



MAGAL
SOLUTIONS

Sustainability Report 2021

Magal Solutions



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From the Chairman of the Board

As Chairman of Magal Solutions, I am honored to endorse the company's first sustainability report.

On the one hand, this report was created, in the aftermath of the COVID-19 epidemic. On the other hand, this is a year of connections and regeneration that brings new integrated business opportunities for Aeronautics Ltd as a whole, and for Magal Solutions in particular.

This report demonstrates Magal's dedication to the existing safety and environmental policies at both the national and global levels and it serves as a foundation for continued success and improvement in our operations.

I want to thank everyone who has contributed to this project.

I believe that all of us, all Magal employees, will be able to achieve the goals and challenges of tomorrow and lead Magal to rebirth, prosperity and success, and for this, I extend my sincere gratitude and blessings.

Mr. Moshe Elazar

Chairman of the Board of Directors

A white, stylized handwritten signature on a dark blue background.



From the CEO

I am pleased to present the sustainability report for 2021, Magal Solutions' first sustainability report.

The year 2021 marks a significant milestone in Magal's history; it is the year Magal joined Aeronautics Group. Magal presented new national and worldwide policies and goals in principle, as well as in the areas of safety, quality, sustainability, and the environment in particular, under this new framework.

This year, which also presented us with a challenging business reality in the form of the COVID-19 epidemic, provided us with a quick, unique, and rare look at the issue of sustainability and the environment, in the configuration of the environmental recovery that resulted from massive reductions in emissions and pollutants from industry, national, private, and public sources.

It was also a wake-up call and clear evidence that reducing and monitoring carbon emission activities benefits the ecosystem on a large scale.

Magal Solutions opted to publish this sustainability report in accordance with the United Nations Sustainable Development Goals (SDGs) on areas deemed as significant to Magal.

I am honored to be leading the change and renewal of the company's policy in general, and in the field of safety, sustainability, and the environment in particular; this policy is no longer a task or a project imposed on the company, management, and employees, but rather a manner and method in which all of the company's individuals act and perform their work in a consistent and continuous manner.

The report will be published on the company's website and will be available to the general public and all stakeholders.

Arnon Bram

CEO, Magal Solutions

About the Company

Who we are

Magal Solutions provides physical and virtual security & safety solutions worldwide, enabling governments and corporations to predict, manage, and mitigate threats, streamline operations, and to ensure business continuity, safety, and operational efficiency.

Developing, deploying, and maintaining some of the world's most complex and interconnected security & safety projects, Magal combines systems integration, project management, software development, and sensor engineering with extensive experience to deliver advanced end-to-end, turnkey solutions.

Magal was founded in 1965, and was privatized and listed on NASDAQ in 1993. The company was acquired by Aeronautics Ltd., a RAFAEL subsidiary, in February 2021.

Our Vision

Creating a safer, secured, and sustainable environment, to efficiently operate the most critical assets.

Our Mission

Fusing operational data to create unified eco-system, empowering our customers to be proactive with actionable insights to achieve what matters most – security, safety, and efficiency.

Our Values

- **Creativity & Innovation**

Innovation requires creative thinking, constant development, and innovative solutions to best accommodate our customers' needs.

- **A Trusted Partner**

We believe that creating the best end-to-end solutions is based on long-term partnerships, understanding our customers' specific needs to foresee new ones, and being there for them every step of the way.

- **Agility & Adaptability**

We are results-driven with an unrelenting determination for the success of our clients. Equipped with the ability to adapt, we maintain effectiveness in a continuously changing environment. No matter the circumstances – we always find a way.

- **Excellence**

We bring almost 50 years of excellence in creating end-to-end solutions, transforming uncertainty into a well-managed project.

- **Customer Centricity**

Being customer focused is deeply rooted in our mindset and DNA.

We continuously seek to provide added value through tailored solutions, ongoing support, knowledge transfer and accessible data.

Business Sectors

The company's diverse portfolio includes National Borders, Seaports, Oil & Gas and Strategic Sites (Airports, Govt. Buildings, Critical Infrastructure, Correctional Facilities, Stadiums and Arenas).

