

INNOVATIVE SOLUTIONS FOR ESG CHALLENGES

ELBIT SYSTEMS ESG REPORT 2019-2020



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INTRODUCTION BY THE PRESIDENT AND CEO

I am pleased to present our seventh biennial sustainability report, covering the years 2019 and 2020. As a company that aims to be a world-leading source of innovative, technology-based systems for diverse defense and civilian applications, excellence in our Environmental, Social and Governance (ESG) endeavors is a basic part of our business model.

We recognize climate change's impact on the world at large as well as our business activities and are engaged in a range of measures to lower our carbon footprint. As a result of recent major acquisitions, during 2019 and 2020 we significantly increased the number of our employees and facilities in Israel and the United States. We faced integration challenges to have these new facilities comply with our ESG goals and have the same health, safety and environment practices as our other facilities. Despite these challenges, I am pleased to note that during 2020 our overall GHG emission efficiency improved by 37% (versus 2015).

Governance is a cornerstone of our business. Our board follows robust governance practices, and we maintain best practices, policies and procedures that guide the ethical behavior of our directors, employees and supply chain.

In the social arena, our focus is to value our main asset, our employees, as well as to contribute to the communities in which we live and work. We, therefore, continue to promote innovation processes, improve employee development programs and implement efforts to increase gender diversity in our workforce, particularly in engineering and technical roles. Our projects in the local community include encouraging more women to enter technological fields as well as enhancing technology education in peripheral areas.

Since this report covers the period of 2019 and 2020, I would be remiss if I did not mention our undergoing activities to help combat the COVID-19 pandemic. Some examples of innovations we

created in 2020 to enhance the fight against COVID-19 include: the E-ReS system that measures patients' vital signs in real-time without the need for physical contact with medical staff, the EX-TEAMS mobile application to improve hospital staff communications and our adaptation of a lab testing device to analyze COVID-19 contamination. Moreover, we promoted several social activities to help minimize the negative impacts of the pandemic, such as volunteering to call homebound Holocaust survivors, donating computers to families in need to support learning from home and donating respiratory equipment to fight COVID-19 in India.

We have been promoting ESG initiatives for many years; however, I recognize that we still have much work to do to fully achieve our ESG targets and to contribute to the UN Sustainable Development Goals.

I thank you in advance for your interest in this report and welcome your feedback.

B. Machlis
Bezahel (Butzi) Machlis
Elbit Systems President and
Chief Executive Officer

ABOUT ELBIT SYSTEMS LTD.

We are an international publicly traded high technology company engaged in a wide range of programs that protect and enhance lives throughout the world. We develop and supply a broad portfolio of airborne, land and naval systems and products for defense, homeland security, cybersecurity and commercial applications. We provide new solutions and support services, including training and simulation systems. We are headquartered in Israel and maintain subsidiary operations in dozens of countries around the world, with a workforce at the end of 2020 of approximately 17,000 employees.

Our "one-company" approach of developing integrated and synergistic solutions that combine our different technologies positions us to meet evolving customer needs for greater safety, security, reliability and cost-efficiency. We tailor and adapt our technologies, integration skills, market knowledge and operationally proven systems to each customer's individual requirements.

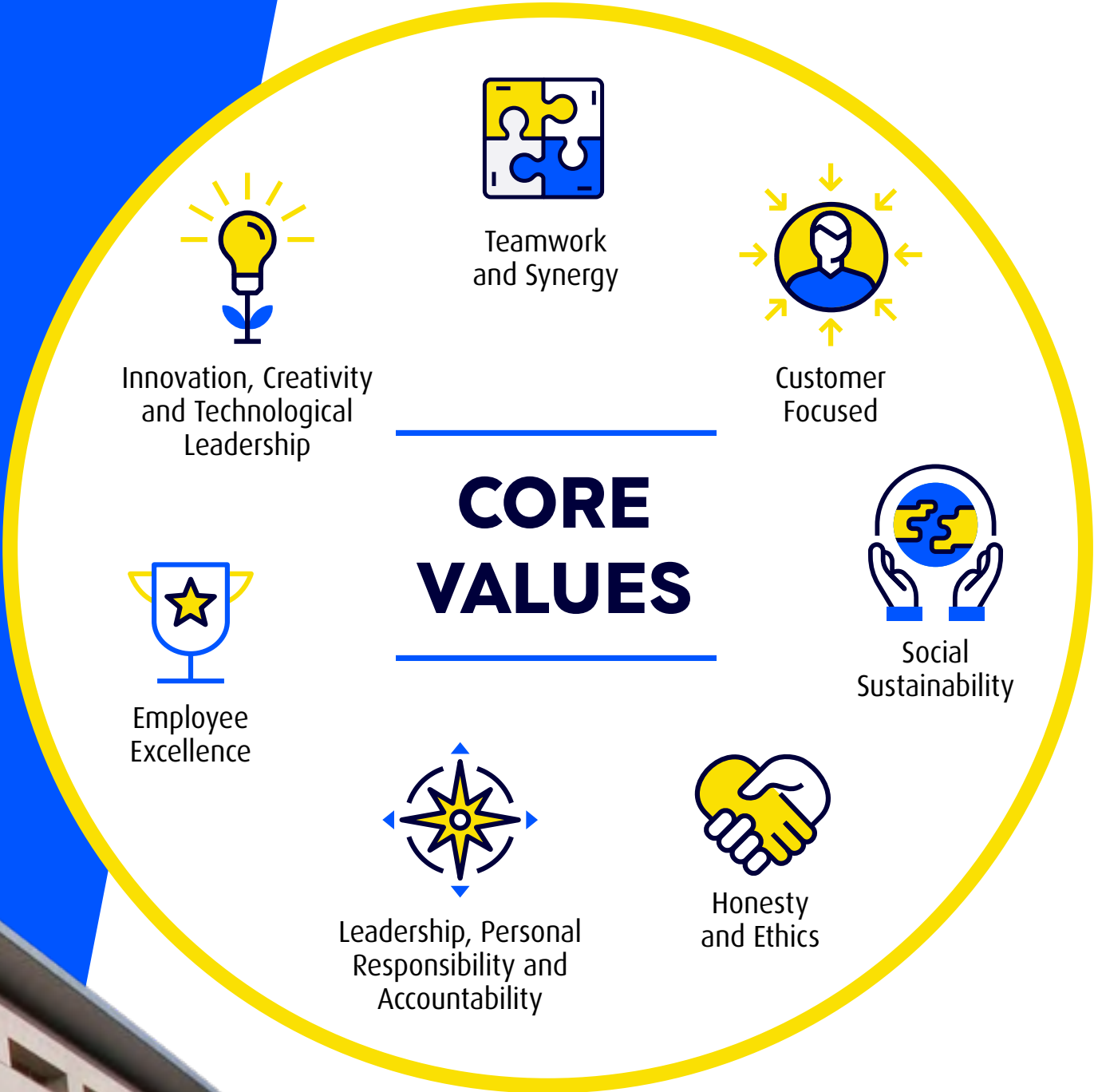
OUR LINES OF BUSINESS

AIRBORNE SYSTEMS	 Helicopter & Fixed-Wing HMD	 Avionics & Aircraft Upgrades	 Electronic Warfare	 Training & Simulation
C⁴ISR	 Command & Control Systems	 Advanced Comm's & Networks	 Naval and Maritime	 Unmanned Systems for Intelligence Operations
LAND	 Combat Vehicle Systems	 Artillery Systems	 Unmanned Ground Platforms	 Active Protection Systems
ELECTRO OPTICS	 Visual and Thermal Imaging	 Lasers & EO Counter Measures	 Integrated Payloads	 Space & Airborne ISR

Our customers are mainly from the defense and aviation sectors, and they are located worldwide.

OUR VISION

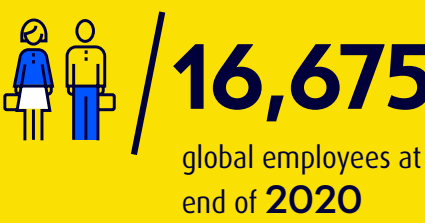
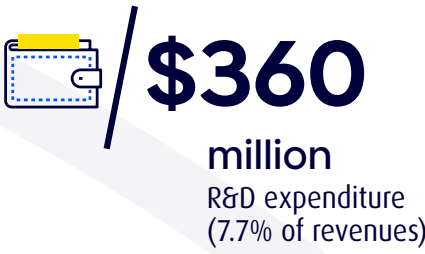
To be a **world leading source of innovative, technology-based systems** for diverse defense and civilian applications.



2020 HIGHLIGHTS

Material topics:

Economic performance, R&D and innovation



 **Michael Federmann**
Chair of the Board of
Directors

 **Bezhalet Machlis**
President and CEO



Employees

17 companies in our Incubit
technology incubator platform

76% of our employees
engaged in the satisfaction survey

+95% of employees
received anti-corruption training

0.65 global injuries per
200,000 hours in 2020



Customers

85% overall customer
satisfaction rating

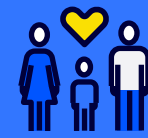
78% of our customers
provided direct feedback on
our quality and service



Environment

14% improvement in
energy consumption intensity in
2020 versus 2015

37% improvement
in greenhouse gas emission
intensity in 2020 versus 2015



Community

US\$ 1.87
million contributed to our
communities

>8,805 hours
volunteered by our employees
in the community



Suppliers

72% of our Israeli purchasing
expenditure was with Israeli suppliers

Membership of associations

IFBEC – International Forum of Business Ethical
Conduct of the U.S. and European Aerospace and
Defense Industries

Ethisphere – Elbit Systems of America attained
Ethisphere's Ethics Inside Certification



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ABOUT THE REPORT¹



This is the seventh biennial ESG Report (the Report) of Elbit Systems Ltd. (the “Company”), describing our approach to corporate responsibility and sustainability and the key actions we have taken since our last report to advance responsible practices in our business and enhance our impacts on society and the environment.

This report is prepared in accordance with the Global Reporting Index (GRI) Standards, Core Option. Unless otherwise specified, it covers our five primary operational geographies: Israel, the U.S., Brazil, Australia and the U.K., which represent more than 90% of our global workforce.

Our last report was released in 2019 (then called our “Social Sustainability Report”), and we continue to report every two years. Unless otherwise stated, data and information in this Report are for the calendar years 2019 and 2020. All

reported data is verified internally prior to publication; we do not employ external verification.

In developing the content for this Report, we considered input from employees as well as from other stakeholders, such as our board of directors, customers, supply chain, shareholders and governmental regulators, through periodic communications with them. A Reporting Steering Committee, headed by senior representatives of executive management, determined the selection of content for this Report, based on the advice of internal and external experts who evaluated the sustainability context and performed a benchmark study and an internal review of Elbit Systems’ most material sustainability impacts.

Our material ESG topics, which are also a priority for our ESG strategy, are described in the table on the next page.

Although there are some changes in our material topics from the previous report, the content of the Report continues to cover all topics addressed in the past.

Detailed financial information is not included in this Report. Our annual reports to the U.S. Securities and Exchange Commission on Form 20-F, including our consolidated financial statements, are available on our corporate website: www.elbitsystems.com.

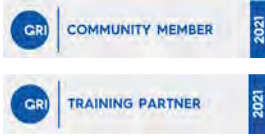
Contact for Feedback:


We welcome your queries, suggestions, comments and feedback to:


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The report was written with support of BDO Consulting’s CSR & Sustainability Unit.

The Unit is an exclusive training partner of GRI Organization in Israel, and the consultant team undergo special training for this.



	Material topic	Explanation
 Governance and economy	Corporate governance, ESG risk management and business ethics	Maintaining proper corporate governance to manage key ESG risks such as climate change, working conditions, and human rights, and implementing the code of conduct across all Company operations. This topic includes practices related to the prevention of bribery and corruption, regulatory compliance and embedding values such as integrity, fairness, reliability and professionalism in all of the Company’s operations.
	Economic performance, R&D and innovation	Improving economic performance and creating shared value through investment in R&D, sustainable innovation and collaborations and partnerships with relevant start-up companies and academic institutions.
	Business continuity	Promoting business continuity in emergencies and crises, such as COVID-19, natural disasters and fatal accidents, and maintaining our operations.

	Material topic	Explanation
 Social	Cybersecurity	Protecting the security of confidential data to prevent and avoid data loss and theft, including maintaining the privacy of individuals.
	Product quality and customer service	Providing safe and top-quality products; offering high-quality customer support and responsiveness.
	Responsible supply chain	Conducting responsible business with suppliers and subcontractors, respecting their rights, promoting local and social procurement and integrating environmental and social considerations throughout the supply chain and our offset activities.
	Responsible employment, diversity, and equal opportunities	Promoting employee satisfaction and retention through attractive employment conditions, freedom of association, a good and diverse work environment, training and career paths for talented employees.
	Health and safety	Maintaining a safe and healthy workforce and workplace using ergonomic practices, providing proper equipment, and promoting worker resilience and well-being.

	Material topic	Explanation
 Environment	Responsible resource consumption, emissions reduction and environmental management	Reducing resource usage and emissions through energy and water efficiency practices and waste and effluent management; strengthening proper management of climate change risks and opportunities.
	Hazardous chemicals and materials	Responsible usage and treatment of hazardous materials and chemicals which are parts or byproducts of production processes.

This Report is designed for online viewing. We have not printed hard copies.

The name “Elbit Systems,” our logo, and our brand, product, service and process names appearing in this Report are the trademarks of the Company or our affiliated companies. All other brand, product, service and process names appearing in this document are the trademarks of their respective holders and appear for informational purposes only. Reference to or use of any third-party mark, product, service or process name herein does not imply any recommendation, approval, affiliation or sponsorship of any product or service of that mark. Nothing contained herein shall be construed as conferring by implication, estoppel or otherwise any license or right under any patent, copyright, trademark or other intellectual property right of the Company or any of our affiliated companies.

This report may contain forward looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended and the Israeli Securities Law, 1968) regarding Elbit Systems Ltd. and/or its subsidiaries (collectively the Company), to the extent such statements do not relate to historical or current facts. Forward-looking statements are based on management’s current expectations, estimates, projections and assumptions about future events. Forward looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions about the Company, which are difficult to predict, including projections of the Company’s future financial results, its anticipated growth strategies and anticipated trends in its business. Therefore, actual future results, performance and trends may differ materially from these forward looking statements due to a variety of factors, including, without limitation: scope and length of customer contracts; governmental regulations and approvals; changes in governmental budgeting priorities; general market, political and economic conditions in the countries in which the Company operates or sells, including Israel and the United States among others; changes in global health and macro-economic conditions; differences in anticipated and actual program performance, including the ability to perform under long-term fixed-price contracts; changes in the competitive environment; and the outcome of legal and/or regulatory proceedings. The factors listed above are not all-inclusive, and further information is contained in Elbit Systems Ltd.’s latest annual report on Form 20-F, which is on file with the U.S. Securities and Exchange Commission. All forward looking statements speak only as of the date of this report. Although the Company believes the expectations reflected in the forward-looking statements contained herein are reasonable, it cannot guarantee future results, level of activity, performance or achievements. Moreover, neither the Company nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. The Company does not undertake to update its forward-looking statements.

