated below), formulating a procedure for dealing with suspicions of non-ethical conduct, and tools for supervising sensitive positions, enforcing information security and more. Also, the Company Internal Auditor has composed an orderly program, which includes single-time infrastructure actions and ongoing actions to be performed. The program refers to the human factor, the information systems, work processes, organizational structure and rules for reporting.

The audit committee, responsible of the matter according to the law, has appointed the Company's Internal Auditor to deal with complaints of Company employees regarding faults in its business management. In order to regulate and strengthen the matter, an orderly reports procedure was formulated. The Company employees can use it to submit a complaint to the Company Internal Auditor and report of suspected violation of the law, ethics or the Company's business management, such as accepting/offering bribe or benefits, contracting suppliers for foreign interests, or abusing access to the computer systems for conducting improper acts. After receiving the complaint, the Company's Internal Auditor will inspect the matter and decide whether to investigate the report and how. The Company Internal Auditor decides how to treat the report. The Company Internal Auditor can be approached by:

- The virtual complaint box in the Company Internal Auditor's site, in the organizational portal.
- Submitting a letter in the complaint box outside the office of the Company Internal Auditor.
- Face to face approach to the Company Internal Auditor.

The reporting mechanism constitutes a part of the more general "Suspected violation of the law or ethics or the Company's business management" procedure. All employees have learned of its existence, together with definitions and examples, and the subject is presented in the Company Internal Auditor's site and the organizational portal.

In matters related to violating the Companies Law, Securities Law, Antitrust Law and Company procedures regarding administrative enforcement, the approach should be made to the Legal Advisor and Company Secretary.

Ethical Code

At the end of 2011, the Company has completed a process of formulating and composing an Ethical Code, together with employees and managers, and with the

help of an external consultant. The Code includes values and behavior norms meant to guide the operation of the Company and its position holders in their work, and dictate universal standard for their operations, beyond those prescribed by law. Upon the completion of composing the ethical code, the Company started a process of formulating an assimilation and training program, with the aim of ensuring its entire employees in Israel and abroad are familiar with the Code's values, and have internalized them. The assimilation program includes the following components:



Ethical Code Values – the “Ten Commandments”:

- At home anywhere in the world
 - Professionalism
 - Excellence and creativity
 - Fairness and transparency
 - Leadership – the national carrier
 - Safety and security
 - Teamwork and sharing
 - The people of EI Al
 - Management and manager's responsibility
 - Responsibility to the environment and community
1. Distributing the Ethical Code to Company employees (via email, and later on, also in print), uploading it to the organizational portal, placing posters in sight around the Campus, the offices and the extensions.

2. Translating the Code into English, to distribute and place in the Company's extensions abroad.
3. Building a database of moral dilemmas relevant for the Company's operations, constantly updated, and holding discussions in them in the framework of employee training and other forums.
4. Developing an educational software combining information, films and interactivity, and testing facing moral dilemmas, and distributing it among employees and managers. Twice a year, the Company units compete between them, and the winner is the unit with the largest number of employees completing the software.
5. Starting on 2012, lectures and discussions in the matter are included in all of the Company's basic courses and training courses, and the trainees are required to complete the software. Later on, we plan to have the training program implemented in such manner that each employee will review at least one of its components, at least once every two years.

Below is the number of employees receiving Ethical Code training in the report years.

Population	2012	2013	Total
Ethical Code - entire Company	136	10	146
Introduction courses - flight attendants team	0	297	297
Call center - introduction course	11	55	66
Israel station - introduction course	62	133	195
New employees	5	15	20
Total	214	485	699

The Ethics Officer in El Al group is in charge for implementing this program, together with the Training Branch. Also, El Al employees and managers are welcome to send complaints, dilemmas or ethical questions directly to the Officer, or via the "Tafnit" system, enabling anonymous approaches.

Lawsuits and Legal Proceedings

Below is the status of substantial lawsuits filed against the Company until 31.12.2013, at the time of publishing the Report:

1. On June 2006, a claim against the Company and the State of Israel - the Ministry of Finance was submitted to the Tel Aviv District Labor Court by 94 plaintiffs, formerly employed by the Company who retired early between the

years 2001 to 2003. The plaintiffs apply to amend the retirement agreement, so that they clearly state the retiree receives the early pension salary including benefits until the legal retirement age, instead of until the age of 65. Alternatively, the plaintiffs apply to cancel the retirement agreements. The Court has ordered the plaintiffs to quantify their claim and pay a court fee accordingly. The plaintiffs have quantified their claim for a total of approximately 20.2 million NIS (approximately 5.8 million Dollars). On January 2009, the Court ordered this claim is joined with two additional claims. Additionally, 9 similar claims were submitted. The total sum of the additional claims is approximately 3.3 million NIS. On October 2010, a partial ruling was granted, stating the early retirement agreements should be interpreted such that they are valid until the age of 67 instead of 65. It was further determined in the partial ruling that within 60 days from the ruling, agreed basic calculation principles should be filed, for calculating the amounts. On June 25th, 2012 a final ruling was issued, obligating the Company to pay the plaintiffs a total sum of approximately 20 million NIS. The Company submitted an appeal on the ruling, and the National Court delayed the execution of the ruling until deciding in the appeal.

2. On May 15th, 2011, an application for approving a class action (the "Application") was received in the Company's main office. The Application was filed against the Company in the Tel Aviv District Court on May 9th, 2011. The Application was submitted by a Company passenger, whose flight was cancelled on May 5th, 2011, due to infection discovered in the jet fuel. The Application included personal claim for the plaintiff of NIS 5,000, and overall damage estimated by the plaintiff to the entire group (all ticket purchasers from the Company whose flight was cancelled under the same circumstances, the plaintiff estimates about 2,500 passengers) is 12.5 million NIS for the entire group.
3. An application for approving a class action was rejected on June 2012 by the Haifa District Court. A notice of appeal for the said ruling was filed on October 9th, 2012. The application concerned a claim of the plaintiff that the Company charges inflated cancellation fee for cancelling a peddling transaction, in a rate above that of the maximal rate permitted by the provisions of the Consumer Protection Law. The plaintiff did not specify an exact amount but provided an estimation of "at least dozens of millions NIS". On August 17th, 2014, the Supreme Court, sitting as the Civil Appeals Court, dismissed the appeal filed on the ruling, thereby accepting the Company's position. During August, an application for further hearing in this procedure was filed.
4. On March 2012, an application for approving a derivative claim was submitted to the financial department of the Tel Aviv District Court by a holder of Company shares. The claim's amount is approximately 120 million NIS. In the framework of the application, the Court is requested to approve the claim as a derivative claim against several office holders who served in the Company in 2003 and who no longer serve in the Company. The claim is that they have caused the Company to be involved in coordinating one or more price

component in the field of air cargo to and from the US, in the relevant period. According to the application, damage in the claimed sum was caused to the Company, due to the arrangements it reached in the legal procedures in the US. On July 8th, 2014, the Court decided to dismiss the application for approving the derivative claim, and that the applicant must incur the expenses. During September an appeal in the procedure was submitted.

5. On December 2012, an application for approving a class action against the Airports Authority, the Company, Israir Aviation and Tourism Ltd., Arkia Israeli Airlines Ltd., and the General Security Services was submitted to the Nazareth District Court. The application was dismissed on December 2012. On February 2013, an appeal was filed to the Supreme Court. The application concerns the claim of the plaintiffs that the unique security inspections Israeli Arabs undergo, when entering and/or leaving the State, constitutes discrimination against them. The individual claim sum for each plaintiff was NIS 100,000. The number of potential plaintiff group members are estimated by the plaintiffs to be one million Arab citizens. The financial statements did not include provisions for this claim. See above for the dismissal of the appeal filed by the plaintiffs to the Supreme Court. In a discussion held in the Supreme Court of February 26th, 2014, the plaintiffs have decided to accept the Court's suggestion and withdraw the appeal. Accordingly, the Court has dismissed their appeal.
6. On February 4th, 2013, the Company received a statement of claim filed against it in the Tel Aviv District Labor Court by 130 security employees who, according to the statement of claim, were/ are employed by the Company as security officers sent from time to time to different destinations, according to need, to secure flights. The plaintiffs ask the Court to grant a declarative remedy, according to which the collective work agreement regulating the rights of Company employees applies to the plaintiffs, and grant financial remedies for different salary components. The Company has filed a statement of defense.
7. On February 7th, 2013, an application for approving a class action (the "Application") was received in the Company's main office. The Application was filed against the Company and against the airlines Lufthansa and Swiss, in the Central District Court. The application was filed by the organization "Hatzlacha The Consumers' Movement for the Promotion of a Fair Society and Economy", on behalf of customers who have sent cargo to or from Israel (except to or from the US), since no other plaintiff was located, as the application notes. The application mentioned a binding arrangement for coordinating different components of prices of cargo shipping, published by different authorities in the world on February 2006. The cause of the claim is pursuant to the Antitrust Law. The total damages noted in the application are 613 million NIS, out of which 473 million NIS are attributed to the Company. An application for dismissal *in limine* filed by the Company and the additional defendants was rejected.