- **Borders:**

Monitoring and securing national borders by developing an operational concept and deploying a multi-layered solution that provides early warning, surveillance, interception, and deterrence along the border.

- **Seaports:**

Integration of all systems and subsystems into a single unified command and control platform, which streamlines all operations and provides security, safety, and operational efficiency to the entire seaport and terminals.

- **Oil & Gas:**

Providing HSE integrated security solutions, maintaining public health and a safe environment, to enhance safety response of the critical sites and infrastructure, in order to minimize downtime and maximize production efficiency.

- **Critical & Strategic Sites:**

Security of complex, strategic and sensitive national sites and infrastructures, such as airports, prisons, military bases, government facilities, etc.



Company Highlights



Sustainability Strategy

This report covers the fiscal year 2021, and although Magal has offices throughout the world, this report focuses primarily on Israeli operations, which is where the manufacturing and offices are, as well as where all Magal products are produced.

For many years Magal is active in the environmental and social pillars under the boundaries of our organization. In 2021 we decided to proceed and adhere to the international standards of reporting and actions that are taken in the sustainability field.

As part of our approach to addressing environmental challenges, we highlight our progress with several new long-term environmental initiatives and practices.

A key driving force behind Magal's first sustainability report is to measure its environmental impact based on the most up-to-date scientific information and technology. Improved understanding of our emissions, environment and social impacts will allow us to identify improvement opportunities through our value chain, participate in GHG markets, and be prepared for public reporting and participation in voluntary programs in the future.

In the coming years, we will continue to measure to better understand our impacts and results and eventually set a baseline year that will allow us to include 2030 goals.

We aligned our efforts to:

- UN SDGs
- Addressing climate change and climate risks
- Managing natural resources
- Engaging partners across our value chain on environmental action

Our goal is to measure our environmental performance through our emissions of GHG, energy usage, water, and waste management.

Our social performance is measured through the Sustainability Accounting Standards Boards (SASB) framework, and with recommendations of GRI frameworks such as worker rights, health and safety, and security.

Our 2021

Our sustainability strategy, formulated and approved by Magal's management, was established, based on research of our market, the international sustainable practices, clients, suppliers, and other stakeholders.

From the research and our consultants, we learned that a common and well-established process is to:



To meet our objectives and meet the expectations of everyone in our value chain, we have conducted our first measurement to achieve transparency to all of Magal's stakeholders. For the following years, we expect to continue measuring and to be able to improve continually, and set quantitative and qualitative targets. Through this, we will consolidate our ability to provide sustainable services worldwide throughout all of our subsidiaries.

Below, is a table with some of our main findings:

	Performance in 2021
Environment and resource use	<ul style="list-style-type: none"> • Global Scope 1 and 2 GHG emissions of 988 tons of CO₂-eq. • Magal direct (Scope 1) GHG emissions of 646 tons CO₂-eq. for 2021 • Magal had indirect (Scope 2) GHG emissions of 342 tons of CO₂-eq. • Global electricity consumption of 615,398 kWh • Israel Headquarters directly recycled 7.3% mass of waste • Israel Headquarters and assembly plant used 2,013 cubic meter of water • 90 % of the global electricity used is consumed in Israel
Human capital	<ul style="list-style-type: none"> • 20% of women in management • We develop a Code of Conduct
Powering business	<ul style="list-style-type: none"> • Zero monetary losses resulting from legal proceedings associated with professional integrity (claim of corruption, or bribery)

Table 1 – Key Performance Indicators in 2021



Sustainability Highlights and Performance

In this report, we present our first annual calculations of environmental impact worldwide and specifically in Israel, where our headquarters and production plant are located. These figures include 2021 results for Scope 1 and Scope 2 GHG emissions, energy consumption, water consumption, and waste management. In the process of improving efficiency and doing more sustainable practices, we expect and willing to see our figures decreasing.

Data Performance 2021

The effects of climate change are felt by all businesses worldwide. By aligning with SASB and GRI disclosure guidelines, we aim to embed an understanding of climate change across our organization, helping us become more aware of climate change risks and opportunities, and ensuring transparency about our impact and performance.