¹ 102-45, 102-46, 102-47, 102-49, 102-50

ESG STRATEGY



Sustainable and responsible business conduct at Elbit Systems is important to our long-term success because it helps us become a better and more resilient business. Increasingly, our customers and other stakeholders are demanding greater transparency on ESG matters. We also continue to address ESG risks in our business in order to protect our reputation, operations, employees and business partners.

Our ESG approach is led by a global Steering Committee comprised of senior business and corporate function leaders. Members of the Steering Committee

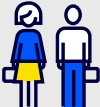


include our Executive Vice Presidents of Operations, Human Resources, R&D and Compliance, as well as our Corporate Secretary, our Company Spokesperson and subject matter experts in our Operations, HR and Legal Departments. The Steering Committee meets up several times a year to direct strategy, review progress, advance performance and support communications. Our ESG risks, opportunities and management strategies are reviewed annually by executive management and our board of directors.

The Steering Team is also responsible for periodically selecting and identifying stakeholders with which the Company engages on ESG issues, including customers, supply chain members, regulators, shareholders and local communities.²

Our ESG priorities aim to address the concerns and expectations of our stakeholders.³

The employee, customer and suppliers engagement approach is based on our annual surveys.⁴

Expectations of key stakeholders⁵

Stakeholder	Engagement channels	Key ESG topics raised
 Employees	Employee survey	<ul style="list-style-type: none">• Positive workplace culture• Opportunities for personal and professional development• Communication and information
 Customers	Customer survey	<ul style="list-style-type: none">• Innovative integrated solutions that provide cost-efficient value• Environmental sustainability• Outstanding customer service• Ethics and anti-bribery compliance
 Supply chain	Supplier survey	<ul style="list-style-type: none">• Fair and ethical dealing• Partnership approach• Opportunities to support innovation• Technology development

SUPPORTING THE SUSTAINABLE DEVELOPMENT GOALS

Following the adoption of the Sustainable Development Goals (SDGs) by the United Nations in 2015, we examined our sustainability priorities and their alignment with the SDGs. We understand that we have both an obligation and an opportunity, in supporting the SDGs, to promote prosperity for people and

the planet, and we believe we make an important contribution by protecting and enhancing lives through innovation and responsible business conduct. We have identified, in particular, four of the 17 goals where Elbit Systems advances the SDGs through our core business.



How we advance the SDGs



We drive innovation that protects and enhances lives through effective homeland defense, cybersecurity and flight safety. Our innovations in critical communications and imaging technologies, infrastructure protection and flight reliability and visibility make many aspects of life safer for citizens and represent a key contribution to the security of our cities and communities in many countries around the world.



Our advanced technologies are applied in several ways to support smart-city development and critical infrastructure security, protecting and saving lives while providing optimum command and control public security solutions for crisis management, safe cities, events management and medical teams.



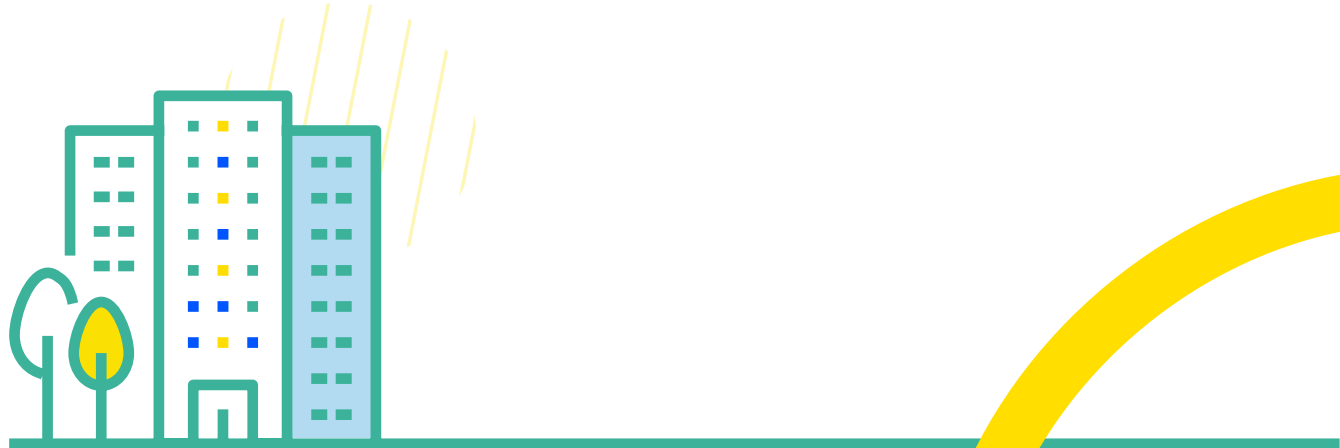
We make a positive economic contribution in the countries where we operate, engaging with multiple suppliers and partners to advance the development and uptake of technology, training customers to deploy new technology, employing thousands of individuals, improving their skills and maintaining responsible and transparent business practices.



We manage our resources efficiently and continually strive to reduce our consumption of energy, water and other materials while reducing our impact on climate change and generating less waste.

² 102-42, ³ 102-40, ⁴ 102-43, ⁵ 102-44

OUR 2020 STRATEGY RESULTS






Topic	Goal	Target	Results
Homeland defense and cybersecurity	Solutions to improve safety and security of first responders and society.	Continue to develop cutting-edge solutions for customers around the world.	Solutions developed and offered within our homeland security offerings include: an anti-missile warning system, technology that detects and intercepts anti-tank threats, a laser system for intercepting rockets, products that improve night vision, ARTIST™ (Augmented Reality Integrated Training System), Hermes and the 900 StarLiner, “safe city” command and control systems and cyber protection systems.
Civilian flight safety and security	Resource-efficient solutions to improve flight safety and security.	Expand portfolio of leading-edge solutions to commercial aviation customers around the world.	Our flight safety offerings include: directed infrared countermeasures (DIRCM) systems, such as J-MUSIC™, for defense of civilian aircraft from missiles; InSight™ and SkyLens™, which support flight management by pilots through augmented reality, improving flight safety; and ClearVision™ Interactive-FMS (Flight Management System).
Sustainable innovation	Continued investment in breakthrough technological solutions that help protect and save lives.	Expand delivery of technology-based solutions to commercial customers around the world.	The Incubit technology incubator is involved in solutions in several areas, such as elderly wellbeing, green construction and alternative fuel. COVID-related initiatives such as the E-ReS system, the EX-TEAMS and adaptation of a lab testing device to analyze COVID-19 contamination.
		Expand employee innovation programs.	The main employee innovation program is iLeaders, which engaged about 100 employees over the last 4 years.
Product quality and customer service	Improve customer satisfaction.	Improve overall customer satisfaction rating by 5% by 2020 (vs. 2014 baseline).	Customer satisfaction approximately 85% in our new customer survey ⁶
	Expand quantity and quality of customer feedback.	Receive direct feedback from 75% of key customers by 2020.	We received direct feedback from 78% of key customers in 2019 and 2020.

Topic	Goal	Target	Results
Employee satisfaction	Higher employee engagement and satisfaction.	10% improvement in employee satisfaction by 2020 (vs. 2013 baseline).	28% improvement in 2020 versus 2013 survey.
Employee health and safety	Improve employee safety.	Reduce work injury rate by 15% by 2020 (vs. 2013 baseline).	Reduction in work injury rate of 20% in 2020 versus 2013.
		Reduce rate of work days lost due to injury by 20% by 2020 (vs. 2013 baseline).	Increase of 40% in lost days in 2020 versus 2013.
Resource consumption and emissions	Reduce electricity consumption.	Improve electricity consumption intensity by 5% by 2020 (vs. 2015 baseline).	Increased by 4% in 2020 versus 2015 (MWh/m²)
	Reduce GHG emissions.	Improve GHG emissions intensity by 7% by 2020 (vs. 2015 baseline).	Improved by 37% in 2020 versus 2015 (tons CO ₂ e/m²).
	Reduce water consumption.	Improve water consumption intensity by 5% by 2020 (vs. 2015 baseline).	Increased by 188% in 2020 versus 2015 (m³/employee) due to operational changes.
Ethical conduct	Reduce risk of unethical behavior.	Provide anti-corruption and ethics training to 100% of employees every 2 years.	95% and 96% of employees reached in 2019 and 2020, respectively.
		Perform annual ethical risk assessments at all operational sites.	Annual risk reviews for all sites performed in 2019-2020. In 2020 we performed online reviews, due to the COVID-19 pandemic.
Supplier conduct	Improve ethical awareness and conduct of suppliers.	Commitment by suppliers to uphold ethical practices.	100% of our suppliers have received and acknowledged our Supplier Code of Conduct.
Advancing technology education	Improved technological resilience and capability in local communities.	Active programs in place supporting technology education in Israel, Brazil and the U.S.	Maintained programs in Israel, such as Taasyeda and Babushka.

⁶ Since we implemented a new methodology in our customer satisfaction survey, the comparison versus 2014 is not relevant anymore. See additional information in the section "Quality and customer satisfaction".

OUR 2021-2025 STRATEGY

	Topic	Goal	Target
 Governance and economy	Corporate governance, ESG risk management, and business ethics	Reduce risk of unethical behavior.	Provide anti-corruption and ethics training to 100% of employees every 2 years. Perform annual ethical risk assessments at all operational sites.
	Economic performance, R&D, and innovation	Continued investment in breakthrough R&D, and innovation activities that help protect and save lives according governmental directives.	Expand portfolio and a variety of leading-edge new solutions
 Social	Cybersecurity	Improve cybersecurity maturity level/posture	Mitigate 80% of high-level risks identified at cross-organizational cyber risk assessments by 2023.
	Product quality and customer service	Improve customer satisfaction.	Improve overall customer satisfaction rating by 5% by 2023 (vs. 2020 baseline).
		Expand quantity and quality of customer feedback.	Receive direct feedback from 80 % of key customers by 2022.
	Responsible supply chain	Minority owned businesses	Business developments with an external minority owned engineering companies – increase business volume by 50% during 2021
	Supplier conduct	Improve ethical awareness and conduct of suppliers.	Commitment by suppliers to uphold ethical practices.
	Spending with locally owned businesses	Improve awareness of the Elbit procurement organizations to the importance of responsible supply chain spending with locally owned business	Give preference to local suppliers sourcing.
	Conflict minerals	Expand the CM process involving additional Elbit subsidiaries	Questionnaires to be distributed among 800 suppliers during each year.
	Conflict minerals	Corrective actions to suppliers using smelters at risk	Limit the use of smelters at risk by suppliers.
	Responsible employment, diversity, and equal opportunities	Increase gender diversity.	By 2023, reach 26% of women in the workforce.
	Health and safety	Improve employee safety	Reduce work injury rate by 20% by 2021 (vs. 2020 baseline).
			Reduce rate of work days lost due to injury by 20% by 2021 (vs. 2020 baseline).
	Advancing technology education	Improved technological resilience and capability in local communities.	Active programs in place supporting technology education in Israel, Brazil, and the U.S.

	Topic	Goal	Target
 Environment	Responsible resource consumption, emissions reduction, and environmental management	Install solar panels at two of our main sites in Israel.	Start generating 3.6MW of renewable energy in 2022.
		Increase the use of electric cars.	Reach 750 electric cars by 2025.
		Report according to the TCFD.	Report according to the TCFD by 2024.
		Reduce electricity consumption (kWh/m²) - Scope 2	Reduce by 5% by 2022 (vs. 2020 baseline)
		Reduce fuel consumption (liter/car) - Scope 1	Reduce by 5% by 2022 (vs. 2020 baseline)
		Reduce CO ₂ -eq emissions (ton/dunam) – Scope 1 & 2	Reduce by 5% by 2022 (vs. 2020 baseline)
		Reduce absolute CO ₂ -eq emissions (ton) – Scope 2 only	Reduce by 12% by 2025 (vs. 2020 baseline)
		Reduce water consumption (m³/employee)	Reduce by 5% by 2022 (vs. 2020 baseline)
		Increase rate of recycling	Reach minimum 40% of total waste to recycling as opposed to landfill





SOLUTIONS TO PROTECT AND ENHANCE LIVES

Material topics:
Product quality and customer service, economic performance, R&D and innovation

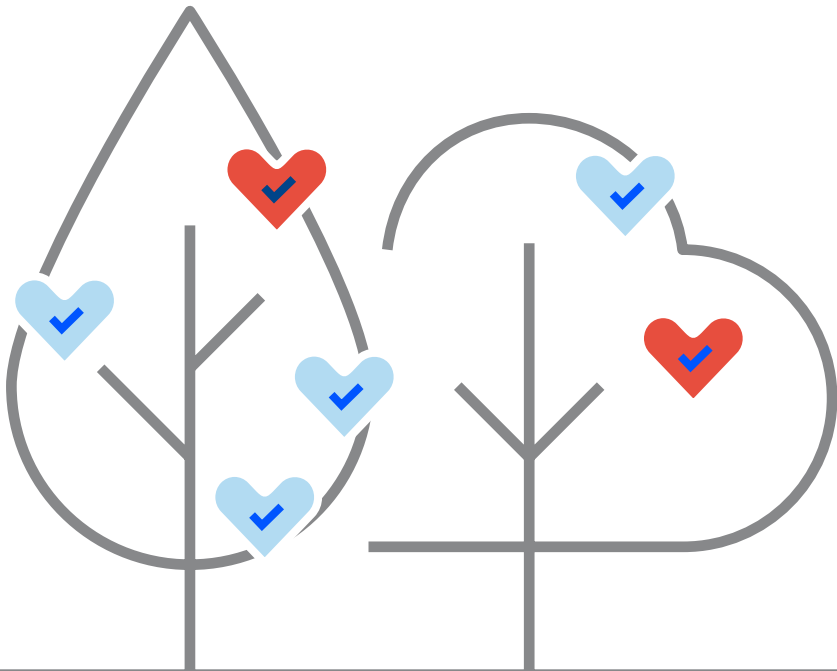
Today’s world faces ever-evolving threats to our communities and to those who devote their lives to protecting us. Many of the technologies developed at Elbit Systems were, in the first instance, a response to the need to improve the effectiveness and safety of the women and men serving in the defense and security forces of various nations. In recent years, we are increasingly deploying our technologies to protect and enhance the lives of civilians as well. This includes applications to make cities smarter, improve the reliability and safety of commercial aviation, secure borders and provide enhanced tools that give police, firefighters and other first responders the ability to provide decisive support for victims of crises and emergencies. The integrated capabilities of Elbit Systems enable us to combine the best of existing and new technologies to help protect, save and enhance lives.