8. On May 22nd, 2013, an application for approving a class action was received in the Company's main office. The application was filed against the Company in the Tel Aviv District Court. The applicant claims the Company does not comply with the provisions of the Aviation Services Law (Compensation and Assistance for Cancelling a Flight or Modifying its Terms), 5772-2012. The application states the individual claim sum is NIS 3,000, and the overall damage to the entire group, as estimated by the applicant is approximately 98.5 million NIS. The applicant provided his personal estimations, and did not support them with documents. On July 8th, 2014, the Tel Aviv District Court issued a ruling, approving the applicant's request to remove the application for approval of the action, as filed with the agreement of the parties to this proceeding.

No substantial fines were imposed upon the Company during the Report years 2012-2013. However, certain cases in which no final decision was made are still standing.

Compensation of Senior Employees

In line with Amendment 20 of the Companies Law, the Company has acted to formulate a compensation policy for office holders (the Compensation Policy), via the compensation committee. The committee has convened many times during 2012 and 2013. The chairman of the board, the Company CEO and representatives of the Company management have appeared before it and presented their position regarding the suggested policy and its principles. On January 8th, 2014, the Company's shareholders meeting has approved the Compensation Policy.

The Company's Compensation Policy is based on principles enabling proper and worthwhile balance between the desire to compensate Company office holders for their achievements, and the need to assure the compensation structure benefits the Company.

The Compensation Policy is meant to help achieve the goals and objective of the Company, its work plans and policy, in the long term, among else by: balancing properly the different compensation components when noting the size of the Company, its unique business and operational character of its activity and its organizational culture; creating an array of valuable incentives for the Company's office holders for achieving the Company objectives, considering, among else, the characteristics of the Company, its business activity and business results, the Company's risk management policy and the employment relations in the Company; assuring the Company's ability to recruit and retain high-quality, worthy and skilled office holders, obligated to the Company and its success, who are able to contribute to the Company and maximize its results in the long term; and adjusting the mix of the compensation the Company office holders are entitled to, according to their contribution and efforts for developing the Company's businesses and reaching its objectives, and their actual accomplishments, according to their position.

The compensation package for Company office holders includes three main components:

1. Fixed components (basic salary/ management fee, and additional benefits)
2. Retirement and termination of contract arrangements
3. Annual bonus

When considering term of compensation pursuant to this policy, the following parameters are taken into account, among else:

- The office holder's education, skills and expertise;
- The office holder's professional experience and accomplishments (in general, and specifically in the Company)
- The office holder's position and responsibilities;
- Previous salary agreements with the office holder;
- The relation between the fixed component and the changing components, according to definitions set in the Compensation Policy;
- The responsibility laid on the office holder in the Company;
- Inspecting the fit between the office holder's compensation structure and aspects of risk management involved in the position.

Furthermore, when discussing each compensation component, its possible implications, including financial, accounting, external business and inter-organizational implications are considered; as well as the ratio between the cost of employing the office holder and the average and median cost of employment of the other Company employees (including contract workers employed by the Company); and the effects of this relation on the Company's employment relationships.

We should point out that the reasonability of the compensation mechanisms set in the Compensation Policy, and the amounts paid pursuant to them, included in the Policy, were also reviewed in comparison to the customary terms in the market for office holders serving in similar positions in the reference group.

Management of the Corporate Responsibility Field

During the course of 2010, the previous EI Al CEO, Mr. Eliezer Shkedi, and the VP Human Resources and Administration at the time, Mr. Reuven Virovnik, have made a strategic decision to include the entire subject related to corporate responsibility in the Company under one roof, out of recognition of the importance of the matter and its contribution to the organization. Mr. Zvika Segal was appointed as Director of Corporate Responsibility and Community Relations. Among his roles, Mr. Segal is responsible for presenting the corporate responsibility work plans to the corporate responsibility committee, headed by chairman Amikam Cohen. The board appointed the committee to be responsible for the subject and guide it.

4. At Home Anywhere in the World

The people of EI AI

"EI AI - at home anywhere in the world" is our slogan in publications for customers, but it is also true for the Company employees. We aspire that each and every one of our employees feel a part of the EI AI family to its generations, and utilize our every effort to make it so. We perceive the Company's human capital the most important aspect of achieving our targets and the success of the Company. Therefore, beyond the human obligation, this is also proper business strategy. With this belief, EI AI grants its employees different welfare benefits, opportunities for training, advancement and promotion, and more importantly, an open door for consultation, conversation and complaints. All, in a safe, proper and respecting work environment, offering each man and woman equal opportunities. Most of the Company employees has been with us over 10 years, and some of them - over 30. This proves, perhaps most of all, the righteousness of our path.

Personnel Inventory

As of December 31st, 2013 the Company employed 5569 employees – out of which, 3448 are regular and 2121 more temporary – within the borders of the State of Israel only. 479 additional employees were employed in the different world representations, among them also foreign citizens. In total, 6048 employees are employed in Israel and abroad, over 98% of them, with collective agreements.

Unit	Regular	Temporary	Total
Aircrew	515		515
Flight attendants team	384	860	1244
Administration and services	937	1072	2009
Workshops	380	68	448
Maintenance	580	80	660
Management	506	36	542
Engineers	53	5	58
Technical management	58		58
Senior management	35		35
Total in Israel	3448	2121	5569

Posted abroad	25		25
Locals abroad	312	142	454
Total abroad	337	142	479

Total in the Company	3785	2263	6048
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Among our Israeli employees, approximately 40% are women. Among the regular Company employees, almost 30% are women, while among the temporary employees they are 57%. When discounting the maintenance employees and pilots, the percentage of women in the Company is 59%.

Gender	Men	Women	Total
Regular	2431	1017	3448
Temporary	912	1209	2121
Total	3343	2226	5569

הערה [1]: מקווה שצביקה ישלח לנו נתונים על כל העובדים

Below is the distribution of El Al's regular ground employees, by rank and gender:

Hierarchic level	Women	Men	Percentage of women
Non-management employees	176	240	42.3%
Mid management	636	1462	30.5%
Senior management	4	31	11.4%
Total	816	1733	32.0%

In 2012, 469 new employees have joined the Company. Among the new employees, 284 were women and 185 were men - a ratio of about 61% women to 39% men. During that year, 628 employees have left El Al for different reasons (termination, resignation, retirement and death), out of which 395 women and 233 men, 63% and 37% accordingly.

In 2013, 865 employees have joined us, while 888 left the Company for different reasons, an exchange rate of approximately 15%. Among the new employees, 549 were women, almost one quarter of their overall number in the Company, and 316 were men - a ratio of about 63% women to 37% men. Among those leaving, 578 were women and 310 men, 65% and 35%, accordingly.

Below is the distribution of age for new employees joining in 2012-2013:

Year	Up to 30	30-50	Over 50	Total
2012	356	94	19	469
2013	657	172	36	865

Most Company employees have between 10 and 20 seniority years – a total of 1608 employees. 822 employees have been working for the Company over 30 years. Below is the full distribution of seniority of Company employees.

Seniority	Up to 5	6-10	Up to 20	Up to 30	Over 30
Regular	92	597	1608	329	822
Temporary	1786	245	89	1	8
Total					

Over 1,000 of the Company's regular employees have a bachelor's degree, and many of them also have a masters' degree.

Distribution of academic education of regular employees in Israel according to fields – master's degree

Field	Master's degree
Social sciences	44
Natural sciences	8
Humanities	8
Engineering	13
Industry and management	5
Economics/ business administration	148
Law	3
Tourism/ aviation management	1
Other	4
Total	234

* Not including posted and air attendants

** The data is based on employee reports in the human resources system.

Distribution of academic education of regular employees in Israel according to fields – bachelor's degree

Field	Bachelor's degree
Social sciences	203
Natural sciences	82
Humanities	91
Engineering	65
Industry and management	46
Economics/ business administration	272
Law	27
Tourism/ aviation management	23
Other	18
Total	827

* Not including posted and air attendants

** The data is based on employee reports in the human resources system.

Katit has 104 employees, as of the end of the report period, out of which 86 are women, all full-time employees.