UN Sustainable Development Goals

With regard to the UN Sustainable Development Goals (SDGs), we have identified four areas where our business can have a meaningful impact.

Goals	Our alignment
 <p>Goal 6. Ensure availability and sustainable management of water and sanitation for all.</p>	<p>Water is a key resource that we seek to recycle and reuse to maximize operational freshwater use, improve the wastewater treatment process, and safely reuse it.</p>
 <p>Goal 11. Make cities and human settlements inclusive, safe, resilient, and sustainable.</p>	<p>In addition to supporting smart city developments and critical infrastructure security, our advanced technologies protect and save lives while providing safe and secure systems.</p>
 <p>Goal 12. Ensure sustainable consumption and production patterns.</p>	<p>Our entire production process is being analyzed to determine its environmental impact. As part of our sustainability plan, we aim to use performance data and actual numbers for continuous improvement from our supply chain. We also contribute by employing hundreds of people around the world, improving their skills, and producing a positive economic impact on their countries.</p>
 <p>Goal 13. Take urgent action to combat climate change and its impact.</p>	<p>We recognize the importance of taking action on climate change and its global consequences. We manage our resources efficiently and continuously strive to reduce our consumption of resources, reduce our impact on climate change, and recycle our waste.</p>

Table 2 –Magal's Sustainability Development Goals alignment

GHG Emissions

As part of our new sustainable strategic program, we encourage our business to commit and deal with global climate risks and manage to reduce the company's worldwide emissions. Therefore, we calculate the GHG emissions for our headquarters and plant in Israel and subsidiaries in Mexico, Romania, Spain, and India.

Our emission in 2021:

Global GHG emissions	988
Israel GHG emissions	858
Mexico GHG emissions	76
India GHG emissions	21
Romania GHG emissions	16
Spain GHG emissions	16

Table 3 – GHG Emissions Indicators in 2021

Energy Management

Magal is continuously trying to reduce energy consumption and implement efficiency and saving measures.

The Israeli hot climate causes high energy consumption, especially during the summertime, and hopefully will decrease due to better thermal insulation in the new office building.

	Our 2021
Global electricity consumption, kilowatt-hour	615,398 kilowatt-hour
Israel's electricity consumption, kilowatt-hour	90% of the electricity consumed in Israel

Table 4 – Electricity Indicators in 2021

Water Management

There is no doubt that water is a scarce and highly valuable resource that needs to be managed globally. That's why at Magal, we take every possible step to make sure we consume as efficiently as possible. In 2021 our water usage in Israel was 2,013 cubic meters of water.

In 2021 we focused a lot about monitoring water consumption and leakage due to past experience with leakage that increased our water consumption, Magal will continue to monitor and improve our water management as we grow.

	Our 2021
Israel's water consumption, cubic meters	2,013 cubic meters

Table 5 – Israel Water Indicators in 2021

Waste Management

Magal generate an estimated amount of 87.4 tons of waste in Israel subsidiary in 2021, both municipal waste and recycling waste.

For the municipal waste, it was calculated that Magal used one waste container of 6 cubic meters per week, assuming that we work 45 weeks per year, with an average waste density of 300 kg/m³, making a total of 81 tons of municipal waste for 2021.

It is important to mention that municipal waste is been treated as all of the municipal waste in Israel – Incinerated for energy recovery and landfilled in a sanitary landfill.

While Magal separate and recycle 6.4 tons of waste in 2021 (see table 6).

Our analysis found that **iron** was the primary recycled waste product, followed by **cables** and **spill containers** (see table 7).

Magal waste management	Gross weight	% Recycled	TOTAL % waste recycled	
Municipal waste	81 tons	39%	31.6 tons	36%
Waste disposal for recycling	6.4 tons	100%	6.4 tons	7.3%

Table 6 – Israel Waste Management in 2021

Breakdown of waste separated and recycled by Magal		
Waste disposal for recycling	6.4 tons	100%
Iron	2.9 tons	45.4%
Cables	1.4 tons	22.1%
Spill containers	1.1 tons	17.2%
Electronic waste	0.5 tons	7.8%
Plastic	0.23 tons	3.6%
Trash	0.145 tons	2.3%
Batteries	0.06 tons	1%
Other	0.05 tons	0.6%

Table 7 – Breakdown of waste separated and recycled by Magal

UN Sustainable Development Goals

The United Nations has launched the 17 Sustainability Developments Goals, setting a global framework for governments, organizations, and civil society to seek and move efforts around goals and targets. It's a call for worldwide action to achieve and create equal opportunities for all.