Innovation is a core building block of our business, with approximately 8% of our revenues reinvested in research and developing new solutions for our customers each year. Our approach to innovation is deliberate, engaging

our employees through exposure to training and tools such as Innovation Leaders’ Training (iLeaders), hackathons and other opportunities to learn and apply new technologies. We also seek to collaborate with others in different forms of partnerships and initiatives. We maintain several collaboration engagements with startups, incubators, universities and research institutes.

A key initiative that we founded a decade ago is our subsidiary Incubit Ventures, an incubator operating within the Israeli Innovation Authority (IIA) incubators program. Our investment focuses on

early-stage startups, with up to US\$1 million equity investment over two years, plus additional practical support and services such as office and laboratories, accounting and legal services, business and marketing mentoring and supporting future rounds of investments. Through 2020, we invested in 17 startups, several of which have social and/or environmental value, in addition to their business value and groundbreaking technological capabilities. Since its beginning in 2011, the incubator’s start-ups have registered 43 patents.



Examples of leading companies that participated in Incubit Ventures in 2019 - 2020:

GreenVibe:

The company developed and launched a leading technology for the construction industry, which aims to utilize cloud-based data analytics to enhance process efficiency and save time and major costs for construction sites. The company’s main focus is on enhancing the construction process by measuring concrete strength and other properties using advanced technologies. Sensors are placed inside the concrete poured on site, providing measurements of concrete strength, humidity, temperature and conductance.

NewRocket:

The company developed and launched a new, more sustainable generation of rocket engines. While conventional fuels used in the aviation industry are highly toxic, the company’s gel-based fuel combines the advantages of existing solutions, without compromising on full rocket control and high performance. The gel propellant is non-toxic compared to the liquid version and safer compared to solid fuels. Moreover, NewRocket’s solution can serve different types and sizes of satellites, and can be adapted for other uses in the space and aviation arena. By the end of 2020, the company had signed contracts with leading companies in the field around the world, and performed a number of projects.



THE ARTIFICIAL INTELLIGENCE REVOLUTION

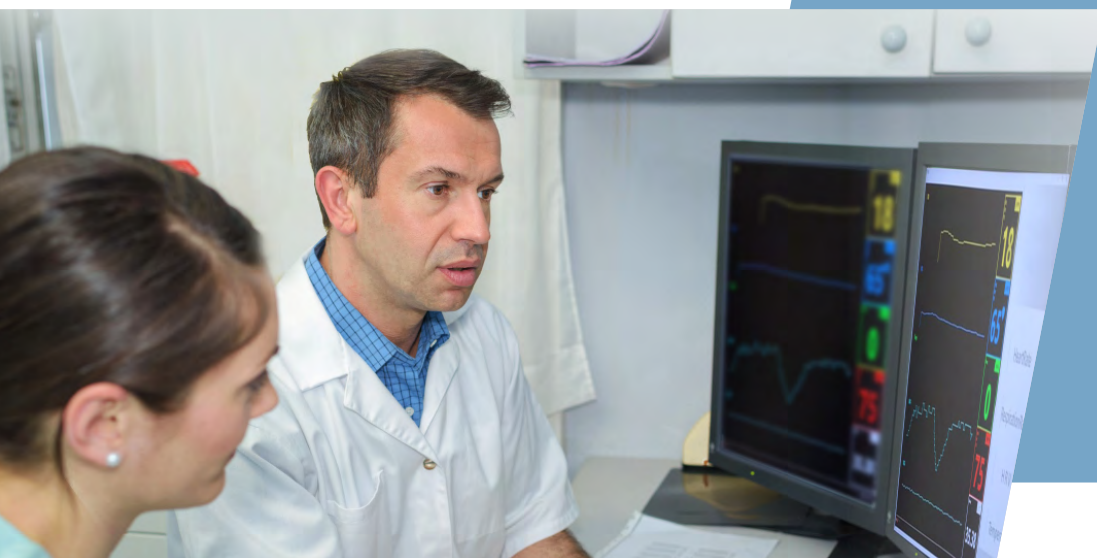
Clearly, some intelligence tasks are easier for machines than for humans. Accordingly, we analyze our products to understand where we should use our human assets and where we can be more efficient and secure through the use of artificial intelligence (AI). In a broad sense, we believe that AI can improve precision, reduce errors, speed up data analysis, improve decision making and increase productivity and quality in production. We are therefore developing systems capable of identifying and analyzing images, objects and sounds,

and even of making decisions, without human involvement.

In 2019 and 2020, we decided to reinforce our infrastructure for knowledge sharing, research and training on AI, in order to expand the range of products and projects that incorporate this technology. One example is DAITA, the unified data center, powered by the Graphics Processing Unit (GPU), which aims to unify data across the organization and various projects.

To continue to evolve in this field, we won a tender issued by the Israeli Innovation Authority and the Ministry of Economy to establish and lead the AI Academy (AIA), together with other

companies. In its first year, AIA will train more than 200 engineers (70 from Elbit Systems) for four months. This initiative aims for the participants to become AI researchers, software engineers and system engineers.



MAKING SPACE MORE ACCESSIBLE

As part of a project initiated by the BIRD Foundation, in December 2019 Elbit Systems launched its first nanosatellite, called NANOVA, into space. NANOVA is a powerful solution for search and rescue, emergency communications in remote areas, logistical management

and monitoring of maritime fleets and machine-to-machine monitoring.

Weighing just 5 kilograms and the size of a juice carton, NANOVA hosts an ultra-high frequency (UHF) communication payload providing a direct satellite link for data, voice and text messaging.

In addition to lower consumption of natural resources, the weight and

size of the nanosatellite give it many advantages compared to traditional satellites, such as more affordable prices for areas with limited or no satellite coverage, shorter development time and less dependence on intermediaries to launch and control the satellite, which increases data security and opens the market to competition.



FEELING THE REALITY IN TRAINING

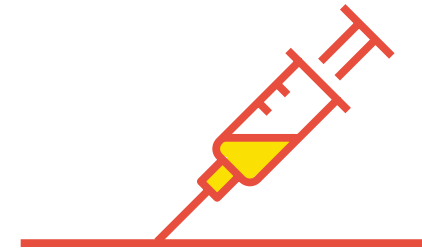
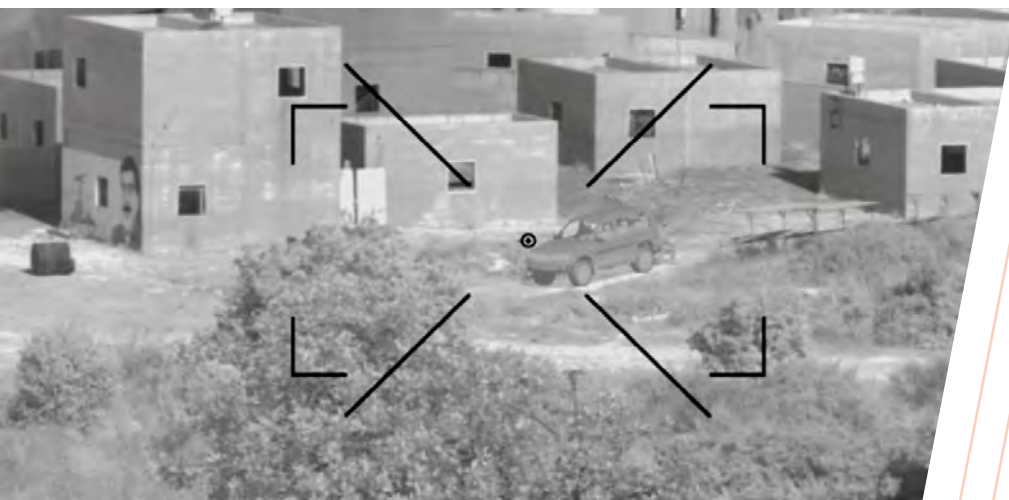
Being prepared for challenging situations is fundamental to protecting soldiers in battle. ARTIST™ (Augmented Reality Integrated Training Systems) integrates live and virtual training methods to

create a training solution that overcomes the limitations of live training.

ARTIST™ creates real-life mission-training scenarios for combat vehicles and operators of electro-optic sensors. This system trains soldiers to detect and recognize authentic virtual opposing forces and implement firing procedures

and protocols. The platform supports day and night situations, as well as different battle formats (e.g. single vehicle and combined-arms formations).

Augmented reality training reduces training costs, enhances training efficiency and minimizes potential safety implications.



PROTECTING HEALTH CARE PROVIDERS

The COVID-19 pandemic posed many challenges to medical staff, including the admission of patients to emergency rooms while protecting staff and other patients from the virus.

With this in mind, we created and tested the E-ReS system, a new technology equipped with miniature radar, electro-optic sensors, cameras and algorithms to measure patients' vital signs in real

time. In less than one minute, E-Res accurately measures respiration, pulse and temperature from a safe distance and without the need to physically expose the health care provider. The system can also perform analytical procedures providing screening for patient evaluation.

Improving communications to cope with COVID-19

In a hospital, communication is a key element in responding immediately to emergencies and saving lives. To

improve communication for hospital staff, we adapted security technology for this purpose, creating EX-TEAMS.

EX-TEAMS is a cloud-based application installed on the personal mobile phones of hospital team members. It enables staff to share location-based personal data, as well as voice, picture, video and text messages, even when they are not in the hospital. Beyond the greater flexibility and efficiency, the system also improves security, as all transmitted information is encrypted.

SOCIAL RESPONSIBILITY IN MEDICAL INSTRUMENTATION

COVID-19 has dominated headlines for the better part of two years and continues to pose a threat and challenge to the global community. At the end of 2019

and into early 2020, KMC Systems, the medical instrumentation division of our U.S. subsidiary, Elbit Systems of America, along with a leading life sciences diagnostic company, collaborated to turn an existing lab testing device into a product adapted specifically for the testing of COVID-19.

Once the device received approval for use, demand for production and

manufacturing increased substantially, with normal equipment order volumes quadrupling. KMC sources the vast majority of its materials from U.S. providers, making up 90% of supplies, and a significant portion of that is sourced locally within New England. As orders continued to be placed, KMC was able to double its manufacturing staff to keep up with demand, soon adding in second and third shifts to allow the product to be made around the clock.

This increase in staff also came with challenges, as building safety protocols were updated and adapted to account for social distancing measures and mask mandates to keep KMC employees safe and healthy.

While the world's attention and focus in 2020 was centered on COVID testing, this was by no means the only product that KMC was producing to support better patient outcomes. In fact, by the end of the year, over 2,300 KMC-built instruments had been installed globally that, at full test capacity, could test 1 billion people. These instruments are capable of testing for COVID-19 and cancers, as well as other critical illnesses and allergies, ultimately helping to diagnose and improve patient care around the world.



MORE EFFECTIVE FIRE FIGHTING

In 2019 and 2020, the world registered its worst-ever wildfire seasons in many regions, such as California, Oregon, Washington, the Amazon, Indonesia and Siberia. Analyses show that climate change is driving an increase in the weather conditions conducive to wildfires.

In this context, aerial firefighting is becoming an increasingly vital tool. However, firefighting aircrafts have limitations: they are unable to fly at low altitudes, over rough terrain and in

severe smoke and weather conditions without causing serious risk to the aircraft and the crew. This means that in many cases, mainly at night, firefighting can only be conducted on the ground, greatly extending the time required to extinguish the fires and increasing the risk to firefighters.

To address these aerial firefighting challenges, Elbit Systems developed HyDrop™, a system of fire extinguishing pellets that can be dropped from either airplanes or helicopters. The pellets, which contain water and fire retardants, are designed for precision delivery from high altitudes. Easily ejected from a




custom dispenser that is loaded into a conventional cargo aircraft, HyDrop™ pellets enhance aerial firefighting capabilities, providing greater protection for forests and firefighters.

The HyDrop™ computerized delivery system calculates the ballistic trajectory as the aircraft flies at altitudes of up to 3,000 feet, accurately delivering its payload on target. The pellets are made of a special polymer compound and are certified biodegradable, further acting as a fertilizer on the ground, which helps restore the natural environment after the fire.




TARGETS

2020

Topic	Goal	Target	Results
 Homeland defense and cybersecurity	Solutions to improve safety and security of first responders and society.	Continue to develop cutting-edge solutions for customers around the world.	Solutions developed and offered within our homeland security offerings include: an anti-missile warning system, technology to detect and intercept anti-tank threats, a laser system for intercepting rockets, products to improve night vision, ARTIST™ (Augmented Reality Integrated Training System), Hermes™ and the 900 StarLiner.
 Civilian flight safety and security	Resource-efficient solutions to improve flight safety and security.	Expand portfolio of leading-edge solutions to commercial aviation customers around the world.	Our flight safety offerings include: directed infrared countermeasures (DIRCM) systems, such as J-MUSIC™, for defense of civilian aircraft from missiles; InSight™ and SkyLens™, which support flight management by pilots through augmented reality, improving flight safety; and ClearVision™ Interactive-FMS (Flight Management System).
 Sustainable innovation	Continued investment in breakthrough technological solutions that help protect and save lives.	Expand delivery of technology-based solutions to commercial customers around the world.	The Incubit technology incubator is involved in solutions in several areas, such as elderly wellbeing, green construction and alternative fuel. Covid-related initiatives such as the E-ReS system, the EX-TEAMS and adaptation of a lab testing device to analyze COVID-19 contamination.

2021-2025

Category	Topic	Goal	Target
 Governance and economy	Economic performance, R&D, and innovation	Continued investment in breakthrough R&D, and innovation activities that help protect and save lives according the governmental directives.	Expand portfolio and variety of leading-edge new solutions





SUSTAINABLE OPERATIONS

Our impact as a business is derived not only from our innovation, which protects and enhances lives, but also from the way we conduct ourselves as a responsible business. We aim to maintain an ethical, compliant and sustainable approach throughout our business activities.



CORPORATE GOVERNANCE AND BUSINESS ETHICS

Material topics:
Corporate governance and ethics and ESG risk management

CORPORATE GOVERNANCE

As a company whose shares are publicly traded on the NASDAQ and on the Tel Aviv Stock Exchange (TASE), we follow a range of corporate governance best practices.