Gender	Men	Women	Total
Regular	4	16	20
Temporary	14	70	84
Total	18	86	104

Hierarchic level	Women	Men	Percentage of women
Non-management employees	81	16	83.5%
Mid management	5	1	83.33%
Senior management	0	1	0%
Total	86	18	82.7%

384 employees were employed with Tamam during the report period, about half of them temporary, and 95% with collective agreements. During high season, about 100 additional contract employees are hired, due to the workload. Also, the organization employs 37 contract workers for cleaning

Status	Men	Women
Regular	92	100
Temporary	93	99
Total	185	199

Hierarchic level	Men	Women	Total
Non-management employees	153	189	342
Mid management	26	10	36
Senior management	3	-	3
Total	182	199	381

הערה[ud2]: לא מסתדר עם מספר

העובדים בפסקה למעלה. כמו כן, אם

בסוף, בגלל שהטבלה המקבילה של אל על

מתייחסת רק לעובדי הקרקע הקבועים או

מכל סיבה אחרת, לא מכלילים את הנתונים

האלו, לדעתי צריך להעניף את הטבלה הזו.

Diversity and Equal Opportunities in Employment

EI AI considers diversity among employees an important value it can and must promote. Therefore, it acts to include diverse sectors among its ranks, including disadvantaged populations. The Company believes that including people of different sectors and cultures not only improves and benefits the Israel economy, but also contributes to bringing together the Israeli society. Therefore, we are pleased to note no instances of discrimination were discovered during the Report years.

As part of its corporate responsibility perception, the Company has formulated in 2011 its policy, aimed at promoting equal opportunities in employment and preventing discrimination. The Company has started implementing this policy in 2012.

EI AI's policy for promoting equal opportunities in employment

- EI AI respects the principle of equal opportunities in employment, and considers itself obligated to enable such equality to all its candidates and employees.
- EI AI makes sure that decisions regarding screening, recruiting, hiring and promoting in the Company are made for relevant reasons, and according to the Company needs only, without discrimination based on gender, religion, race, origin, nationality, disability or age.
- EI AI recognized the advantages of giving equal opportunities in the workplace, both in the business aspect - while allowing its employees to manifest their personal potential and skills to the fullest - and in the moral and social aspects.
- EI AI's management is committed to promote and assimilate this policy in every level and fields of operation, while monitoring its execution.

In order to promote the assimilation of this policy, EI AI will take the following measures:

- Analyze and map processes of recruiting, screening, hiring and promoting employees.
- Cooperate with entities experienced in multi-cultural employment, such as social organizations.

Following strict planning, in 2014 we will embark with two projects aimed at including diverse populations in the Company. The first will focus on recruiting ultra-orthodox women, and the second in people with special needs.

Recruiting ultra-orthodox women

To deal with the gaps in the Company's call center for orders, the Company came up with a plan to recruit high-quality and qualified personnel, and include a new culture in the organization. The women employed in the Company in the framework of the program will receive a regular job in an environment adequate to their needs. Focusing on the ultra-orthodox sector, in this instance, results also from the geographic proximity of the center to cities of ultra-orthodox character. EI AI hopes to continue the initiative over time and with many cycles, and believes this is an opportunity for successful and efficient partnership to everyone.

We should note not only the work environment itself will be accommodated to the new employees, but also the process of screening, recruiting and the course itself. This, in order to enable the maximal number of women to finish the process, focusing on the most substantial issues for the position, while taking into account certain limitations (such as control of the English language). In addition, special transport will be provided to the employees to help them arrive to the Company facilities and return

home. The Company and the CEO himself will monitor the process, together with the JDC - Tevet organization, which helped us also to plan it and has provided focus points and guidelines for its success.

Including employees with special needs

About 640,000 people with disabilities live in Israel, but only less than half of them have a job. That is why El Al has decided to open a program to include them in the team of seating the premium class passengers - conducted until now by the ground attendants. The employees will be hired in a screening process which is identical to the regular screening process, based on the requirements of the position, including interpersonal skills (such as the ability to converse, high service orientation, fluent Hebrew, patience, attentiveness, team work and more), cognitive abilities (initiative, employing judgment and decision making, multi-tasking, thoroughness etc.) and proper motor skills. However the course will be designated, designed and accommodated for its participants, and accordingly will be shorter (20 instead of 34 days). Also, the Company undertook to take care of every accommodation required in the work environment, both the physical (including expanding isles, making roads accessible, accommodating bathrooms and work stations and more) and the non-physical (accommodating the position requirements, working hours, admission tests, etc.). The project was made possible with the support of the Ministry of Economy, providing professional and financial assistance. Alongside the assistance to people with disabilities and the important message included in the program, we believe we will earn stable and reliable personnel, committed to high-quality and professional service, mature and experienced, while saving on training costs and maximizing the professional personnel of the seating center.

We should point out that already today, a significant number of people with autism are employed with Tamam, and the Company continues to try and identify additional special needs populations to include among its employees. Also, most of Katit's employees are local, although the company lacks an orderly policy or procedures for prioritizing local residents. The employees belong to a variety of backgrounds and cultures, including under-employed populations.

Dialog with Employees

The Company considers it highly important to hold a dialog with its employees. For that end, it provides several opportunities for a dialog, some more formal than other. We use these to evaluate our situation and help assimilate changes and improvements. Among them:

- **Internal services survey** taking place each quarter among the employees, to receive feedback on the operation and effectiveness of the internal mechanisms used by the employees.
- **Employees conventions** take place twice a year. The management uses them to present the main organizational and business developments.

- **CEO meetings** with unit representatives are regularly held. The representatives are invited to sound their opinion and position regarding different organizational matters.
- **“Tafnit” system** - a computer system enabling employees to anonymously report or ask questions regarding any organizational matter.
- **Inter-organizational portal** containing updated information in a large variety of subjects, and used for regular update of employees. Once every period, a “CEO newsflash” is published in this portal.
- **Information screens** located in the Company premises (dining rooms, rest rooms, halls, etc.) presenting professional information and information of welfare, benefits for Company employees, and entertainment. In the course of 2014, such screens will be placed also in El Al’s extensions in New York, London and Paris.
- **Letters from the CEO** sent when the time calls, to update the Company personnel on current events, special launches and financial statements. The letters are translated into English and sent to the Company personnel across the world.
- Once a month, a **newsletter** is sent to everyone in the Company, in Israel and abroad, in Hebrew and English, including the words of the CEO and events and activities that took place during the month.

Feedback and Evaluation

Each year, El Al employees receive an evaluation feedback, since we understand how important it is for the employee’s professional advancement. The feedback refers, among else, to meeting the employee’s goals, professional conduct of the employee, level of commitment and responsibility of the employee, level of cooperation and team work of the employee, and matters such as creativity, personal initiative and potential. Starting on 2012, following the formulation and assimilation of the Ethical Code in El Al, the feedback also includes a section referring to additional values included in the Ethical Code, such as integrity and honesty.

	Direct evaluation			Indirect evaluation			Conversation conclusion			Maternity leave
	Potential	Full	Percentage filled	Potential	Full	Percentage filled	Potential	Full	Percentage filled	
EI Al	4164	4002	96.53%	3487	3402	97.56%	4247	3831	90.20%	
Computing division	155	155	100.00%	152	152	100.00%	159	159	100.00%	
Human resources and administration division	271	271	100.00%	207	207	100.00%	272	272	100.00%	
Customers and service division	979	979	100.00%	948	948	100.00%	981	974	99.29%	13
Cargo division	76	76	100.00%	65	65	100.00%	76	74	97.37%	2
Sales division	411	408	99.27%	437	435	99.54%	442	417	94.34%	11
Finance division	215	212	98.60%	203	196	96.55%	217	200	92.17%	1
Maintenance and engineering division	1233	1223	99.19%	1069	1061	99.25%	1272	1155	90.80%	2
Commerce and aviation relations division	147	142	96.60%	121	120	99.17%	154	138	89.61%	2
General manager	30	30	100.00%	17	17	100.00%	30	28	93.33%	
Operations division	98	98	100.00%	105	93	88.57%	111	87	78.38%	
Israel security headquarters	69	49	71.01%	47	39	82.98%	69	46	66.67%	
Company representatives abroad	462	359	77.71%	116	69	59.48%	646	281	60.56%	

הערה[3]: הנתון הוא רק על 213 – ביקשתי גם את נתוני 2012 וגם הבהרות על המושגים. בכל מקרה צריך לקחת רק את הנתונים הרלוונטיים לפי ההסברים שלהם.