To align our sustainability frame and make a strategic approach and analysis of Magal SDGs targets, a self-assessment was conducted of the current, potential, positive, and negative impacts our business activities have on the SDGs throughout the value chain.

Magal examined and identified four SDGs relevant to our business. Through our activities, we understand the opportunity to contribute and help in maximizing positive impacts and strengthening Magal efforts for achieving sustainable development and promoting a more dignified life for people and the planet.

The following key specific SDGs and the activities related to them:





Goals		Our alignment
Goal 6. Clean Water and Sanitation 	6.3) Improve water quality, wastewater treatment, and safe reuse	Increase monitoring water consumption to find leakage on faster and more accurately.
		To quality control (QC) test of our electronic devices, we use the water from the ACs. Our goal is to reuse a percentage of wastewater safely treated and reduce the freshwater used.
Goal 11. Sustainable Cities and Communities 	11.4) Strengthen efforts to protect and safeguard the world's cultural and natural heritage	Magal build bridges and passageways for animals to move freely throughout their natural habitat.
		Magal contributes for the safety of people across borders but also to safeguard nature
Goal 12. Responsible Consumption and Production 	12.6) Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle	We measure and source separate all types of waste as part of our commitment to having conscious business practices, and we partnered with local recycling company for this purpose.
		Magal developed key indicators that are checked with every new and current supplier such as environmental performances
		In recent years Magal optimize and continuously reduces inventories of raw materials by reducing amount of procurement as much as possible, yet to have reasonable inventories.
		Magal employees are encouraged to reuse the polystyrene bought to package consumables for Magal's products. In addition, we reuse the printed paper for daily use.
Goal 13. Climate Action 	13. b) Promote mechanisms for raising capacity for effective climate change-related planning and management.	We expect to continue reporting and implementing sustainability practices every year and to measure our progress as we go.

Table 8 – Sustainable Development Goals commitments

Carbon Footprint (GHG Emissions)

Our corporate carbon footprint quantified the total GHG emissions attributed to Magal's direct operational activities. We use a comprehensive and detailed approach to measure the emissions of all business activities.

We have recently increased our environmental KPIs to better understand our carbon footprint and environmental impacts. Continue to improve our efficiency initiatives regarding energy consumption and greenhouse gas emissions. We anticipate our KPIs to improve over time.

Emissions by the numbers:

In 2021, our direct scope 1 GHG emissions were 646 tons CO₂-eq.

In 2021, our indirect scope 2 GHG emissions were 342 tons CO₂-eq.