Independence, diversity and experience

Elbit Systems’ board of directors (the Board) is composed of nine directors, the majority of whom (five out of nine) meet the independence criteria of both NASDAQ and the Israeli Companies Law. Two of the independent directors also meet the stringent independence criteria for “External Directors” under Israeli law. Each of the Board’s three committees – the Audit and Financial Statements Review Committee (Audit Committee), the Corporate Governance and Nominating Committee⁷ (CGN Committee), and the Compensation Committee – consists entirely of independent directors. External Directors chair the Audit Committee and the Compensation Committee.

The Board’s committees operate in accordance with publicly disclosed charters. The charter of the CGN Committee contains a Director Independence Statement, a gender diversity policy (three of the current directors are women, including one of the two External Directors), a Board

meeting participation policy (in 2020 there was an average participation rate of 98.6%), and a limit of membership on no more than four boards of other publicly traded companies on which an Elbit Systems director may serve. Regarding age diversity, three directors are between 45 and 60 years old, and six are above 60 years old.

The Board chair is not an executive officer of the Company, although he is not considered “independent” due to his shareholder interest.

Our directors have a range of senior governmental, industry and academic experience. Two of our directors have been determined to have “financial and accounting expertise,” and all of the other directors have been determined to meet the financial “professional competence” criteria under Israeli law. None of our directors serves in an executive managerial capacity at the Company. The average board tenure of our directors in 2020 was 10 years. Our directors are elected annually by our shareholders, with the exception of the External Directors, who are elected by

the shareholders for three-year terms in accordance with the Israeli Companies Law.

Focus on compliance and avoidance of conflicts of interest

Our Board and its committees conduct periodic reviews of the Board’s practices as well as of updates to Board-related charters. Board practices are reviewed as part of our internal audit program.

Our Board is sensitive to potential conflicts of interest. Transactions of the Company in which a director or executive officer may have a potential personal interest undergo review and approval processes by our Audit Committee and/or Compensation Committee, the Board and, in some cases, our shareholders, all in accordance with applicable regulatory requirements. Our Audit Committee also oversees our whistleblower and investigations process and reviews major ethics matters. All of our directors undergo ethics, anti-bribery and corruption compliance as well as other ESG-related training.

⁷ The Corporate Governance and Nominating Committee was established in 2021.

Compensation policy

The Board and its Compensation Committee oversee our compensation policy for directors and executive officers (Compensation Policy), which is approved at least every three years by our shareholders, as required by Israeli law.

All of our directors are compensated in accordance with standard compensation rates for External Directors under Israeli law, which include an annual fee and per-meeting fees. The Compensation Policy is designed to align the compensation of executive officers (including our President and CEO) with the Company's goals and work plan, from both a short-term and a long-term perspective. The Compensation Policy establishes limits on executive officers' remuneration with respect to salary, stock options and bonuses. The annual bonuses are tied to achievement of specific targets, and in some cases the targets are linked to ESG goals, such as level of ethics training and enhanced compliance.

ESG risk management

Our Board monitors our ESG-related activities and risks on both a quarterly and annual basis. In addition, the Board directly approves aspects of our ESG programs, including our Code of Business Conduct and Ethics, our Human Rights Statement and our Compensation Policy, as well as Board-related corporate

governance policies, including diversity and independence of directors. Moreover, as part of the Board's oversight of risk management, the Audit Committee periodically reviews major risks, including ESG-related risks.

Our ESG activities and risks are managed by a senior management steering committee, led by our Executive Vice President (EVP) and Chief Operating Officer (in the areas of environment, health and safety, the supply chain and operational excellence), our EVP of Human Resources (in the areas of fair labor practices, employee development, diversity and community engagement), our EVP and Chief Technology Officer (in the area of innovation), and our EVP and Chief Compliance Officer (in the areas of corporate governance, ethics and prevention of bribery).

BUSINESS ETHICS



Ethical conduct is a cornerstone of our business practices, one of our core values and the basis for generating trust among our customers, supply chain, employees and other business partners and stakeholders.

With thousands of employees and worldwide operations, instilling a culture of ethical conduct and zero tolerance for bribery, corruption, fraud, extortion, discrimination and harassment helps safeguard our business and provide a positive working environment.

Ethics policies – wide ranging and regularly updated

Our ethics policies apply to our board of directors, officers and employees worldwide. We also require our supply chain and offset activities (customer obligated purchases, investments and related activities) to follow ethical practices. Our ethics policies cover a wide range of areas, including, among others, conflicts of interest, prevention of bribery and corruption, gifts and entertainment, human rights, fair labor practices, harassment and workplace bullying, lobbying, political activities and contributions, charitable contributions, insider trading, treatment of sensitive and proprietary information, fair competition, privacy and nepotism. Additional ethics-related areas addressed in our policies regarding our supply chain and offset compliance activities include modern slavery and human trafficking, child labor, responsible sourcing of materials, including conflict minerals, counterfeit parts and environment, health and safety.

We publish our primary ethics-related policies and procedures on our website. They include our Code of Business Conduct and Ethics (Ethics Code), Whistleblower and Investigations Procedure (WIP), Anti-Bribery and Corruption Compliance Policy (ABCC Policy), Anti-Bribery and Corruption Due Diligence Procedure (DD Procedure), Business Entertainment and Gifts Policy, Supplier Code of Conduct (Supplier Code), Human Rights Statement and Conflict Minerals Policy.

We regularly review and update these policies and procedures to reflect evolving regulations, best practices and risk management considerations. As part of our risk management processes, we conduct quarterly as well as annual reviews of ethics-related risks. In the last two years, we have added the WIP, the DD Procedure and the Human Rights Statement, as well as expanded and updated other policies. We also adapt the policies for our worldwide subsidiaries to the requirements of local laws. For example, we supplement our ABCC Policy for our worldwide subsidiaries to reflect local anti-bribery laws and regulations – e.g. the U.S. Foreign Corrupt Practices Act for our U.S. subsidiaries, the U.K. Bribery Act for our U.K. subsidiaries and the Brazilian Clean Companies Act for our Brazilian subsidiaries. Another example is addressing the U.K. Modern Slavery Act in the Supplier Code of our U.K. subsidiaries. Policies are prepared in the language spoken at the applicable subsidiary.





Senior management focus on handling ethics complaints

Our global compliance and ethics activities are led by our Chief Compliance Officer (CCO), who is an Executive Vice President reporting to the Company's President and CEO. Ethics committees (which include senior representatives from the legal, compliance and HR departments, as well as other management functions) operate at the corporate headquarters and major business division levels. Our major subsidiaries outside Israel typically have their own designated ethics officers/compliance managers.

The WIP sets forth the basis for reporting, investigation, evaluation and remediation regarding ethics-related incidents. It provides for a range of whistleblowing

channels, including reporting to the chair of the Board's Audit Committee and/or to the CCO. Our U.S. subsidiary, Elbit Systems of America, also utilizes a 24-hour ethics hotline. Anonymous complaints are permitted, and all complaints are investigated.

Review of complaints is handled discreetly, and information received is treated in a confidential manner. The WIP contains a non-retaliation policy for any complaints made in good faith. Following receipt of a complaint, a determination is made, in coordination with the CCO, as to whether the complaint warrants investigation by an ethics committee. We may engage consultants, such as outside legal counsel, where appropriate. Significant allegations, including those

that may be related to senior executives or directors, are reported to the Audit Committee; in such cases, the Committee determines the extent to which it will be involved in the review of the matter. Upon completion of an investigation, we make decisions with respect to remedial measures, including, in certain cases, termination of employment and other sanctions.

The following table summarizes complaints made in 2019 and 2020 through our various whistleblower channels. The majority of the matters reviewed by the ethics committees were related to allegations of personal benefits to employees, supply chain improprieties, discrimination, harassment and workplace bullying.

Diligence in preventing bribery and corruption

The nature of our business and our participation in government tenders worldwide requires us to place great emphasis on effective anti-bribery and corruption compliance. As set forth in our ABCC Policy and DD Procedure, we have a multi-faceted program of anti-bribery and corruption compliance, encompassing zero tolerance for corruption, due diligence, contractual provisions, sensitivity to red flags, training and other measures. Our anti-bribery and corruption compliance activities, which are managed by a senior team at our corporate headquarters, take into account potential risks in our worldwide business activities and encompass all third-party intermediates, our supply chain and our offset activities, as well as joint venture and other business partners. Our policies in this area also relate to limits on the provision and receipt of business entertainment and gifts, including sponsorships and donations. Our policies also cover lobbying and political contributions. In 2019 and 2020,

we made no political contributions. In 2019 and 2020, we were not subject to any investigations, fines or other sanctions relating to anti-bribery and corruption issues.



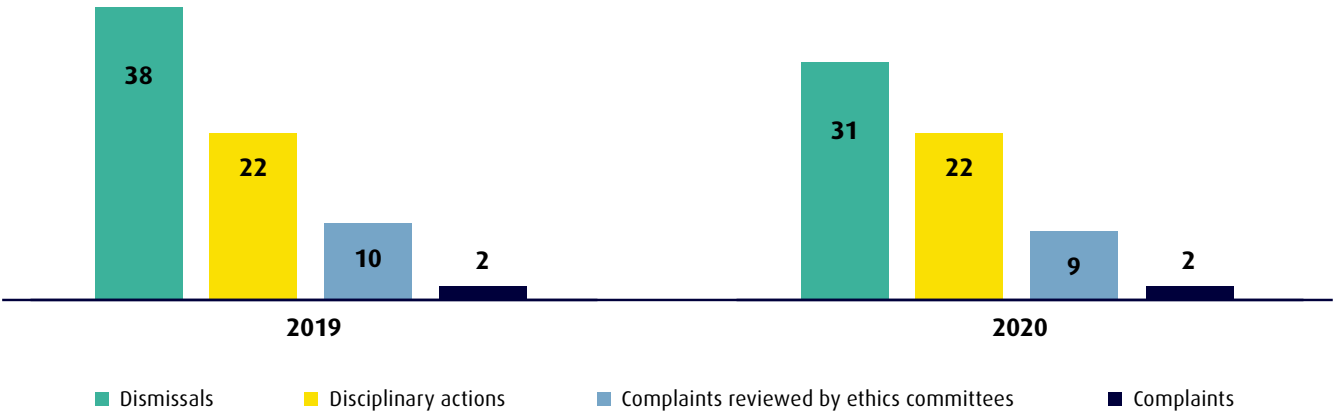
In 2019 and 2020,
100%
of our marketing support suppliers formally acknowledged the Code of Conduct and received training regarding the code.

Such training covers Elbit Systems ethics and anti-bribery policies as well as limitations on business entertainment, hospitality, gifts and travel expenses.

To enhance the ethical behavior of such marketing service providers, we perform a due diligence process before signing

a service agreement and at least every three years thereafter. This process examines both the legal entity and its controlling shareholders and executives. As part of the process, emphasis is placed on business conduct, compliance history, contact with political factions and exceptional events that can affect Elbit Systems' reputation and business. Changes in compliance circumstances or failure to comply with the agreement may result in termination of the contract at any time. In 2020, we terminated a **contract with a service provider** due to its involvement in a corruption investigation. Similar due diligence measures are conducted with respect to joint venture partners and in certain other situations.

ETHICS COMPLAINTS



Enhancing ethics in our supply chain and offset activities

We expect our supply chain and parties involved in our offset activities to follow ethical practices similar to our own. Our Supplier Code is a basic part of the contractual obligations of our suppliers and offset parties. In addition to basic ethics and anti-bribery requirements, the Supplier Code also mandates that our supply chain comply with fair labor practices, including combating human trafficking and modern slavery, as well as fair sourcing of materials, including conflict minerals. It also contains a whistleblower channel for supply chain related concerns.

Multi-faceted ethics training

We conduct a range of ethics and anti-bribery training activities. Our onboarding of new employees includes training on our Ethics Code. In addition, all employees receive periodic refresher training on the Ethics Code, typically through IT-based training modules that focus on one or more aspects of the Code. In 2019 and 2020, the training module focused on conflicts of interest, and a module on business entertainment and gifts was prepared for launch in 2021.



We ascertain on an ongoing basis which territories and business activities are potentially exposed to more than a low risk of bribery, and we conduct individual training on anti-bribery and corruption issues with business unit and marketing managers engaged in those territories and activities. Forums and courses for various professional functions (e.g. finance, marketing, HR, legal, sales, supply chain, offset) include periodic focused training on ethics and anti-bribery issues.

We conduct periodic ethics and anti-bribery compliance training at our subsidiaries worldwide, including Compliance Days conducted in 2019 and 2020 at our subsidiaries in the U.K., Brazil and Germany. Elbit Systems of America

conducts a range of annual and periodic ethics training activities.

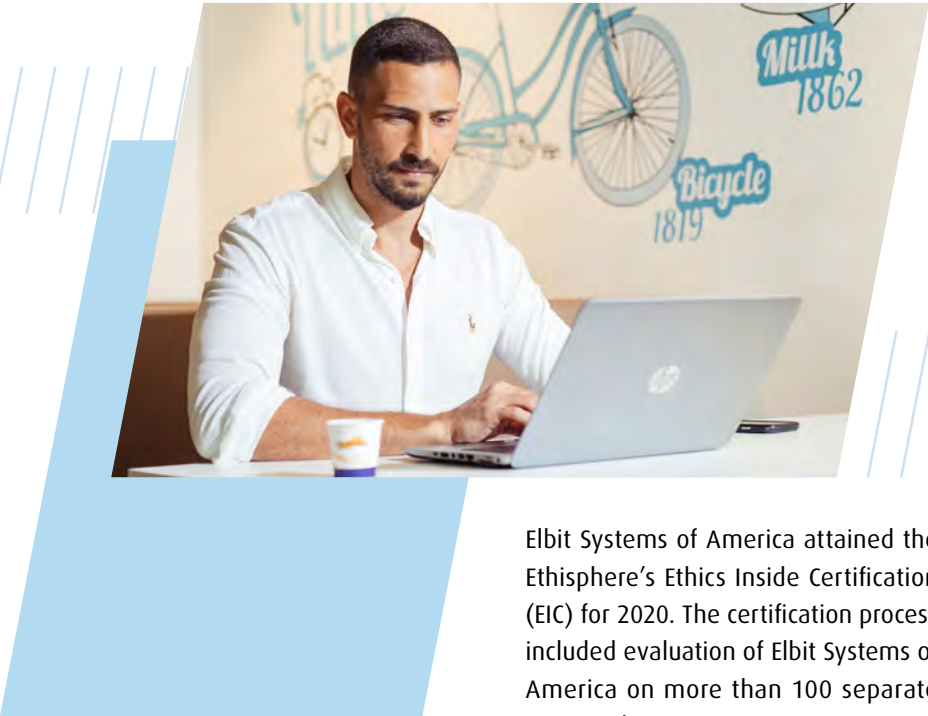
Our third-party intermediaries engaged in marketing and business development support receive anti-bribery and compliance training as part of their retention process, as well as follow-up training. We also conduct ethics training at our joint venture companies. In addition, we address compliance periodically at supply chain conferences we hold with major suppliers.