Tamam holds an ongoing dialog with the employees, and Mondays are dedicated to talks with the CEO. Any employee wishing to talk to the CEO is invited to do so. In addition, periodic feedback talks are held with employees and managers of all levels, including temporary employees receiving feedback for their work each year for six years, until they receive tenure.

Katit holds meetings in holidays, special events and according to need only. However, the company has an open door policy, the employees feel comfortable to approach the management with anything. In recent years, the employees asked again to be able to receive tenure. Following the request, the Company have started negotiating with the employees' organization, and the collective agreement was improved. Katit currently has no periodic feedback, but we currently work to formulate a process answering this need.

Tributes to Employees

The Corporate Responsibility Report for 2011 reported the establishment of the CEO fund - "Excellence and People". Mr. Eliezer Shkedi ordered the establishment of the fund to provide an incentive for the Company's excellent employees and encourage creativity, ambitiousness and personal motivation among the people of EI Al. 7.7 million NIS were invested in the fund (5.7 million NIS, which were 50% of the bonus Mr. Shkedi received, and 2 more million NIS deposited in the fund according to the CEO's request upon the beginning of his service in the Company), distributed as monetary prizes to employees and teams who have succeeded in improving EI Al's profitability, recruiting new customers, reducing expenses or improving processes.

Since then, every year, the CEO grants ten prizes to the ten initiatives, selected in a strict and profound process, with a total value of NIS 425,000. As a result of the suggestions for increased efficiency submitted by employees, the Company has

saved since then 20.6 million Dollars, representing a yield of 836% on the original investment. Among the suggestions submitted and executed during the report years were process for treating aircrafts after an emergency landing, suggested by employee Max Shine in 2011, shortening the time of work and the period in which the aircraft is grounded. Following the suggestion and its implementation, senior executives from Boeing came to visit El Al to learn of the process. That year, Ilana Gavrielov and Edi Mamon, in charge of cleaning the aircrafts in Tel Aviv won the fourth prize. Together, they have led a move for purchasing smaller waste bags, leading to saving about 100 thousands NIS for the Company every year. In 2013, First Officer Aner Efraty won first place for his suggestion for reducing the minimal fuel amount required for take-off in short flights. This suggestion led to saving approximately 55 thousand Dollars per year, and allowed to increase the number of seats on aircrafts.

In addition to the above, over its three years of operation, the fund had helped by:

1. Granting 112 excellent employee awards, at a sum of NIS 10,000 each.
2. Granting five excellent security stations awards each year - a total of 293 thousands NIS to about 900 security employees.
3. Supportive environment awards for 19 branches/divisions in the organization so far.
4. Financing a convention for the Maintenance Division, for winning an award for excellent division in submitting suggestions for the award in 2012.
5. Special bonus to the blue shift (one of the maintenance shifts) for operational accuracy in 2013.
6. Distributing vouchers for plays to all candidates for the awards and their partners.
7. Double incentive to 18 people of El Al for meeting goals, at a total sum of 178.5 thousands NIS.
8. Financing contents and lecturers for a course for designated managers.
9. Granting awards for excellence in the subsidiaries -
 - a. Tamam - nine employees and a total of 80 thousands NIS.
 - b. Katit - CEO award for excellence - NIS 10,000, plus five awards for excellence.
 - c. Sun D'Or - four employees (total 14 thousands NIS).

The fund is also designated to strengthen the links of Company employees to the values of Judaism, roots and history. Therefore, part of its budget is dedicated for educational activities, such as tours in Jerusalem, Yad VaShem, City of David and the West Wall. So far, about 2,300 of El Al personnel went on the tours, and we aspire that each and every Company employee is able to do so in the coming years.

Finally, the fund allows us to encourage El Al managers to continue developing and excelling by financing master's degree studies in their professional field. The financing pays for 85% of the tuition in a recognized university institute. Participation is completed to 100% if the degree is awarded with excellence. As of 2013, approximately 320,000 NIS of the fund were used to finance master's degree studies to ten managers in the intermediate level in El Al. In this context, we should note El

AI aspires to help its employees receive higher education, and therefore gives them the opportunity to study with partial or full subsidization by the Company. Employees wishing to receive assistance apply to the education committee, which discusses their matter and decides whether to allow their studies and the amount of subsidization. The criteria for the decisions are equal to all employees and completely transparent, and include the employee's seniority, years of experience, etc.. Tamam also supports its employees studying for an academic degree (with the approval of the CEO), at a rate of 75% gross, according to the cost of one university year.



Savings resulted from creativity of EI Al's employees

Accumulated annual savings, millions of Dollars

Savings from suggestions of 2011	5.5	For example – purchasing smaller waste bags for aircrafts. Saving: 100 thousand Dollars each year
Savings from suggestions of 2012	4.2	For example – fixing reading lights in the premium classes by the Company, instead of external contractor. Saving: 200 thousand Dollars each year
Savings from suggestions of 2013	4.2	For example – improving use of volume and weight when flying fish cargo. Saving: 525 thousand Dollars each year

20.6 million Dollars – total savings in the three years of the program

'The beauty of the fund's activity and the CEO award is that this activity aims to deal with the negative aspects of seniority and tenure (routine, lack of innovation and not encouraging excellence) by using the positive aspects of seniority and tenure (employees who sometimes understand the aircraft better than the manufacturer)... Normally, changing the organizational culture in a veteran, sometime old-fashioned company can be traumatic and painful, and include cutting the number of employees and the conditions... it's nice to see the Company managed to start a process with a positive, rather than negative, incentive. When the Company saves money by listening to its employees and taking advantage of their knowledge, it seems that funds like this one should be established in many other organizations.'

Gil Kilian, Calcalist, November 2013

Apart from the awards distributed in the framework of the CEO Fund, we continue distributing also the traditional excellent employee awards every year. According to tradition, the Company employees suggest their friends as candidates for receiving the award, and their suggestions are reviewed by a special committee, selecting ten exceptionally excellent employees. In 2013, in order to give more room to our exceptional employees, the excellent employee ceremony was broadcasted live to the cell phones, so that even friends and family members who cannot participate can watch and celebrate with their loved ones receiving the award. The winners received a certificate and a statue.

Employee Training

El Al operates a training center, preparing and guiding employees to most of the professions required by the group, including civil flight courses and career change, mechanics and aircraft maintenance, air and ground attendants - constituting the majority of the Company's training sessions. In addition, we train our employees in sales, administration, safety (see also in the Safety chapter), and other general subjects. We should note that every new Company employee undergoes training regarding El Al's Ethical Code and preventing sexual harassment. In 2013, 363,218 hours of training were invested in employees, an average of 63.2 hours per employee.

הערה[ud4]: שוב רק 2013, נשלחה בקשה לנתוני 2012

Training fields	Total trainee hours
Air operations	12,904
Operations (safety+ control center)	1,512
Cargo	10,042
Inflight service - flight attendants	193,607
Service - ground	46,438
Sales - center and Israel branch	27,307
Maintenance	60,652
Administration (construction, transport and firefighting)	2,234
General	8,522
T o t a l	363,218

the subsidiaries Tamam and Katit also hold training sessions for their employees, with the annual average training hours per new employee in Tamam is four, and for a senior employee - two. Apart from that, from time to time, Tamam's employees leave for professional training and courses, for which Tamam pays 90% of the cost.

Welfare and Employee Health

Apart from the social benefits the Company employees are entitled to pursuant to law, El Al tries to offer its employees additional benefits meant to make the time they spend at work more pleasant, and enable them to combine and balance work, family and leisure. These benefits are expressed in procedures and the collective agreements. Below are some examples:

- Collective vacations at the same time as school vacations (e.g. in August) in order to assist employees with children in school ages.
- Shortened work hours for mothers (beyond the legal requirement). The cost is divided between the Company and the employee.
- Arranging annual vacations in advance, if possible, according to the employees' needs.
- Possibility to receive up to one year of unpaid vacation, with the approval of the managers.
- Transportation to work, including special transportation for mothers, considering the flexible work hours.
- Labor productivity extra payment.
- A five-day' workshop for preparing to retirement for the retiring employees and their partners.