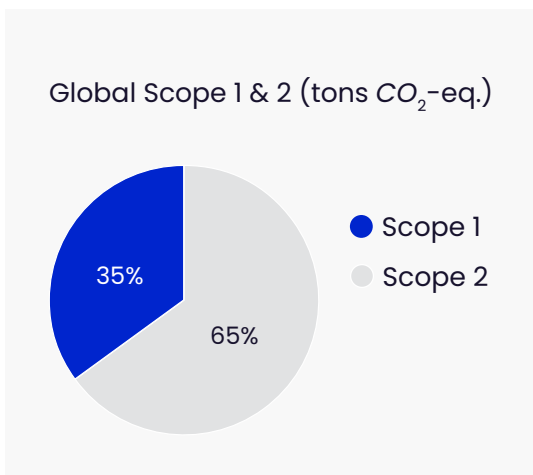


Figure 1 – Global scope 1 & 2

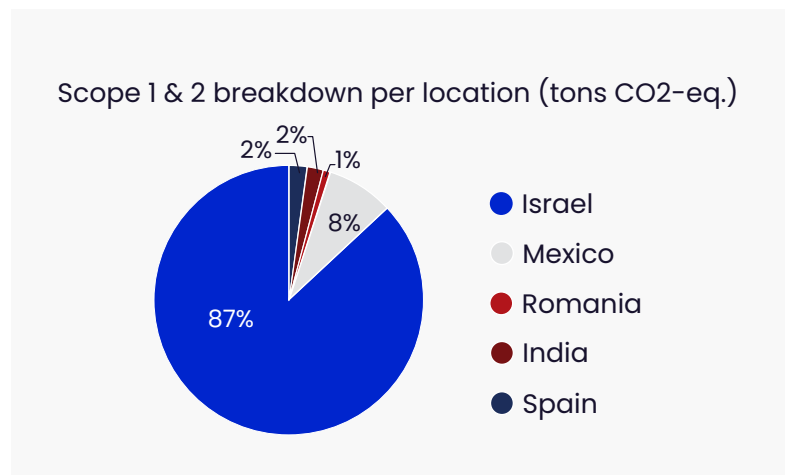


Figure 2 – Global scope 1 & 2 breakdown per location

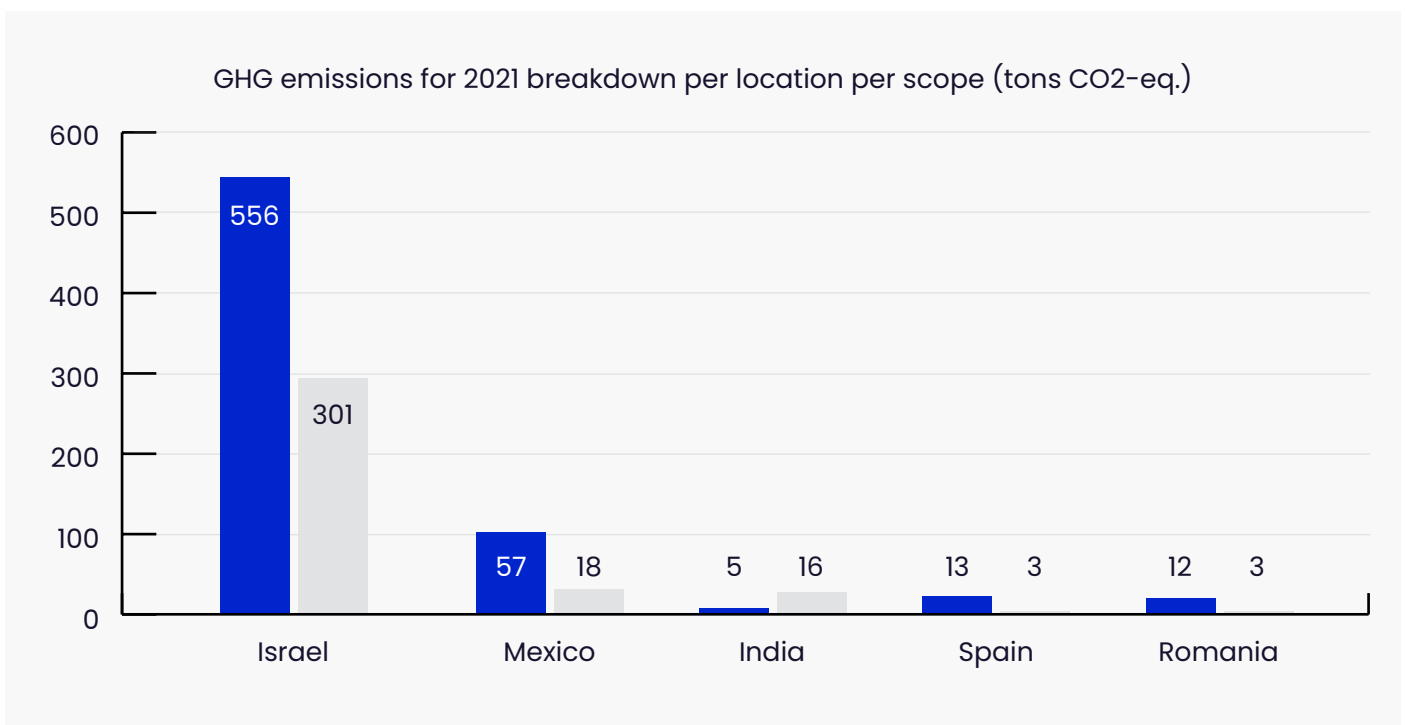


Figure 3 – Global GHG emissions for 2021 breakdown per location per scope

Direct Scope 1 GHG emissions for 2021 breakdown per location (tons CO₂-eq.)