Benchmarking best practices through engagement in ethics-related organizations

We recognize the importance of benchmarking our ethics-related compliance activities through engagement in leading business ethics organizations.

We play an active role as members of the International Forum of Ethical Business Conduct (IFBEC) of the U.S. and European aerospace and defense industries.

The purpose of IFBEC is to promote its Global Principles, which foster the development of global, industry-wide ethical standards.




Elbit Systems of America attained the Ethisphere’s Ethics Inside Certification (EIC) for 2020. The certification process included evaluation of Elbit Systems of America on more than 100 separate criteria relating to corporate governance, corporate citizenship and its ethics and compliance program.


We also engage with other leading ESG-related organizations that focus on business ethics issues, including Transparency International, TRACE, S&P’s Corporate Sustainability Assessment and the Israeli Maala Social Sustainability Rankings.

TARGETS

2020

Topic	Goal	Target	Results
 Ethical conduct	Reduce risk of unethical behavior.	Provide anti-corruption and ethics training to 100% of employees every 2 years.	95% and 96% of employees reached in 2019 and 2020, respectively.
		Perform annual ethical risk assessments at all operational sites.	Annual risk reviews for all sites performed in 2019-2020. In 2020 we performed online reviews, due to the COVID-19 pandemic.

2021-2025

Category	Topic	Goal	Target
 Governance and economy	Corporate governance, ESG risk management, and business ethics.	Reduce risk of unethical behavior.	Provide anti-corruption and ethics training to 100% of employees every 2 years.
			Perform annual ethical risk assessments at all operational sites.

EMPOWERING EMPLOYEES

Material topics:
Responsible employment, diversity, and equal opportunities

A responsible workplace is an empowering one. Through the creation of a values-based workplace culture and a focused human-resources strategy, we aim to give our employees the tools and the opportunities to deliver innovative solutions and the outstanding service that our customers demand. Similarly, with a foundation of ethical, respectful and inclusive conduct, we aim to nurture a working environment that enables everyone to succeed.

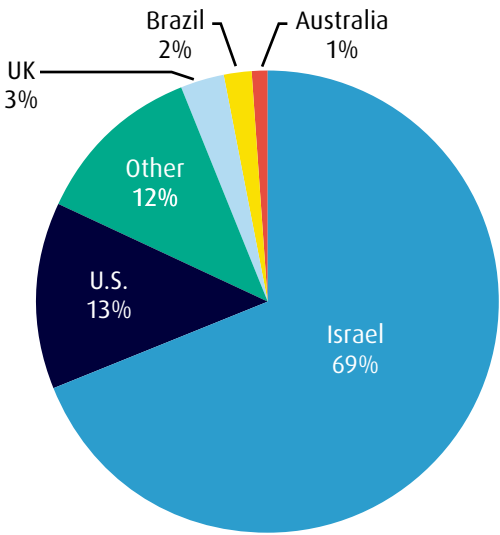
Our human-resources strategy is based on four key pillars:

- 1 Leadership and proactivity
- 2 Professionalism, quality and excellence
- 3 Trust, partnership and dialogue
- 4 Effective and efficient organizational processes

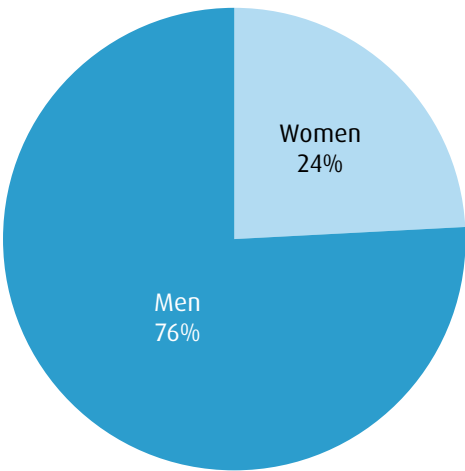
Our human-resources team uses the People Analytics system to support every step of the employee management process: recruiting and hiring, measuring employee performance, identifying current workforce skill gaps, identifying flight risks to improve retention, competitive intelligence and organizational network analysis.

OUR GLOBAL WORKFORCE

Employees by region 2020



Employees by gender, 2020*



*Excludes "other"

We are committed to following all labor laws, and we offer benefits beyond those required by law in each market. In 2020, 35% of our employees were covered by collective bargaining agreements.⁸

MANAGING WORKFORCE CONTINUITY

We hire more than 1,300 new team members every year, on average, across our global business, and we aim to reach the broadest possible base of potential recruits to support our aspiration to create a diverse and dynamic workforce at Elbit Systems. We recruit via several external channels, often in collaboration with leading academic institutions, and by participating in employment fairs and inviting students for informal chats with our teams of engineers. We have also been focusing on online recruitment, leveraging several social media channels and tools, such as LinkedIn Parties, to attract digital savvies and technology competent recruits.

A major element of our recruitment includes employee referrals. In the coming years, our recruitment challenges will intensify as 12% of our workforce reaches retirement age between 2022 and 2026. The new recruitment channels and processes we have established in recent years will be even more important to replace these valuable retirees and

⁸ 102-41



maintain our workforce continuity. In order to prepare for the recruitment complexity, the company is constantly working to improve the marketing, sourcing and automation processes of recruitment processes.

TRAINING AND DEVELOPMENT

We continue to invest in the development of our employees, providing an array of professional and personal skills training across the organization. In 2020, we invested, on average, US\$145 in training per employee, reaching 12.2 hours of training per employee.

All employees have both the opportunity and a relevant selection of practical

training offerings to help them succeed in their roles and advance in the organization. To develop the capabilities of our employees, we are constantly examining the trainings relevant to the core areas of the company.

A new training schedule is developed each year, encompassing innovative training themes and topics gathered through research across our markets and employee requests. Increasingly, we offer online learning methods, targeting different learning styles that appeal to younger team members. Similarly, we are expanding licenses for a variety of online learning catalogs and platforms to allow flexible learning and enhance a lifelong learning culture at Elbit Systems.

Leadership development

In 2020, we maintained our management development program, which encompasses leadership training based on our defined leadership competencies. This program aims to empower managers to develop leadership-oriented perceptions and prepare them for future challenges. In 2020, 367 managers completed the program. In addition, there were 109 new digital webinars including up to date management tools, such as resilience, hybrid management and others.

These webinars were attended by 1627 managers (some managers participated in several webinars).



Talent development

We maintain a range of development programs to support employees at different levels with the potential to achieve roles of increased scope and responsibility. Such programs are delivered over a full year or more and

include lectures, meetings with senior managers and participation in strategic projects. In 2019 - 2020, for the second time, we conducted a development program that included 26 senior leaders who report directly to Vice Presidents at Elbit Systems. Following the program, 73% of participants were promoted to Vice President roles. In 2019- 2020, two additional Leadership programs were created for 56 high-potential team managers who were identified as high potential to promote to higher level management (reporting to VPs).

R&D managers learning program

This consists of a 12-day learning program that covers skills and tools to address the challenges presented to our R&D engineers and managers.

System engineers learning program

Combining 14 unique courses, the program provides an opportunity for our more than 850 of our system engineers to expand their horizons and remain relevant in a work environment that is evolving rapidly within and outside the company.

Performance evaluation

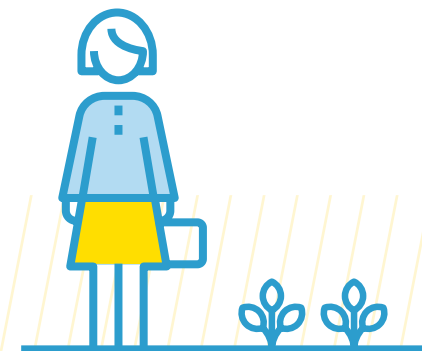
In 2019-2020, we maintained our performance evaluation process in which employees first perform a self-evaluation. This evaluation is added to the manager evaluation, and structured dialogue

is conducted covering performance, training needs, and career paths. In 2020, 100% of employees participated in a formal performance evaluation based on business targets. Additionally, 97% of employees were evaluated based on a comparative ranking, and 73% of employees were also evaluated based on multidimensional performance appraisal. We also provided managers with additional feedback to help them to understand how their leadership style motivates their team members.

COLLABORATION THROUGH SHARING AND DIALOGUE

In Israel, we maintained our internal social media channel for employees, WeBit, which provides several benefits to our employees:

- ★ WeBit is an effective platform for sharing information and ideas.
- ★ Organizational and professional information is more accessible and transparent, helping build trust and partnerships within and across divisions.
- ★ Processes are more effective as people learn from each other and save time from "reinventing the wheel."



In addition, there are other communication channels such as digital screens, digital newsletters and Increased use of video for communication with employees at all operational sites.

On 2020, we conducted new channels, such as two new newsletter dedicated to managers and employees. The purpose of these newsletters was to create a communication and information sharing platform, and to provide tools relevant to the COVID-19 period, such as wellbeing, resilience, etc.

DIVERSITY

To enhance diversity, it is important that we maintain a safe work environment for our employees, free of harassment and discrimination, regardless of employees' gender, race, ethnicity, religion and sexual orientation.

Traditionally, women have been underrepresented in our industry, and we have had challenges in attracting and promoting women over the years for a host of reasons. In 2017, we introduced a plan to deliberately increase the representation of women in our business across all divisions. In 2020, we established targets by division and a corporate goal to achieve 26% of women in our workforce by 2023 (versus 24% in 2020). Specifically, we have targeted an increase in women in engineering, commercial and other

management roles, which are currently staffed by women at rates of 15%, 11% and 14% , respectively. These measures are periodically monitored and presented to executive management and the board of directors.



In 2019-2020, we undertook the following activities to help achieve this target:

Recruitment

- Made the language of our job advertisements more women-friendly.
- Carefully examined recruitment requirements that may result in gender bias.
- Followed up and kept in touch with women during maternity leave.
- Implemented a work-life balance policy.
- Included diversity issues in executive training.

Improving working conditions

- Mapped roles across the Company to identify pay gaps between women and men in the same role and with the same seniority, and took corrective action.
- Celebrated International Women's Day in 2020.
- Encouraged women to take part in our community programs aimed at empowering and encouraging girls and young women to study technology-related areas and science.

Diversity in our U.S. operations

To increase gender and other diversity among our employees, we partnered with organizations such as INROADS and the Society of Women Engineers. Additionally, we established two Employee Community Groups (ECGs),

African American Professionals and Women of the Workplace, aiming to raise awareness of relevant issues that can affect employees and provide a venue for professional development and networking.



HEALTH AND SAFETY

Material topics:

Health & safety and business continuity

Protecting and enhancing lives applies both to the products we supply to our customers and to our employees. Protecting our employees through consistent attention to safety and occupational health is fundamental to the way we work.

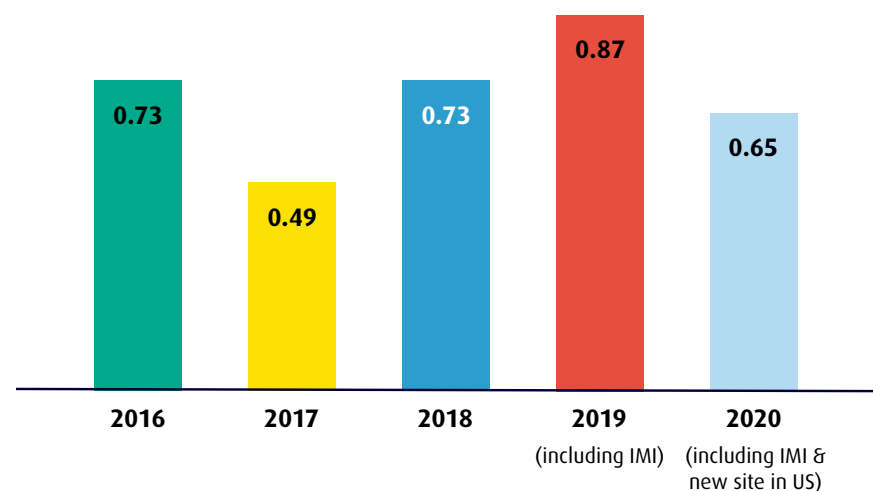
We are committed to meeting precautionary procedures, minimizing risks, preventing hazards and enhancing a safe environment for all our employees and any other person working at each facility or operation under our responsibility.

We maintain leading standards of health and safety at work, including compliance with applicable laws, regulations and best practices. Our global EHS management system covers 99.7% of Elbit Systems' global business operations, which includes sites where we have full operational control, as well as our activities at major customers' sites.



We are certified to the ISO 45001:2018 Occupational Health and Safety Management System Standard in our main sites, which cover 82% of our employees. All our sites have emergency preparedness systems.

Injury frequency rate (LTIFR) (lost-time injuries per 200k hours worked)



Note: Includes employees and contractors. Data in all years include Israel, Brazil, Australia and the United States. In 2017 we added the U.K., and in 2019 we added Romania.

Mandatory health examinations are conducted routinely for employees that work under conditions that may pose potential health issues. New employees are trained in safety procedures as part of their orientation, and we typically provide approximately four hours of dedicated safety training per employee per year.

We closely monitor all accidents and safety-related incidents in our operations, for both contractors and employees. In the last several years, we have had no fatal accidents, and most of our workplace injuries have been minor.

In 2020, we saw a decrease of 25% in injury rates compared to 2019.

We remain vigilant regarding safety practices and are reinforcing our communications and training to drive improvements in safety performance going forward.



Protecting our employees from COVID-19

In 2020, we needed to change the way that we work to protect our employees from the COVID-19 contagion. For this reason, we implemented the following actions:

- Working in shifts and capsules
- Installing suitable protections in workstations and measuring temperature at the entrance of our facilities
- Signs regarding "social distancing" and mask use

- Delivery of kits with activities and food to sick and isolated employees
- Promoting of remote employee welfare activities to employees and their families, such as entertainment shows and lectures
- Working from home for administrative and part-time employees
- Virtual meetings internally and with third parties
- Communication enhancement through a new newsletter that

connects our employees with messages from the CEO, the Executive Vice President Human Resources and general managers of divisions. In our U.S. operations we implemented additional communication tools to deal with the COVID-19 pandemic, for example, an exclusive e-mail for Q&A regarding COVID safety concerns, a weekly audio from the Elbit Systems of America's President and a weekly newsletter.