- Different events every year to employee families, such as Children Enlisting to the IDF convention, and annual events for the children of employees going to the first grade.
- Subsidizing summer camps for employees' children.

We should also emphasize the designated actions the Company takes in order to assure employee health. For example, every employee in the ages 35 and up is entitled to receive medical screening on the Company's account once a year; the Company's headquarters have a gym for the employees to use on their free time; and a group of weight watchers operates in the Company with the guidance of a professional counsel.

EI Al's sports groups compete in a variety of sports branches in the framework of the Workplaces League, with the encouragement and support of the Company. In the 2012-2013 games season of the Workplaces League, our sports groups have reached the following achievements:

- Bowling - lower group EI Al B - first place
- Bowling - upper group EI Al A - second place
- Women basketball - top league group C - top finals - second place
- Pistol shooting large caliber men group C - second place
- Billiards snooker - third place level A
- Billiards pool - fourth place
- Table tennis - national league - first place

The group's after employment termination benefits include pensions, accommodation grants, sick days' redemption and additional benefits to Company retirees. In additionally, we hold a five-day workshop for preparing to retirement for the retiring employees and their partners prior to the big day.

The Company after termination of employment benefits are partly plans for defined contribution, and partly plans for defined benefit. Expenses for Company undertaking to contribution fund in the framework of a defined contribution plan are credited to the gain and loss report at the time of providing the work services for which the Company is obligated to contribute. Expenses for defined benefits plan are credited to the gain and loss report according to the projected unit credit method, while using actuarial estimations conducted at the end of each report period. The current value of the Company's undertaking for defined benefits plans is determined by capitalizing the future cash-flows expected for the plan with government bonds yields, in the coin in which the benefits for the plan will be paid, and with the cost of closely identical redemption periods to the plan's expected retire dates. According to the group's accounting policy, the cost of the net interest is included in the gain and loss report (in the framework of salary expenses) and total other gain.

The current value of undertaking for the above is based on a lot of data, decided based on actuarial estimation, while using many assumption, including capitalization rate, which the Company assess once a year. Other key assumption are determined based on the market conditions, and the Company's experience. Exact information of

the undertakings amounts can be found in comment 19 of the 2013 financial statements.

Prevention of Sexual Harassment

The Company is obligated to protect its employees from any harassment, including sexual harassment. The Director of Employment Relations in the organization is responsible, pursuant to law, on this matter, and in addition the Director of Welfare and the Director of Inflight Service were appointed as POCs for this matter. Employees can approach them with reports, questions or complaints.

Also, the Company has a procedure for prevention of sexual harassment, distributed to all employees. In order to ensure the employees are familiar with the procedure, we have developed a designated educational software teaching the provisions of the procedure, and once every period the Company has competition encouraging the employees to review the software. During 2012-2013, almost 1400 employees received software training, 416 in 2012 and 981 in 2013. No sexual harassment complaints were issued in the years 2012 and 2013.

Protecting human rights and responsible chain of supply

As detailed in this Chapter, EI AI spares no effort in creating a proper and rewarding work environment to its employees, and has no tolerance for discrimination or infringement of their rights. We should also note that EI AI has complete freedom of association, and the employee organization has been active since the establishment of the Company. Also, EI AI does not hire employees younger than 18 (although there is legal permission for that, with certain limitations), apart for a project for employing youth in risk, in order to provide them with professional training (see details in the chapter "EI AI and the community").

EI AI aspires and is committed for responsible conduct vis-a-vis its suppliers and service providers. As part of this practice, we examine salary data, meet our contract employees randomly to learn from them of their employment conditions, and conduct sample cross-sectional inspections every period. Instances of violating employee rights and/or failure to comply with proper standards are dealt with, and can even lead to termination of the contract with the supplier/contract company.

The contract managers are responsible for locating deviations from terms of contract, in such manner assuring the suppliers comply with their undertakings. EI AI's Procurement and Contracts Division keeps in touch with the suppliers using several means, such as: an orderly process for submitting and resolving complaints by the suppliers, option to learn more in tenders of mutual products/services development, and transferring knowledge and resources.

The Passengers

High-quality service to passengers has always been one of the Company's main assets. In order to continue meeting our highest standards, adjust ourselves to changing market demands and improve where we can, we try to listen to the public opinion and hold an open dialog with our customers. In recent years, we look way beyond the experience of the flight itself, and have started stressing providing assistance, in the course of additional services to the customer before the flight and during the stay. Among the innovations and changes, fairness and transparency have been and remain our most prominent values and we spare no effort to realize them.

אל על
הכי בית בעולם

אנחנו רואים את העולם אחרת

כחברת התעופה הלאומית של מדינת ישראל, מחויבת אל על להעניק לך חווית שירות איכותית וביתית ברמה בינלאומית.

- אנו שואפים להגשים את הציפיות שלך מאיתנו בכל פעם מחדש.
- הערכים עליהם מושתתות תפיסת השירות שלנו, למעןך ובשבילך הינם:
מצוינות ומקצוענות, מחויבות ויחס אישי, להט והתלהבות.

אנו מבטיחים לעשות ככל שניתן:

- לפעול ללא לאות וללא פשרות, למען ביטחונך ובטיחותך.
- להקשיב לך, לאסוד את שביעות רצונך באופן רציף, ותוך למידה וחתירה לשיפור מתמיד.
- לשמור על כבודך ופרטיותך ולשרת אותך באמינות והוגנות.
- לסעות כך את תחושת הביטחון, כי אנו פועלים מתוך נכונות, תשורה ויוזמה בכל פגישה איתך.
- להעמיד לרשותך מענה רחב לצרכים שונים ולהעדר פחות ממונות.
- להעניק לך חווית שירות מתחדשת תוך שימוש בתשתיות מתאימות.
- לטפח את האנשים שלנו, כך שיהיה בידם להעניק לך שירות מעל ומעבר, כי זה בליבנו.
- לפעול מתוך אחריות ומחויבות לקהילה ולסביבה.

**בכל מקום ובכל זמן,
תמיד תרגישו "הכי בבית בעולם"**

דוד מימון
מנכ"ל

El Al's Service Convention

As Israel's national airline, El Al is committed to provide you with an international-class high-quality and homely service experience.

- We aspire to meet your expectations from us each time anew.
- Our service approach is based on the following values, for us and for you: Excellence and professionalism, commitment and personal approach, passion and enthusiasm.

We promise to do anything we can:

- To act relentlessly and without compromise for your security and safety.
- To listen to you, constantly measure your satisfaction, learn and strive for continuing improvement.
- Maintain your respect and privacy, and serve you with reliability and fairness.
- Give you a sense of security that we act out of willingness, resourcefulness and initiative in each meeting with you.
- Provide you with a board solution for different needs and diverse preferences.
- Provide you with a renewing service experience while using proper infrastructure.
- Nourish our people, so that they can provide you service above and beyond, because it is in our hearts.
- Act with responsibility and commitment to the community and environment.

Anywhere and anytime,

You will always feel "at home anywhere in the world"

David Maimon, CEO

Dialog with Passengers and Improving the Service

The customers are the primary stakeholders for every company, even more so for the national airline, receiving high loyalty rates. To a great extent, the customers feel the Company represents them in the world. Therefore, beyond providing the entire information to our customers, it is important for us to maintain ongoing relations with them, and hear what they have to say.

We track our customers' satisfaction regularly by emailing them a survey soon after the flight. We analyze the surveys once a month, including discussion and investigation, together with the VP Service and Customers, and directors of the relevant branches. Main results and conclusions are presented to the CEO once a month, and we use those to improve the service and develop new products. From time to time, following comments from the surveys, we also allow ourselves to directly approach customers in order to personally learn and understand the problem to the fullest. In average, about 10000 surveys are conducted each month. We also

conduct ad-hoc surveys, if the need occurs. It's important to note that today, though not every time, we have the opportunity to immediately fix extraordinary events or failure (for example, in the return flight), using the alert system, notifying of low scores customers gave to their flight experience, or negative comments.