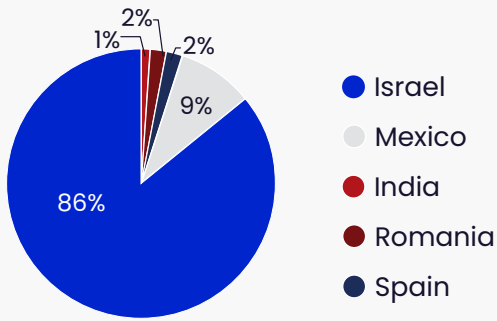


Figure 4 – Direct scope 1 GHG emissions for 2021 breakdown per location

Indirect Scope 2 GHG emissions for 2021 breakdown per location (tons CO₂-eq.)

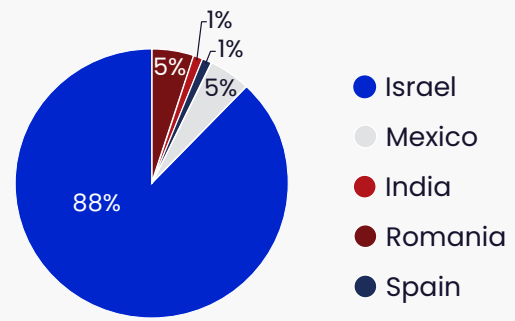


Figure 5 – Indirect scope 2 GHG emissions for 2021 breakdown per location

To minimize our emissions in our operations, we are taking the following actions:

- Calculate GHG emissions for all our operations in 2021 for scopes 1 and 2.
- We aim to continue measuring emissions for all operations for scopes 1 and 2, and expanding measurements to scope 3 in the future.



Energy Management

We measure the energy consumed by all our offices worldwide to understand our global annual electricity consumption.

When it comes to our manufacturing processes, our energy consumption at Magal is solely reliant on electricity usage purchased from local electricity corporations.

In 2021, our total global electricity consumption was 615,398 kWh. Our electricity consumed breakdown per location (kWh) was the following:

Electricity consumption breakdown per location (kWh)

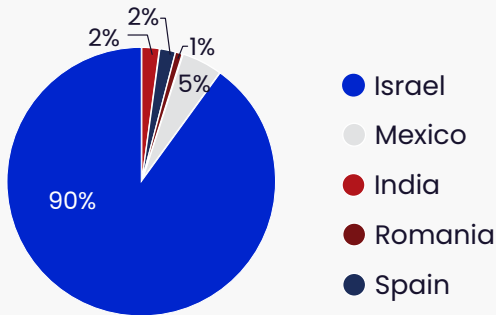


Figure 6 – Electricity consumption breakdown per location

	(kWh)
Global electricity consumption	615,398
Israel's electricity	554,972
Mexico's electricity	29,919
India's electricity	11,776
Spain's electricity	10,183
Romania's electricity	8,548

Table 9 – Electricity consumption figures in 2021

Israel energy sources numbers

Electricity consumption in Israel: 554,972 kWh

Fuel consumption in Israel - diesel: 179,660 liters = **1,896,563 kWh**

Fuel consumption in Israel - gasoline: 60,361 liters = **586,890 kWh**

Magal's Israel energy sources (%)

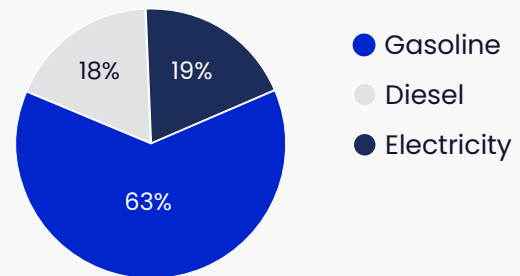


Figure 7 – Magal Israel energy sources (kWh)