WELL-BEING

Due to the COVID-19 pandemic, we took further measures to improve work flexibility in all our operations, to support employees who have family or other responsibilities outside work.

We increased work flexibility by implementing a work-from-home policy, allowing employees who can carry out their duties from home to do so up to twice a week, with flexible hours. To support this policy, employees were permitted to report on their work by hour, rather than by day. This is an advantage that is particularly relevant for

parents who leave work early to collect their children from daycare or school, or who need to assist their children with remote schooling.

Additionally, we expanded a benefit allowing reduced work hours with no loss of pay for employees in Israel working in full-time or certain part-time roles who are parents of children up to the age of one year, significantly exceeding the legal requirement in Israel.

We also increased location flexibility, so that employees can also work from the site closest to their home, reducing the

need to commute.

The "Right Tribes" program, which started at Elbit Systems of America in 2018, encourages employees to form groups (tribes) to support social, emotional, financial and physical well-being, continued in 2019 and 2020. We believe these social networks positively affect employee engagement, happiness and purpose. Examples of "Tribes" established to date include soccer teams, running clubs and diet groups.



Employee engagement survey

At Elbit Systems, we conduct a global employee engagement survey every two years, to hear the frank views of our employees about matters that are important to them. 76% of our employees participated in our survey conducted in Israel, the U.S., the U.K. and Romania in 2019. In the survey, each employee rates her or his satisfaction in several categories, on a scale from 1 to 6. In the analysis of this survey, we consider parameters such as age group, gender and management level.

In Israel, the survey demonstrated improvements across all parameters in comparison to the previous survey. Our strengths are related to aspects of leadership and emotional connection with the Company, which are rated 4.9.

On the other hand, the survey indicated that we should improve on organizational excellence (rated 4.35) and business processes (rated 4.49).

In response to these findings, we took several actions, such as continuing to promote innovation processes, building a new incentive process and improving professional development programs, such as digital and personalized learning, leadership programs and individual development plans.



TARGETS

2020

Topic	Goal	Target	Results
 Sustainable innovation	Continued investment in breakthrough technological solutions that help protect and save lives.	Expand employee innovation programs.	The main employee innovation program is iLeaders, which engaged about 100 employees over the last 4 years.
 Employee satisfaction	Higher employee engagement and satisfaction.	10% improvement in employee satisfaction by 2020 (vs. 2013 baseline).	28% improvement in 2020 versus 2013 survey. ⁹
 Employee health and safety	Improve employee safety.	Reduce work injury rate by 15% by 2020 (vs. 2013 baseline). Reduce rate of days lost due to injury by 20% by 2020 (vs. 2013 baseline).	Reduction in work injury rate of 20% in 2020 versus 2013. Increase of 40% in lost days in 2020 versus 2013. ¹⁰

2021-2025

Category	Topic	Goal	Target
 Social	Responsible employment, diversity, and equal opportunities.	• Increase gender diversity. • Incentive process.	• Reach 26% of women in the workforce. • Implement the new incentive process up to 2022.
	Health and safety.	Improve employee safety.	• Reduce work injury rate by 20% by 2021 (vs. 2020 baseline). • Reduce rate of workdays lost due to injury by 20% by 2021 (vs. 2020 baseline). • Reduce work injury rate by 10% by 2022 (vs. 2021 baseline). • Reduce rate of workdays lost due to injury by 10% by 2022 (vs. 2021 target baseline).

⁹ Due to a methodological update in the Engagement questions over the years, the comparison was made only for some of the comparable questions.

¹⁰ In 2019-2020, we integrated acquired sites in Israel and the U.S., which increased our "days lost due to injury" performance.



RESPONSIBLE SUPPLY CHAIN

Material topic:
Responsible supply chain

Our ability to serve our customers with outstanding quality and service depends on an efficient supply chain operating in a responsible and sustainable manner. Our policy is to purchase materials and parts from responsible suppliers who respect ethical practices and comply with environmental, quality assurance, social welfare, labor laws and regulations and best practices.

We spend approximately US\$2 billion a year with more than 5,000 direct suppliers around the world, which covers a wide range of material components (mechanics, electronics, optics, cabling, etc.). In addition, there are subcontractors who provide labor, such as consultants, software developers, QA, technical support and others.

Additionally, our businesses rely on multi-layer global supply chains. For example, our direct suppliers often have many suppliers who in turn rely on a large number of lower tier suppliers, and this dependency continues through several tiers.

Two senior managers are responsible for sustainable practices in our supply chain, our Executive Vice President and Chief Compliance Officer and our Vice President of Global Supply Chain. Daily, our buyers and procurement directors are responsible for implementing our policies regarding this issue.

Supplier Code of Conduct

Our purchasing terms and conditions include a [Supplier Code of Conduct](#) (Supplier Code), which is published on our website, and which makes suppliers and providers of offset activities aware of our expectation that, in addition to complying with applicable laws and regulations, they will conduct business activities in a manner that is fair and ethical.



The Supplier Code

covers issues such as:
fundamental human rights,
child labor, fair labor practices,
combating human trafficking,
ethics and anti-corruption
practices, avoidance of conflicts
of interest and anti-competitive
behavior, non-use of conflict
minerals, cybersecurity,
prevention of counterfeit parts
and environmental, health and
safety compliance.

Our Supplier Code also provides a whistleblower mechanism for current and potential members of our supply chain to report concerns. Examples of concerns raised through this channel

include potential conflicts of interest and alleged favoritism in procurement tender processes.

We attempt to identify direct and indirect critical suppliers that could have actual and potential negative environmental impacts by performing an environmental assessment. This assessment includes a quarterly review of the business, vendor risk rating, root cause analysis of the main risks, suppliers audit and action plan to manage actual and potential environmental risks. In all cases in which actual or potential environmental impacts were confirmed, we agreed with the suppliers on management action plans.

Supplier diversity

We aim to practice inclusive procurement, by working with small businesses and with women or minority-owned suppliers wherever possible, even though in many cases, due to product specifications prescribing specific qualified suppliers, our flexibility is limited in this regard. We also attempt to support local suppliers where possible. In Israel, in 2020, 72% of our purchasing expenditure was with Israeli suppliers.



Supplier diversity in Israel:

	2019		2020	
	Number of suppliers	Spend (K; ILS)	Number of suppliers	Spend (K; ILS)
Spending with locally-owned businesses ("Blue & White")	5,119	3,963,706	5,253	4,898,546
Spending with local small and medium-sized businesses	511	83,746	493	91,364
Spending to support the employment of people with disabilities	3	685	3	641
Spending to support the employment of minorities	7	15,554	8	29,907
Spending with companies in rural areas (Northern and Southern Israel)	589	425,285	645	715,312
Sustainability spending / environmental purchasing	3	520	3	287



Detecting and preventing counterfeit parts

To prevent the presence of counterfeit parts in our design and manufacturing activities, our policy is to purchase components and equipment parts only from authorized dealers and manufacturers. All incoming parts are subject to our own rigorous quality controls before being accepted into our production operations.

Conflict minerals

Elbit Systems’ policy is to use conflict-free minerals in our products, and we support government and industry actions to increase supply chain transparency to facilitate the ability of companies to source conflict-free minerals. We

have taken measures, consistent with the OECD Guidelines, to meet the applicable reporting obligations, including enhancing our supply chain due diligence and internal controls relating to conflict minerals. As part of our [conflict minerals compliance policy](#), we request that all our current and potential suppliers of raw materials or products complete a Conflict Minerals Supplier Due Diligence Questionnaire. We have reported annually on conflict minerals, as required, to the U.S. Securities and Exchange Commission since 2014.

Feedback from suppliers

In 2019 and 2020, we performed an annual supplier survey, for the second and third time, among 300 global

strategic suppliers. The aim of the survey is to measure how suppliers view Elbit Systems and our requirements and demands as their customers.

Suppliers gave positive feedback about Elbit Systems’ ethical approach, the quality of service given to suppliers by our engineering and warehouse teams and the provision of information about Elbit Systems’ quality requirements. The survey identified opportunities for improvement, such as additional technology support and the need for a more accessible supplier portal and training in the use of the portal. In 2020, as a response, we launched a new portal to improve processes for our suppliers.

QUALITY AND CUSTOMER SATISFACTION

In order to achieve customer satisfaction, we strive to maintain the highest standards of product and service quality. We measure customer satisfaction for each activity throughout our global operations, collecting multiple data points relating to different aspects of our service to customers. At the same time, we continuously survey our customers to hear directly from them about their experience with our service.

In 2020, we changed our survey methodology and analysis system, unifying questionnaires for all divisions and sending them through program managers. The new system has open spaces for questions and explanations and improves the understanding of our weaknesses and strengths, allowing the analysis to be unified and per division.

Aggregated internal data and customer feedback scores are used to generate an overall customer satisfaction score. In 2019 and 2020, 78% of our customers answered our survey.

We review our service performance formally every quarter and seek opportunities to improve.

Knowledge sharing to improve quality and service

In order to advance quality and service improvements across our global operations, we maintain several global knowledge-sharing forums covering topics in engineering, quality, operations and other areas. In these forums, solutions to new challenges are discussed and new common practices developed. In 2019 - 2020, we discussed and agreed on assimilation of various topics such as engineering and production centers of excellence, goals that support our strategic objectives, process analysis results, implementation of new methods as well as organizational tools to improve our achievements.

New quality procedures for cybersecurity

A critical issue for our customers is maintaining adequate cyber security protection against the multiple risks posed by cyber threats. At Elbit Systems, we take a holistic approach to addressing potential sources of risk throughout our operations and supply chain. This approach includes policies, procedures, incident response playbooks, onboarding and regular training for our employees, so that they are aware of cyber alerts and report issues appropriately without delay.


The Chief Information Security Officer (CISO) is the executive dedicated to managing this area. The CISO is also responsible for evaluating irregular or suspicious events reported by employees to the Security Operations Center (SOC) or directly to the CISO.

To improve the quality of our cyber protection, we have implemented new cyber security tools, updated the relevant procedures and a take pro-active approach.


In 2020, we maintained three certifications for our global operations in the field of cybersecurity:

- ISO 27001: Information technology – Information security management systems.
- ISO 27032: Information technology – Guidelines for cybersecurity.
- ISO 27035: Information technology – Information security incident management.

TARGETS 2020

Topic	Goal	Target	Results
 Supplier conduct	Improve ethical awareness and conduct of suppliers.	Commitment by suppliers to uphold ethical practices.	All suppliers have received and acknowledged our Supplier Code of Conduct.

2021-2025

Category	Topic	Goal	Target
 Social	Responsible supply chain	Minority owned businesses	Business developments with an external minority owned engineering workforces companies – increase the business volume by 50% during 2021
	Supplier conduct	Improve ethical awareness and conduct of suppliers.	Commitment by suppliers to uphold ethical practices.
	Spending with locally owned business	Improve awareness of the Elbit procurement organizations to the importance of responsible supply chain spending with locally owned business	Give preference to local suppliers sourcing.
	Conflict mineral	Expand the CM process involving additional Elbit subsidiaries	Questionnaires to be distributed among 800 suppliers during each year.
	Conflict mineral	Corrective actions to suppliers using smelters at risk	Limit the use of smelters at risk by suppliers.



In 2020, average **customer satisfaction** was **approximately 85%**



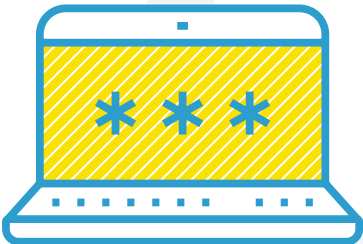
Elbit Systems global operations are certified to the **AS 9100:2016** Quality Management System for the Aerospace and Defense Industry Standard.



Data privacy and security


We maintain multiple systems and policies to maintain the privacy and security of the data we hold regarding our customers, suppliers and our interactions with them as well as that of our employees. These systems and

policies are consistent with GDPR and other regulatory requirements. In the past two years, there were no breaches of data security across our global operations.




TARGETS

2020

Topic	Goal	Target	Results
 Product quality and customer service	Improve customer satisfaction.	Improve overall customer satisfaction rating by 5% by 2020 (vs. 2014 baseline).	Customer satisfaction approximately 85% in our new customer survey.
	Expand quantity and quality of customer feedback.	Receive direct feedback from 75% of key customers by 2020.	We received direct feedback from 78% of key customers in 2019 and 2020.

2021-2025

Category	Topic	Goal	Target
 Social	Cybersecurity	Improve cyber security maturity level/posture.	Mitigate 80% of high level risks identified at cross-organizational cyber risk assessments by 2023.
	Product quality and customer service	Improve customer satisfaction.	Improve overall customer satisfaction rating by 5% by 2023 (vs. 2020 baseline).
		Expand quantity and quality of customer feedback.	Receive direct feedback from 80% of key customers by 2022.

SUPPORTING COMMUNITIES AND
ADVANCING TECHNOLOGY
EDUCATION

We aim to support the communities in which we live and work around the world. Many of our local operations maintain programs for the benefit of our local communities, and we encourage our employees to volunteer and assist nonprofits in advancing a range of worthy causes. One aspect of our global focus is developing and securing technology skills that can prepare young people for a productive and rewarding career in our industry. With leading technology experts in our business around the world, and the passion to support the development of young people, we take an active part in helping create a cadre of future leaders for our industry. We also focus our efforts on supporting initiatives related to soldiers and army veterans

and other social needs that arise from local communities.

In 2020, our global community investment amounted to approximately US\$1.87 million, including technological education projects, charitable donations, in-kind donations of equipment and services and the total value of employee volunteering time.

VOLUNTEERING

More than 5,100 employees engaged in volunteering activities around the world in 2019, contributing 14,357 hours in 2019. In 2020, despite the social distancing limitations stemming from the COVID-19 pandemic, we maintained our volunteering efforts; the number

of volunteers and volunteering hours reached 1,945 and 8,805, respectively. These volunteering activities include specific projects during the Good Deeds Day event held around the world.

Israel: In 2019, 500 employees took an active part in more than 70 projects, such as beach cleanups, supporting farmers and organizing activities for patients in hospitals.

U.S: Hundreds of employees from nine sites participated in initiatives such as fundraising for health-care NGOs, animal care, food donation and other activities.