The Company's customers are also welcome to approach us independently, and for these cases exactly we have the Customers Relation Division. From time to time, customer complaints lead to organizational changes of Company processes, products and services. Data of approaches dealt by the Division in the last two years is presented below:

Number of approaches dealt with by the Customers Relations Division

	Total	Praises	Complaints	Requests/ suggestion	Surveys	Inflight service manager report	Questions
2012	41642	15183	13865	5907	3080	3607	1500
2013	39936	11018	12145	9012	1597	3164	3000

As you can see, we also receive quite a few praises, and complaints form less than third of the approaches. We should note that on 2013, 2,500 complaints were received for the Histadrut strike that took place that year, and still, the total number of complaints has decreased.

Continued Innovation

Upgrading the aircrafts fleet

Over the course of 2013, the Boeing 737-900ER aircrafts have officially joined the Company fleet. These are the most advanced, efficient and economic aircrafts of their kind. The first among the eight aircrafts has taken off for its first flight already in 2013, while the second aircraft was delivered in December that year. By the beginning of 2016, the fleet will include eight aircrafts, used by the Company for the close and intermediate destinations, out of which only four will be received by the summer of 2014.

The transaction cost is 320 million Dollars, but all in all El Al is expected to invest approximately 430 million Dollars in the move, among else for more comfortable and ergonomic seats in the economy and business classes and a state of the art entertainment system - BoardConnect - enabling the passengers to watch the entertainment on flight using personal devices (laptops, smartphones or tablets) without connecting cables. El Al will be the first airline in the world to offer such service. The new aircrafts, equipped with changing atmosphere lighting during the

flight, spacious storage compartments for storing the hand luggage, electricity outlets for laptops and USB outlets next to the seat and many more innovations, will significantly upgrade the flight experience, whether for business or pleasure. The significant investment matches our objective - to provide the best products and the most advanced services to the passengers, and to maintain our position as the preferred airline for flights to and from Israel.

'The expected arrival of El Al's new Boeing 737-900 ER will be the peak of the Company's drive to equip and renew the fleet. The purchase is expected to create a quantum leap in the service to passengers and the flight experience'.

The former El Al CEO, Eliezer Shkedi

Flying UP

The launching of the low-cost flights brand, UP, is a milestone in the history of El Al. UP is the product of a strategic plan we have invested a lot in, for facing the increasing competition in the aviation world. We believe establishing the brand marks the present need, and the customers' desire to pay fair prices for services without compromising, as well as the different customers' preferences. By that, the move can potentially contribute to El Al's long term resilience. Our professionalism, devotion and spirit have enabled us to face this not-so-simple challenge, combining the entire Company divisions and constant consideration of every detail, large or small.

The central concept for the new product is the option to choose the services the customer will enjoy on the flight. For example, in "UP basic", the customer can purchase discount air tickets and add certain paid services, while in "UP smart", the customer receives a variety of included services and more flexible terms. In the first stage, El Al will operate 51 weekly UP flights to five European destinations - Belin, Budapest, Kiev, Prague and Larnaca - starting on March 2014. Later, we hope to increase the number of destinations. The flights will be operated by five 737-800 aircrafts, reconverted for the Company's needs, including changing the aircraft configuration and design in the spirit of the new brand.

Taking Off also in Digital

We believe good service does not start once the passenger is on board the aircraft, and does not end once the aircraft doors open. Therefore, we aspire to escort the passenger all through the journey: starting from planning the journey and until back home, and even a bit further. Our digital strategy is meant to do exactly that, using different tools, and be there for the passenger almost in any matter. Our perception is that this strategy offers complete fit between the needs of our customers and our needs, as a commercial company.

The Company website

The Company website was revolutionized in 2011 to increase the ease and efficiency of the user experience. We improved it once again, and we have more plans for improvement. Today, alongside the option to make an order and manage an order, whether selecting the seat or ordering a different kind of meal according to the preferred diet, the site enables the customers to also receive plenty of information and useful tips for the chosen destination, review suggestions for vacation packages, rent a car, purchase travel insurances and book accommodations and tickets to attractions with a single click. The “frequent flyers’ club” homepage was not forgotten and also received an upgrade. Now, its members can check important account information and receive news, updates and sales especially for them.

At the end of 2013, the new designated UP website was launched, where the customers can “tailor” their flight to fit their demands, and save on services they are not interested in, such as flying cargo. Additionally, the passengers can choose where to sit, check-in early, print the boarding pass and much more, all with comfort and ease, without leaving their home. In the spirit of the brand’s values, the site was made accessible and simple, and the modular purchase process of the service was made easy. Thus, we made sure of maximal transparency and clarity, used many graphics and icons, and added a comprehensive FAQ page. The FAQ page is constantly updated following user feedback and additional questions we are asked.

Facebook page

The Company’s Facebook page provides us direct and ongoing communication with our customers, following the above. In fact, today the page serves as an additional center for public approaches and the two arrays - social networks and customer relations - work together to respond to each approach as soon as possible. Apart from dealing with complaints, we often help passengers with problems they run into, and in one instance have even operated special flights to help passengers who got stuck abroad, after learning through the Facebook of the matter. The passengers can use the social network also to get information on their destination, since responses and conversations online, with our support and follow-up, ensure the information is correct and updated. Every once in a while we upload useful links and hold “tips competitions” for followers, with prizes. For example, on the Independence Day of 2013, several followers living abroad have won return tickets to Israel to celebrate here with their loved ones. We call and invite our followers to upload photos from their trip to the page, and write of their experiences. During the last three years the number of page followers and responders has increased by hundreds of percentages, from 20,000 in 2011 to over 300,000 today. At the same time, we operate an English page for our non-Hebrew speaking customers in Israel and abroad.

The application

El Al’s mobile application was launched in 2013. It completes the strategy and brings service directly to the palm, with a simple and friendly interface. Already today, 20% of our passengers surf to the site, find out and check details regarding their coming

vacation using smart devices. While staying abroad, more and more passengers communicate with us using cell phones. Therefore, it was only natural to launch an application, which, much like the site, enables El Al customers in Israel and abroad to order air tickets with a short, friendly process, as well as to commit early check-in, choose a seat, receive an electronic no-print boarding pass (to 11 El Al destinations so far), check the order details, connect to the frequent flyers' account, receive real-time information of take offs and landings, connect to the Facebook page and more. In the near future we will also add audio guides for chosen routes, booking hotel rooms, car rental and additional complementary products. Also, the application will offer tips from the people of El Al and specifically, the aircrew (since they are well acquainted with our worldwide destinations), as well as of other passengers, in order to provide our customers easy access to information they will not receive from the ordinary guides. Such information makes the trip less ordinary, saves time and money, and exposes them to unique attractions, local restaurants and hidden gems. Passengers will be able to watch the tips according to destination and subject, and upload their own tips together with a photo, link or video.

For the elderly: we remember the veterans

In 2013 El Al launched a new tribute for its customers and club members who are aged 67 and up, holding gold, platinum or top platinum status over ten consecutive years, and they will now be permanently entitled to the prestigious gold status of the frequent flyer club.

The new benefit enables the Company's prestigious customers to continue enjoying a row of unique benefits, including, among else, free membership in Kind David Club, entrance to El Al lounges in Israel and abroad, 25% extra gift points for flying with El Al, discount upgrades 48 hours before flights in different airports (subject to the bylaws), luggage benefits and personal customers service.

המטוס חזר לקחת את ענבר הקטנה

חודשים חלמה ענבר (11) החולה על מחנה הקיץ באמריקה • כשכבר ירדה במטוס אבד דרכונה, והיא נאלצה לרדת ברמעות • אלא ששניות לפני ההמראה נמצאה האבירה, הטייס קיבל אישור מיוחד – וחזר לקחת אותה

או לאן נעלם הרכוש האמריקני? כשכבר ירדה במטוס אבד דרכונה על הכיסא. אותה ילדה חשבה שמדובר בדרכון שלה – והכי נראה אותו בסעות לחיך שלה.



ענבר בארצות הברית עם הדרכון שהחזיר את הטייס לפניה: "זלום וחסר ערכים"

דני שדה | כתב "ידיעות אחרונות"

רק במקרים חריגים, כמו למשל מקרה חירום או תקלה, חוזר מטוס ממסלול ההמראה אל הפריטינג. בשבוע שעבר זה קרה, אבל מסיבה אחרת למדי: כדי לעשות ילדה אחת מאושרת.

הדרכון התרחשה כאשר קבוצת ילדים וגני רים חולי סרטן יצאו לארצות הברית לקייטנה בקמפ שמחה. מדובר בפריקט של "חייגר" – מרכז סיוע לילדים חולי סרטן, שנערך בשיתוף עם אל על.