COMMUNITY SUPPORT DURING THE COVID-19 PANDEMIC

In 2020, we faced the COVID-19 pandemic together with our neighboring communities. Examples of our COVID-related support activities in Israel include:

- Partnership with the Israeli National Ambulance Service: During 2019-2020, we continued and strengthened our partnership with the National Ambulance Service, in which qualified Elbit Systems employees volunteered as paramedics. This partnership became even more meaningful during the COVID-19 crisis, as our employees volunteered to support and provide backup to Magen David Adom (analogous to the Red Cross) professional medical staff. In 2020, 18 of our employees completed an eight-month paramedics' course. During the year, our qualified employees answered approximately 20 calls in the workplace, at homes or in their communities providing medical

assistance and helping to save lives.

- Happy to Talk: In partnership with the social initiative Zikaron BaSalon, over 100 employees volunteered to contact homebound Holocaust survivors, alleviate their loneliness and support them during lockdowns.
- Safe at Home: Recognizing pandemic-related lockdowns' impact on increased domestic violence, we financed and participated in a hackathon in memory of Michal Sela (32 year old woman murdered by her husband in 2019), aimed at developing technological solutions to prevent violence against women. Five employees mentored various groups, and one of Elbit Systems' teams, which included six employees, was ranked among the top places in the competition.
- Computer donations: We donated 1,126 computers to the community. This was especially important to support the teenagers and children learning from home in peripheral regions.
- Support of small and medium-sized companies: We promoted activities to support small entrepreneurs suffering from the impacts of the COVID-19 pandemic, such as purchasing flower bouquets and food baskets directly from farmers as holiday gifts for our employees, and encouraging our employees to buy food from small businesses suffering from reduced market access.
- Activities in India: India was one of the countries most impacted by the pandemic. In a partnership with the government, we provided generators, oxygen cylinders and personal protective equipment for medical personnel. Additionally, we leased a cargo plane and converted it into a passenger plane to transport close to 300 Israelis from India to Israel at the beginning of the pandemic.
- Donation of more than 4,000 food baskets to more than 20 peripheral communities across Israel during Jewish New Year and Passover.



SPONSORING COMMUNITY ACTIVITIES AROUND THE WORLD

IN GERMANY

We supported the fire department in promoting fire prevention education in kindergartens.

IN THE U.S.

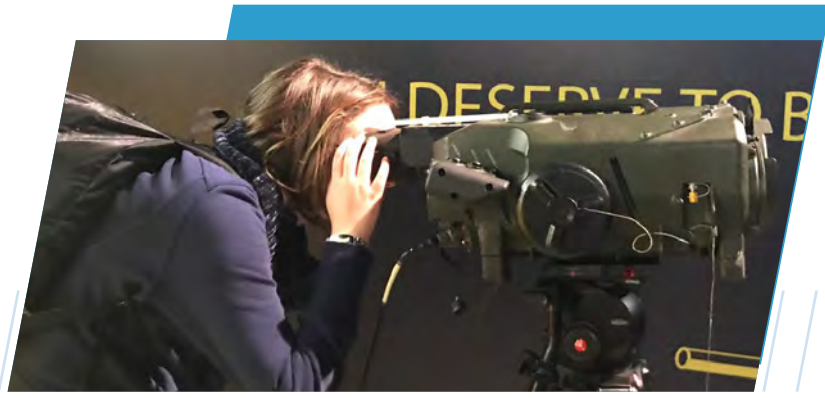
We have sponsored and participated in [Virginia's Veterans Parade](#) since 2009. In 2019, in addition to the sponsorship, 100 employees and their families volunteered to organize the parade. In 2020, in view of the COVID-19 pandemic, we produced [videos](#) to express appreciation and gratitude for U.S. veterans.

IN THE U.K.

We sponsored military activities such as the [Royal Air Force Cycling Association](#) and the [Army Women's Rugby League](#).

We directly sponsored [SSAFA](#), an NGO supporting soldiers and veterans, and we launched a giving [campaign](#) among our employees that raised over 8,000 GBP.





Political donations

Elbit Systems does not provide any political contributions, either directly to political parties or through organizations involved in politics.

ENCOURAGING TECHNOLOGY-ORIENTED EDUCATION

We maintain several programs designed to encourage STEM (science, technology, engineering and mathematics) education for young people, to help prepare them for technology careers. Hundreds of our employees are volunteers in a range of programs to enhance technology education in underprivileged communities, benefiting thousands of students each year.

Our main projects in Israel

Advancing youth technology projects: In partnership with the Israel Ministry of Education, Elbit Systems continued its support for Taasyeda, a non-profit organization that engages students from twelve to eighteen years old and their teachers in engineering, technology, innovation and entrepreneurship. Our employees volunteer in a range of projects and initiatives in cities and schools across Israel, giving lectures to

students, mentoring them in technology projects and hosting students at our facilities to learn about the industry. Currently, 20 schools in Israel and hundreds of students participate in this project.


Promoting women in technology: We support several programs designed to encourage girls to become interested in technological subjects, in the hope that they pursue careers in technology and science. One such collaboration is with the Israeli nonprofits Breaking the Glass Ceiling and Leading to the Technion, both promoting science studies among girls and young women. Women engineers from Elbit Systems participate in these programs, which include tours of our laboratories and factories and other field trips. Our engineers give lectures on various areas of engineering, industry and management, and share their own career experiences. We also continued to promote the Babushka program, a tri-generational mentoring program spanning a full academic year. In this program, women engineers at Elbit Systems mentor women studying for university-level engineering degrees, introducing them to tech market realities and challenges. In turn, the engineering students are paired with girl students in tech engineering programs in high

school, to help prepare them for the future. In addition to introducing young women to technology education, the project improves our women engineers' engagement, as it offers them a sense of belonging and an opportunity to give back to the community. In 2020, 99 women (33 Elbit Systems' volunteers, 33 engineering students at universities and 33 high school students) joined this program. The satisfaction survey showed that most of the participants are interested to continue being engaged in the program and would recommend it to their colleagues and friends. Additionally, our employees around the world continued to support academic studies in technological arenas through lectures, tutoring and mentoring, in addition to participating in educational tours at Company sites. In 2020, we adapted all programs to the restrictions necessitated by the COVID-19 pandemic, with many activities migrating to online platforms.




TARGETS

2020

Topic	Goal	Target	Results
 Advancing technology education	Improved technological resilience and capability in local communities.	Active programs in place supporting technology education in Israel, Brazil, and the U.S.	Maintained programs in Israel, such as Taasyeda and Babushka.

2021-2025

Category	Topic	Goal	Target
 Social	Advancing technology education.	Improved technological resilience and capability in local communities.	Active programs in place supporting technology education in Israel, Brazil, and the U.S.



PROTECTING THE ENVIRONMENT

Material topics:
Hazardous chemicals, materials (waste) and responsible resource consumption, emissions and environmental management (water and GHG emissions)

We are committed to preserving environmental resources, reducing ecological footprints and preventing environmental pollution, throughout the product lifecycle. We are committed to complying with and acting beyond local and global Environmental, Health and Safety (EHS) regulations in all of our operations. Elbit Systems' [EHS Policy](#) is publicly available on our website as is our dedicated [EHS report](#).

Our global EHS management system covers 99.7% of Elbit Systems' global business operations, which includes sites where we have full operational control, as well as our activities at major customers' sites. These sites undergo annual internal audit evaluations regarding regulations and voluntary

standards. All of these operations are included in this report.

We uphold applicable environmental laws and regulations in all our countries of operation, and we have been certified to the ISO 14001 environmental management systems standard at our main sites, which cover 82% of our employees. We have not paid any significant fines related to environmental or ecological issues in the past four fiscal years.

A committee consisting of senior executives from different areas of the organization, including finance, business units, facilities, procurement, security and the Chief Operating Officer (COO), convenes annually to identify and assess the main EHS risks and opportunities

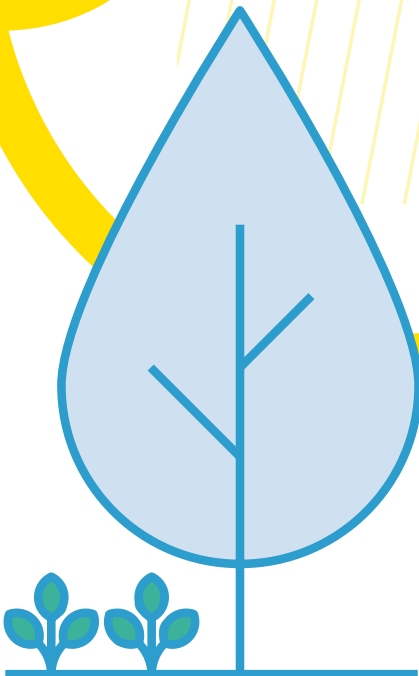
for the organization, including climate-related issues. The global EHS team sets global targets for most of our environmental indicators, which are presented during the ESG review by our board of directors. Environmental efficiency targets are tied to performance bonuses for our COO and managers in the areas of transportation, operations and facilities.

In 2019 - 2020, we integrated recently acquired sites in Israel and the U.S., which increased our environmental KPIs. At the same time, we continued to enhance our efficiency initiatives regarding resource consumption and greenhouse gas emissions. Most of our efficiency KPIs have improved, with the exception of water and waste, which indicates the main topics that we should address in the coming years at recently acquired sites.

We review environmental practices regularly, share learning across our global organization and engage employees throughout our operations in regular communications and activities.

- Processes underway at many of our facilities include:
- Improved air conditioning and lighting controls, automatic sensors and LED lighting replacements.
 - Use of low-emission, hybrid or electric vehicles in our Company vehicle fleets.
 - Proactive continuous maintenance in our manufacturing operations to achieve maximum efficiencies and minimum waste of resources.
 - Smart metering of water, leak monitoring and identification, process water recycling and water-efficient installations in washrooms and bathrooms.
 - Use of HVAC excess water, where possible, for landscape irrigation.
 - Waste reduction at source, reuse of packaging materials and recycling programs for various materials.
 - Compliance with hazardous materials regulations, such as RoHS and REACH standards, and other customer requirements.

- Repurchasing of products for reuse or recycle of the product as a whole or its raw materials. In cases where products cannot be returned to us, we support the implementation of the best disposal alternatives in compliance with local regulations.
- Sustainable innovation methodology in our development processes, mainly in the choice of materials and components, energy use, weight, quality and other relevant factors.



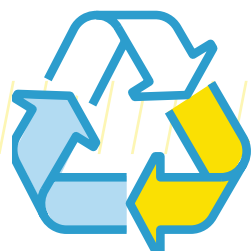
The outcome of these efforts through 2020, since 2015, our baseline year, is improved efficiencies in all key metrics:

Area		Improvement since 2015
ENERGY EFFICIENCY		14%
GREENHOUSE GAS EMISSIONS EFFICIENCY		37%

Note: Results are normalized per m² of operational space.

In 2020, we also decided to conduct a full Life Cycle Analysis (LCA) to evaluate the environmental impacts and a possible alternative for the cleaning process of components at our sites. In the analysis, the raw materials and the consumption of the various resources were evaluated, as well as their impact on various environmental criteria such as impacts on climate change and toxicity to humans, soil and water.





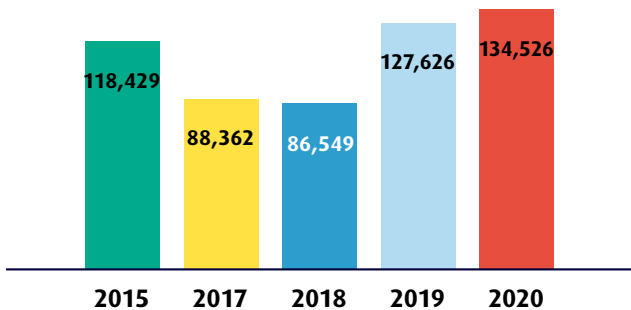
CLIMATE CHANGE

We understand that climate change poses unique risks and opportunities for society and for our business.

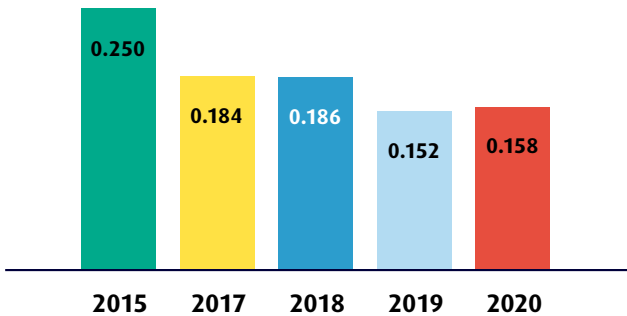
We evaluate climate change risks annually, including legal, technological, reputational and physical risks. We estimate that non-compliance with GHG reporting regulations could cost approximately US\$1 million per year, starting in 2025. Additionally, the cost of adaptation to physical changes caused by climate change is US\$5 million per year. On the other hand, we estimate that climate change can bring a positive financial impact of US\$230 thousand per year by implementing environmentally friendly practices in 2021. The main outputs from our risk management processes can be found in our CDP (formerly the Carbon Disclosure Project) report for 2020, which processes were updated in our 2021 CDP report.

We have monitored our GHG emissions since 2012, and in 2020, for the first time, we submitted our inventory to be [verified](#) by a third-party independent auditor in accordance with ISO14064-3.

GHG emissions per year (tons CO₂e)



GHG emissions efficiency (tons CO₂e per m²)



In 2020, we implemented three projects, including process changes and efficient lighting, which saved 450 MWh and 219 tons of carbon dioxide equivalent.

A low-carbon fleet

In Israel, we maintain a large vehicle fleet of more than 3,000 vehicles for use by our employees. We provide incentives to employees to select hybrid and electric cars. These vehicles represented 49% of our fleet in 2020, helping us reduce fuel consumption and greenhouse gas emissions.

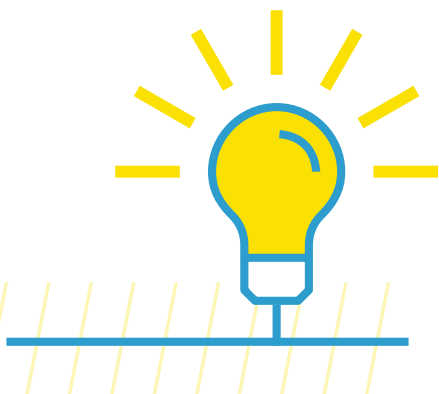
Currently, 13 of our cars are electric. We have already ordered 26 additional vehicles, and we expect to reach 50

electric cars by the end of 2021. By 2025, we expect that 25% of our fleet (around 750 cars) will be electric. To support our employees, we continue to install internal charging stations according to demand.


Additionally, we endeavor to reduce the emissions of our gasoline-fueled vehicles by limiting pollution levels and removing inefficient cars from the employees' list of options for vehicle leasing.