בין החולים הייתה גם ענבר בת ה-11. זמן מה לפני ההמראה מנתב"ג נאספו מוילדים דרכונותם, אבל דרי כונה של ענבר נעלם. לכולם היה ברור: בלעדיו לא תור כל להיכנס לאמריקה. הרייליים והנוסעים חיפשו אחרי האבירה, אך לשווא. המטוס היה חייב להמריא, וענבר המוכייה נאלצה לרדת, עטופה באהבה על ידי הרייליים.

כולם רמזו ביחד אתה. שניות ספורות לפני שהמטוס המריא נמצא הדרכון האבירה, אלא שהנוהלים הנוקשים מתירים חזרה מוטוס לטרימינגל ממסלול ההמראה רק במקרה של מקרה חירום או תקלה טכנית חמורה. כשלב זה נכנס לתמונה קברניט המטוס: הוא יצר קשר עם תחנת הקרקע של אל על וקיבל אישור מיוחד: אתה רשאי לחזור לקחת את הילדה. המ' טוס סבב על עקבותיה, חזר לטרימינגל – וענבר המאושרת עלתה עליו, הפעם דומעת משמחה.

"אני כבר כמה שנים מלווה את הפריקטים האלה ואף פעם לא הייתי עד למחזה כזה", סיפר אתמול אלעד מימון ממרכז הטייס. "דמויות העצב של כולם התחלפו ברמעות שמחה כשענבר חזרה למטוס לקול מוראות המפיים של הנוסעים".

The plane turned back to take little Inbar – Inbar, suffering from cancer, has lost her passport and was forced to disembark the plane. When the passport was found, the pilot asked and received special permission to turn the plane around and take her to a summer camp in the US.

Marketing and Advertising

Our entire publications and marketing materials are tested to comply with legal requirements prior to their approval. Furthermore, we make sure to maintain two main rules in the framework of the Company's publications:

1. Communication true to reality - that is, without false promises, whether in words, pictures or any other mean, even if only insinuated, and avoiding use of exaggerated adjectives or imaginative definitions.
2. Product truth - products or service offered on the aircraft appear in exactly the same way also in the Company's advertisements and marketing material. For example, the publications will not include a meal we do not offer, a photo of the insides of the aircraft will not be manipulated, and we try that the aircrew appearing in the advertisement will be from among the people of El Al (they

will always appear wearing cloths, hair and makeup according to the Company rules, and exactly as they look in our flights).

Safety

For its employees and passengers, El Al considers the issue of safety to be of the utmost importance in all its activities, whether during flight, ongoing maintenance or in the office. El Al's Safety Convention was composed accordingly, and announces the commitment of all El Al employees to their own safety, and to the safety of the passengers. We should note that in anything related to safety during the flight itself, we exceed the requirements of the law and aviation regulations. For example, the food we serve undergoes strict safety tests, and our aircrafts are equipped with additional safety accessories, above the standard.



El Al's Safety Convention

Each and every one of the people of El Al, headed by the CEO, is personally responsible for safety in everything they do.

Managing safety is an inseparable part of the total business management of the Company, and are inalienable assets

In El Al we are committed:

- ✓ To constantly promote and improve the state of safety in the Company.
- ✓ To implement a safety plan based on defined and measurable goals. (risk management)
- ✓ To investigate safety events with integrity and without bias, and implement the lessons learned from them.
- ✓ To encourage reports of faults and safety events, while implementing a relevant and fair policy for treating them.
- ✓ To provide people with the required tools and knowledge for conducting their tasks safely.
- ✓ To make sure each service or product provided to us has proven proper safety level.
- ✓ To comply with legal provisions in safety matters.

David Maimon, CEO

Safety goals are decided annually. Each work process in El Al has safety instructions, whether these are the Company's safety instructions (the safety book) or professional literature. The safety of employees is maintained, in practice, by regular safety tests, safety tours, surveys, gap mapping, external reports and inspections, by several bodies responsible for the subject:

- Director of Safety and Quality Branch, responsible for coordinating the field, and reporting directly to the CEO.
- Flight and ground safety managers
- Director of Safety Inspection Department
- Supreme safety committee, convening monthly
- Factory safety committee, half of its members are members of the employees committee, or employees appointed by the committee.
- Divisional safety committees
- Safety officers in the different units

In 2012, the Company has implemented the Aviation Quality Database (AVQ) system. This is a combined system for managing safety and risk. We use it to report, evaluate risks, analyze failures and follow-up on the actions for amendment. The system is also used to accumulate data, identify trends and convey information received to those in charge, in order to prevent their reoccurrence, to the extent possible. Another system we have assimilated is the Safety Management System (SMS). This system is required by the Aviation Administration of the State of Israel, and the International Civil Aviation Organization – ICAO.

Starting on 2006, El Al has been a member of the IATA Operational Safety Audit (IOSA), as part of its membership in the organization; and these days, the branch is working on adjusting the Company's operation to amendments of two legislations: the New Pilot Law (the Ministry of Transport) and the Safety Management Regulations (the Ministry of Economics).

Employees holding positions with potential exposure to damage and dangers are sent to specific examinations, to prevent those. At the same time, we continue to narrow to use of hazardous substances to the minimum possible, so that our employees are not exposed to risks in vain. However, when required products have no available alternatives, we provide the employees with the best safety gear, while looking for alternative engineering solutions.

One can identify a direct link between involvement of employees in safety, and the Company's safety culture and working according to procedures and instructions. Every year the Company holds a Safety Day, a years-old tradition, featuring presentations in the subject and experiential events meant to emphasize its importance. At the end of the day we have the Excellence in Safety ceremony.

Although El Al spares no effort to prevent accidents, they happen from time to time. Below is a summary of the work accidents during the report years.

	Ground sector		Air sector (flight attendants only)	
Year	2012	2013	2012	2013
Total number of work accidents	110	121	25	19
Total loss of working days	1976	2182	486	200

7. About the Report

In the Company's first report, published in the second half of 2012 and referring to 2011, we declared our intention to continue reporting biannually. Upon the publication of this report, the Company's Second Corporate Responsibility Report, referring to the years 2012 and 2013, we are pleased to announce we have stood up to our declaration, and it is still valid. Also, we believe it is apparent this Report is more comprehensive and profound than the previous one.

The Report was composed according to the instructions of the GRI 3.1 (Global Reporting Initiative), report level B without external verification. Its purpose is the reveal, in a transparent, orderly manner, the Company's operations in the fields included therein. Its main audience is the Company employees, customer, business and community partners and our shareholders. When composing the report, we invested our best efforts to elaborate in the subjects we find are the most essential to the operation of an airline owned by the public, and according to the customary in other reports in this area. In the following pages we present the list of G3.1 indicators of the GRI, which were reported and the details level.

Like in the previous report, the report refers to the entire operations of the Company in Israel, unless specified otherwise. In certain instances, the Report also refers to the fully-owned subsidiaries (Tamam, Katit and Sun D'Or). In the 2014-2015 report we aspire to include also our international operations, and touch upon additional issues we were unable to include here.

The data presented in the Report was collected from interviews with the Company's employees and managers, and from analyzing Company reports and documents. Matters of policy and work procedures that remained unchanged were presented anew. Also, in certain instances, data from 2011 were included for comparison. The reference point for the data is December 31st of each year.

Reports of the environmental effects and performance and the improvements in this area cover not only the aerial activity, but the main environmental issues resulting from the ground activity in El Al Campus. El Al Campus in Ben Gurion Airport includes a built area of approximately 81,111 square meters, on approximately 291,000 square meters ground. El Al has additional storage and operation areas in Ben Gurion Airport, not included in this report. The greenhouse gas emissions as a result of using jet fuel were calculated based on the uplift of El Al aircrafts. Naturally, each aircraft embarks with surplus fuel, in case the stay in the air will take longer than planned. In practice, the fuel intake is lower. Calculating the greenhouse gas emissions resulting from ground activity was according to the leading methodology in the field - GHG Protocol. This methodology required reporting by 2 complexes (complex 1 - emissions the reporting company is directly responsible for and complex 2 - emissions the reporting company is indirectly responsible for as a result of using electricity). Reporting of complex 3 (additional indirect emissions in the chain of supply) is considered optional and not included in this report.