TARGETS



2020

Topic	Goal	Target	Results
 Resource consumption and emissions	Reduce electricity consumption.	Improve electricity consumption intensity by 5% by 2020 (vs. 2015 baseline).	Increased by 4% in 2020 versus 2015 (MWh/m²).
	Reduce GHG emissions.	Improve GHG emissions intensity by 7% by 2020 (vs. 2015 baseline).	Improved by 37% in 2020 versus 2015 (tons CO2e/m²).
	Reduce water consumption.	Improve water consumption intensity by 5% by 2020 (vs. 2015 baseline).	Increased by 188% in 2020 versus 2015 (m³/employee) due to operational changes.

2021-2025

Category	Topic	Goal	Target
 Environment	Responsible resource consumption, emissions, and environmental management.	Install solar panels at two of our main sites in Israel.	Start generating 3.6MW of renewable energy in 2021.
		Increase the use of electric cars.	Reach 750 electric cars by 2025.
		Reduce electricity consumption (kWh/m²) - Scope 2.	Reduce by 5% by 2022 (vs. 2020 baseline).
		Reduce fuel consumption (liter/car) - Scope 1.	Reduce by 5% by 2022 (vs. 2020 baseline)
		Reduce CO ₂ -eq emissions (ton/dunam) – Scope 1 and 2.	Reduce by 5% by 2022 (vs. 2020 baseline).
		Reduce absolute CO2-eq emissions (ton) – Scope 2 only.	Reduce by 12% by 2025 (vs. 2020 baseline).
		Reduce water consumption (m³/employee).	Reduce by 5% by 2022 (vs. 2020 baseline).
		Increase rate of recycling.	Reach minimum 40% of total waste to recycling as opposed to landfill.
		Report according to the TCFD.	Report according to the TCFD by 2024.

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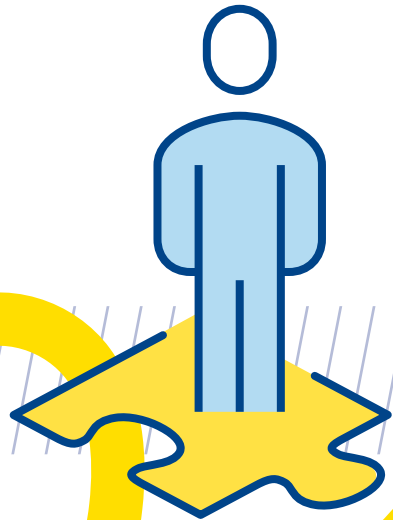
SOCIAL PERFORMANCE DATA

EMPLOYEES

Employees by region and gender*	2017			2018			2019			2020		
	Men	Women	All	Men	Women	All	Men	Women	All	Men	Women	All
Australia	145	31	176	198	45	243	194	40	234	193	40	233
Permanent	145	30	175	184	43	227	189	39	228	186	40	226
Temporary	0	1	1	14	2	16	5	1	6	7	0	7
Brazil**	214	79	293	195	86	281	182	79	261	210	84	294
Permanent	213	79	292	194	86	280	180	79	259	195	78	273
Temporary	1	0	1	1	0	1	2	0	2	15	6	21
Israel	7,485	2,236	9,721	7,429	2,305	9,734	9,219	2,638	11,857	9,181	2,616	11,797
Permanent	7,146	2,050	9,196	7,131	2,091	9,222	8,921	2,408	11,329	8,889	2,419	11,308
Temporary	339	186	525	298	214	512	298	230	528	292	197	489
U.S.**	1,083	491	1,574	1,141	492	1,633	1,487	663	2,150	1,605	681	2,286
Permanent	865	429	1,294	976	435	1,411	1,476	659	2,135	1,593	678	2,271
Temporary	218	62	280	165	57	222	11	4	15	12	3	15
UK	299	84	383	294	75	369	294	75	369	319	90	409
Permanent	292	84	376	288	75	363	290	75	365	312	90	402
Temporary	7	0	7	6	0	6	4	0	4	7	0	7
Total**	9,226	2,921	12,147	9,257	3,003	12,260	11,082	3,420	14,871	11,189	3,421	15,019
Total Permanent**	8,661	2,672	11,333	8,773	2,730	11,503	11,056	3,260	14,316	11,175	3,305	14,480
Total Temporary**	565	249	814	484	273	757	320	235	555	333	206	539

*Data collected with each operation according to internal systems
**Brazil an U.S. reviewed historic data due to inconsistencies found

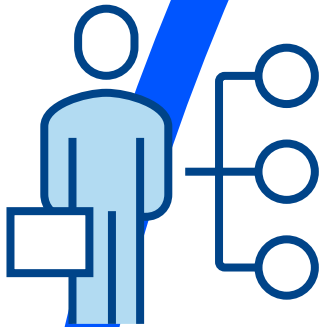
Employees by employment contract and gender*	2017			2018			2019			2020		
	Men	Women	All	Men	Women	All	Men	Women	All	Men	Women	All
Total**	9,226	2,921	12,147	9,257	3,003	12,260	11,376	3,495	14,871	11,507	3,512	15,019
Full time**	8,787	2,617	11,404	8,826	2,667	11,493	10934	3153	14,087	11099	3218	14,317
Part time**	439	304	743	431	336	767	442	342	784	408	294	702



Employees by gender and contract	GRI Standard	Unit	2013 (baseline)	2017	2018	2019	2020
Women in our workforce	405-1	%	23%	24%	24%	24%	24%
Women in management		%	12%	17%	16%	16%	14%
Women in commercial positions		%				10%	11%
Women in STEM positions		%					15%
Full-time employees	102-8	%	96%	94%	94%	95%	95%
Employees with collective bargaining agreements	102-41	%	27%	25%	24%	37%	37%
Employees by age							
Employees below age 30	405-1	%	10%	11%	10%		7%
Employees aged 30-50		%	51%	53%	54%		56%
Employees over age 50		%	38%	36%	34%		37%
Employees with disability		%					2.8%
Employees covered in Sustainability Report*		Headcount, year end	10,435	12,147	12,260	14,871	15,019



New hires and turnover	GRI Standard	Unit	2013 (baseline)	2017	2018	2019	2020
New hires	401-1	Headcount			1,430	2,179	1,562
Men			1018	1047		1,595	1,140
Women			368	383		584	422
Employees below age 30			432	426		616	494
Employees aged 30-50			750	788		1,054	842
Employees over age 50			204	216		509	226
New hires rate		%	11%	12%		15%	10%
Men			11%	11%		14%	10%
Women			12%	12%		16%	12%
Employees below age 30			33%	35%		38%	32%
Employees aged 30-50			12%	12%		14%	11%
Employees over age 50			5%	5%		9%	4%
Leavers		Headcount	1,177	1,113	1,281	1,758	1,734
Men			823	957		1,350	1,002
Women			290	323.8		408	372
Employees below age 30			181	189		317	206
Employees aged 30-50			570	647		764	614
Employees over age 50			362	444.5		678	554
Leavers hires rate			11%	9%	10%	10.8%	9.3%
Men			9%	10%		12%	9%
Women			9%	10%		11%	10%
Employees below age 30			14%	15%		20%	13%
Employees aged 30-50			9%	10%		10%	8%
Employees over age 50			8%	10%		12%	10%
Voluntary turnover rate		Leavers % end-year headcount	5.2%	5%	5.7%	5%	4.9%
Open positions filled by internal candidates		%			34%	29%	33%



Internal candidates	GRI Standard	Unit	2013 (baseline)	2017	2018	2019	2020
Training and development							
Employee training average hours	401-1	Hours average / person/year	31	17	16	12.2	12.2
Employee performance reviews	404-3	% of employees	98%	98%	98%	100%	100%
Employee survey engagement		% of employees engaged			n/a	76%	n/a
Men**					n/a	77%	n/a
Women**					n/a	73%	n/a
< 30 years old**					n/a	72%	n/a
30-50 years old**					n/a	80%	n/a
> 50 years old**					n/a	70%	n/a
Senior management (executives)**					n/a	79%	n/a
Middle management (executives)**					n/a	81%	n/a
Associates (employees in non-managerial positions)**					n/a	76%	n/a
Israel					n/a	76%	n/a
U.S.					n/a	69%	n/a
U.K.					n/a	64%	n/a
Eligible employees receiving anti-corruption training	205-2	%	74%	100%	100%	100%	100%

*Employees in Israel, U.S., Brazil, Australia, and UK representing more than 90% of our workforce.

**KPIs include Israel only, for privacy purposes.

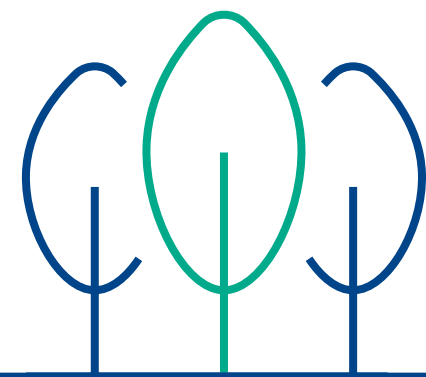
HEALTH AND SAFETY

Injury frequency rate (employees + contractors)	GRI Standard	Unit of measurement	2016	2017	2018	2019 (including IMI)	2020 (including IMI and new site in US)
Australia	403-2	Lost-day per 200k hours worked	0.76	0	0	0.43	0
Brazil			0	0.31	0.62	0.34	0
Israel			0.62	0.57	0.81	0.80	0.77
U.S.			0.08	0.15	0.14	0.19	0.04
UK				0	1.74	2.05	0
Romania						0.21	0
Total			0.73	0.49	0.73	0.87	0.65

Lost day rate due to injuries (employees + contractors)	GRI Standard	Unit of measurement	2016	2017	2018	2019 (including IMI)	2020 (including IMI and new site in US)
Australia	403-2	Lost-day per 200k hours worked	2.27	0	0	2.99	0
Brazil			0	2.478	4.68	0.34	0
Israel			5.37	10.23	10.76	13.33	16.94
U.S.			0.76	0.88	2.52	10.31	3.18
UK				0	2.94	3.42	0
Romania						8.15	0
Total			9.18	8.45	9.18	13.79	14.45



ENVIRONMENTAL PERFORMANCE DATA



	GRI standard	Unit of measurement	2015 (baseline)	2017	2018	2019 (including IMI)	2020 (including IMI and new site in US)
Renewable materials used (Paper)	301-1	Ton		124.32	112.86	119.41	140.04
Direct energy consumption (Scope 1) ¹	302-1	MWh	83,233	79,449	73,381	71,083	80,940
Indirect energy consumption (Scope 2)	302-2	MWh	147,837	154,515	154,547	234,662	276,083
Total energy consumption (Scope 1+2)		MWh	231,069	233,964	227,928	305,746	357,022
Energy efficiency ²	302-3	MWh/m²	0.487	0.488	0.491	0.435	0.418
Scope 1 GHG emissions ³	305-1	Tons CO ₂ e		19,059	17,679	18,034	21,602
Israel				18,942	17,560	17,384	19,425
U.S.							
Brazil ⁴				117	119	58.04	24.89
Australia							
UK						384.88	1,830
Romania						206	321
Scope 2 GHG emissions ⁵				69,303	68,870	109,592	112,924
Israel				60,484	59,929	97,977	89,295
U.S.	305-2	Tons CO ₂ e		7,884	8,058	8,094	20,339
Brazil				299	293	288	254
Australia				636	590	591	549
UK						622	540
Romania						2,017	1,944
Scope 1+2 GHG emissions							
			Tons CO ₂ e	118,429	88,362	86,549	127,626
GHG emissions efficiency ⁶	305-4	Tons CO ₂ e/m²	0.250	0.184	0.186	0.152	0.158
Scope 3 ⁷	305-3	Tons CO ₂ e					54,460
Reduction of GHG emissions ⁸	305-5	Tons CO ₂ e					218.82
Volatile organic compounds (VOC) ⁹	305-7	Metric tons		148.7	150.6	150.6	92.0

Water withdrawal ¹⁰	303-1	m³	245,108	262,648	249,152	798,849	916,398
Israel				233,104	208,173	749,042	761,286
U.S.				25,044	31,419	31,466	141,839
Brazil				3,876	3,826	2,825	2,640
Australia				624	537	690	480
UK					5,198	6,990	3,760
Romania						7836	6393
Water efficiency ¹⁰	303-1	m³ / employee	15.31	19.10	14.91	39.08	44.11
Total hazardous waste ¹¹	306-2	Metric tons		969	1,232	3,870	3,298
Reuse/recycling		Metric tons		606	710	1,286	465
Landfill		Metric tons		141	204	1,445	1,410
Other treatment		Metric tons		222	318	1,139	1,423
Hazardous waste recycling rate		%		63%	58%	33%	14%
Total non-hazardous waste ¹²		Metric tons		6,363	4,763	10,144	32,436
Reuse/recycling ¹¹		Metric tons		846	905	3,116	8,765
Landfill		Metric tons		5,517	3,859	7,028	23,671
Non-hazardous waste recycling rate		%		13%	19%	31%	27%
Total waste ¹²		Metric tons		8,527	6,997	14,014	35,436

¹¹ 102-48, ¹² 102-48

(1) UK government conversion factors for greenhouse gas (GHG) reporting were used in all calculations, except CO₂ emission factors of electricity generation and T&D, which were based on information provided by the International Energy Agency (IEA), and electricity generation by Dorad and Negev Energy, private companies in Israel that provide electricity from low-carbon sources based on natural gas, instead of the national grid that is primarily coal-sourced, to several of our sites. (2) In the previous report, the efficiency calculation was normalized and included employees (MW/employee/000m²). This year properly portrays efficiency per surface area of Elbit sites. (3) In 2020 we included GHG emissions from refrigeration in Scope 1. (4) Reduction due to stopping to use energy generator and less food preparation because of COVID pandemic. (5) Market-based approach to Israel and location-based approach for other sites. (5) Includes business travel (air), paper consumption, water consumption, waste disposal, electricity transmission and distribution, and well-to-tank emissions. (6) In the previous report, the efficiency calculation was normalized and included employees (Tons CO₂e/employee/000m²). This year properly portrays efficiency per surface area of Elbit sites. (7) Due to changes in processes, switch to more efficient lighting (LED). (8) Includes Israel operations. (9) All water consumption in our operations is drawn from municipal water supplies. (10) In the previous report, the efficiency calculation was normalized and included the surface area of Elbit sites (m³/employee/000m²). This year properly portrays efficiency per employee. (11,12) The changes in data which were reported in previous years are due to the improvement of information gathering and analysis methods.



Elbit Systems™

The logo features the text "Elbit Systems™" in a bold, italicized, blue sans-serif font. It is positioned over a yellow triangular shape that points upwards. A dark blue horizontal line with a slight upward curve on the right side is located below the yellow triangle.

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