For any question or matter regarding this Report and its content, please refer to:

Mr. Zvika Segal, Director of Corporate Responsibility and Community Relations in El Al zvise@elal.co.il

and/or Ivri Verbin, CEO for Good Vision, ivri@goodvision.co.il



Report Sections by the GRI

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures OUTPUT	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15		Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17		Same as requirement for Level B	
	G3 Management Approach Disclosures OUTPUT	Not Required	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured
	G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Responsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

*Sector supplement in final version

	Strategy and Analysis			
GRI Indicator	Description	Level of Reporting	Page	Explanation for Omission
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	fully	From our CEO 3	
1.2	Description of key impacts, risks, and opportunities.	fully	From our CEO, From our Director of Corporate Responsibility 3 , 4,	
	Organizational Profile			
2.1	Name of the organization.	fully	5	
2.2	Primary brands, products, and/or services.	fully	5	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	fully	9-15	
2.4	Location of organization's headquarters.	fully	5	

2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	fully	6-8	
2.6	Nature of ownership and legal form.	fully	5	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	fully	6-7	
2.8	Scale of the reporting organization, including number of employees, number of operations, net revenues, and quantity of products or services provided, etc.	fully	11-12, 6-7, 27	
2.9	Significant changes during the reporting period regarding size, structure, or ownership	fully	13	
2.10	Awards received in the reporting period.	fully	13-14	
	Report Parameters			
3.1	Reporting period.	fully	77	
3.2	Date of most recent previous report (if any).	fully	77	
3.3	Reporting cycle (annual, biennial, etc.)	fully	77	

3.4	Contact point for questions regarding the report or its contents.	fully	78	
3.5	Process for defining report content	fully	77	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	fully	77	
3.7	State any specific limitations on the scope or boundary of the report.	fully	77	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	fully	77	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	fully	77	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	fully	77	

3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	fully	77	
3.12	Table identifying the location of the Standard Disclosures in the report.	fully	80-102	
3.13	Policy and current practice with regard to seeking external assurance for the report.	fully	77-78	
	Governance, Commitments, and Engagement			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	fully	36-39	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	fully		In the reported years, managers in the company did not take part in the company's board.
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent	fully	36-37	

	and/or non-executive members.			
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	fully	38-40	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance.	fully	49-50	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	fully	40-41	
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	fully	36-38	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	fully	16, 26, 44-45, 50, 56, 66-67, 74-75	

4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	fully	37-38	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	fully		Processes for evaluating the board's performance do not take place.
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	not relevant		
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	fully	13, 28-29, 74-75	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	fully	8	

4.14	List of stakeholder groups engaged by the organization.	fully	15	
4.15	Basis for identification and selection of stakeholders with whom to engage.	fully	15	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	fully	15, 40, 57-58, 65	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	fully	15, 57-58, 65	
	Economic			
ECONOMIC PERFORMANCE				
ECMA	Disclosure of Management Approach	fully	5	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	partially	11	

EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	fully	3, 26-32	Evaluation of financial impact of climate change was made through EU-ETS mechanism
EC3	Coverage of the organization's defined benefit plan obligations.	fully	64-65	
EC4	Significant financial assistance received from government.	fully	12-13	
MARKET PRESENCE				
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	not reported		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	not reported		
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	not reported		
INDIRECT ECONOMIC IMPACTS				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	fully	16-25	

EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	not reported		
	Environmental			
ENMA	Disclosure of Management Approach	fully	26	
MATERIALS				
EN1	Materials used by weight or volume.	not reported		
EN2	Percentage of materials used that are recycled input materials.	not reported		
ENERGY				
EN3	Direct energy consumption by primary energy source.	fully	31	
EN4	Indirect energy consumption by primary source.	fully	30-32	
EN5	Energy saved due to conservation and efficiency improvements.	partially	27-28, 31	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	fully	27-28	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	not reported		

WATER				
EN8	Total water withdrawal by source.	fully	32	
EN9	Water sources significantly affected by withdrawal of water.	not relevant		
EN10	Percentage and total volume of water recycled and reused.	not reported		
BIODIVERSITY				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	not relevant		
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	not relevant		
EN13	Habitats protected or restored.	not relevant		
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	not relevant		
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations,	not relevant		

	by level of extinction risk.			
EMISSIONS, EFFLUENTS, AND WASTE				
EN16	Total direct and indirect greenhouse gas emissions by weight.	fully	26-27, 29-30	
EN17	Other relevant indirect greenhouse gas emissions by weight.	not reported		
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	fully	27-28, 31	
EN19	Emissions of ozone-depleting substances by weight.	fully	31	
EN20	NO, SO, and other significant air emissions by type and weight.	not reported		
EN21	Total water discharge by quality and destination.	fully	32	
EN22	Total weight of waste by type and disposal method.	fully	32-33	
EN23	Total number and volume of significant spills.	not reported		
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste	fully	32-33	

	shipped internationally.			
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	not relevant		
PRODUCTS AND SERVICES				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	fully	27-28	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	not relevant		
COMPLIANCE				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	fully		In the reported year there were no sanctions and fines due to environmental aspects.
TRANSPORT				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	fully	31-32	

OVERALL				
EN30	Total environmental protection expenditures and investments by type.	fully	30-35	
	Labor Practices and Decent Work			
LAMA	Disclosure of Management Approach	fully	51	
EMPLOYMENT				
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	fully	51-55	
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	partially	52	
LA3	Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation.	partially	63-65	
LA15	Return to work and retention rates after parental leave, by gender.	not reported		
LABOR/MANAGEMENT RELATIONS				
LA4	Percentage of employees covered by collective bargaining agreements.	fully	51-52	
LA5	Minimum notice period(s) regarding	not		

	operational changes, including whether it is specified in collective agreements.	reported		
OCCUPATIONAL HEALTH AND SAFETY				
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	fully	74-76	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	partially	76	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	fully	64, 76	
LA9	Health and safety topics covered in formal agreements with trade unions.			
TRAINING AND EDUCATION				
LA10	Average hours of training per year per employee by gender, and by employee category.	partially	62-63	

LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	fully	62-63	
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	partially	58-59	
DIVERSITY AND EQUAL OPPORTUNITY				
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	partially	36-37, 52	
EQUAL REMUNERATION FOR WOMEN AND MEN				
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	not reported		
	Human Rights			
HRMA	Disclosure of Management Approach	fully	44-46, 51, 65	
INVESTMENT AND PROCUREMENT PRACTICES				
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or	not reported		

	that have undergone human rights screening.			
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	not reported		
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	partially	46, 65	
NON-DISCRIMINATION				
HR4	Total number of incidents of discrimination and corrective actions taken.	fully	55	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING				
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	fully	65	
CHILD LABOR				
HR6	Operations and significant suppliers identified as having significant risk for	fully	65	

	incidents of child labor, and measures taken to contribute to the effective abolition of child labor.			
FORCED AND COMPULSORY LABOR				
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	fully	65	
SECURITY PRACTICES				
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	not reported		
INDIGENOUS RIGHTS				
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	not relevant		
ASSESSMENT				
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	not reported		

REMEDIATION				
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	partially	46-48, 65	
	Society			
מדד	תיאור			
SOMA	Disclosure of Management Approach	fully	15, 16, 41-43	
LOCAL COMMUNITY				
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	fully	16-25	
SO9	Operations with significant potential or actual negative impacts on local communities.	fully	34	
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	fully	34	
CORRUPTION				
SO2	Percentage and total number of business units analyzed for risks related to corruption.	partially	43	
SO3	Percentage of employees trained in	fully	46	

	organization's anti-corruption policies and procedures.			
SO4	Actions taken in response to incidents of corruption.	not reported		
PUBLIC POLICY				
SO5	Public policy positions and participation in public policy development and lobbying.	not reported		
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	fully		EI AI does not donate money to political parties, politicians etc.
ANTI-COMPETITIVE BEHAVIOR				
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	fully	46-49	
COMPLIANCE				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	fully	46-49	
	Product Responsibility			
PRMA	Disclosure of Management Approach	fully	66	
CUSTOMER HEALTH AND SAFETY				

PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	fully	74-75	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	not reported		
PRODUCT AND SERVICE LABELING				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	not reported		
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	not reported		
PR5	Practices related to customer satisfaction, including results of surveys	fully	67-68, 70	

	measuring customer satisfaction.			
MARKETING COMMUNICATIONS				
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	fully	72-73	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	not reported		
CUSTOMER PRIVACY				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	not reported		
COMPLIANCE				
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	fully	46-49	