Israel electricity management (kWh)

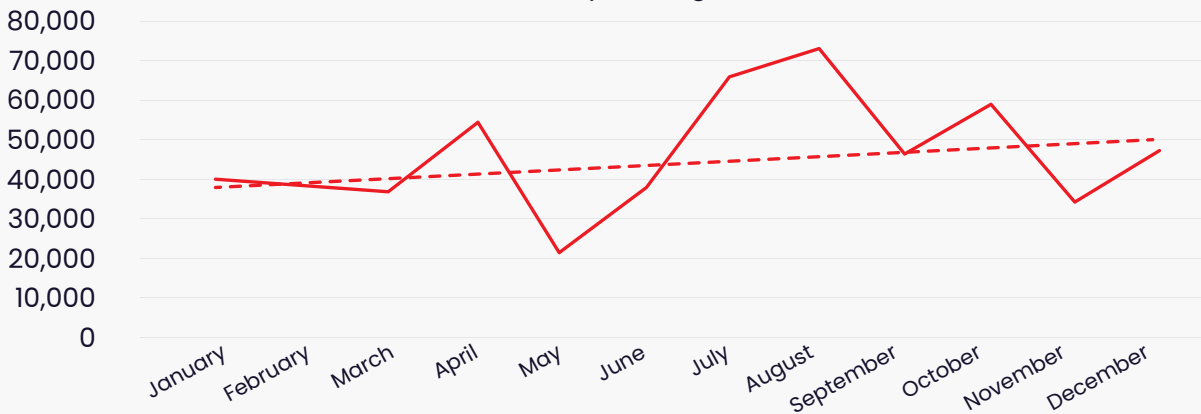


Figure 8 – Electricity Management in Israel subsidiary

Due to of the climate in Israel in July and August, AC usage is extremely high, which causing to a high energy consumption.

During the last few years, we encouraged all areas of the organization to implement policies and conduct an awareness campaign to reduce the electricity consumption. We also encouraged the use of energy-efficient light bulbs.

We are investing and working together with KVS, a sustainability consulting company, to improve and create a more sustainable office, take care of the resources used and encourage employees to create a more sustainable place.



Water Management

Magal evaluates the water management and availability in Israel. In 2021, Israel used 2,013 cubic meters of water. We are developing an initiative to approach and assess good practices and select the most effective methods.

We are using non-potable water from ACs for quality assurance tests for our production of electronic devices. The purpose is to help preserve Israel's potable drinking water source. We aim to demonstrate the benefits of recycled water from our operational business and share our operational best practices for using recycled water in our offices.

Our water consumption has been reduced by 55% compared to 2020, and we strive to keep reducing and improving it, the figure is an exception due to a leakage in 2020 that caused high loss of potable water.

As per the policy of the Israeli government, Shafdan collects, treats, and reuses wastewater. The wastewater is then recovered in the treatment plant and reused for irrigation. Water from these sources is predominantly used in desert regions, providing farmers all over Israel with the resources to produce agricultural products. As a result of the water management in Israel, sanitary and environmental protection were enhanced, water recycling was improved, agricultural water availability was increased, and consumption of potable water that can be used for drinking was reduced.





Waste Management

Recycling is a key component of Magal's commitment to reducing its environmental footprint.

Our objective is to monitor the amount of waste generated across all of our operations in Israel, aiming to collect as much information as possible that can be used to reduce waste consistently.

In Magal, we separate, categorize, and classify our waste, and each type of waste is given a specific treatment.

Data from last year shows segments such as cables, batteries for cars, batteries, electronic waste, plastic, iron, aluminum, trash, air conditioners, surfaces, lamps, cardboard, and spill containers.

In 2021, we generated 87.4 tons of waste 2021, both municipal waste, and separate and recycling waste directly by Magal operations.



Figure 9 – Waste management in 2021 – Municipal

Regarding municipal waste, it was estimated that Magal generates one waste container of 6 cubic meters per week, assuming 45 working weeks per year, with an average waste density of 300 kg/m³, which makes a total of 81 tons of municipality waste for 2021.

While we are recycling 6.4 tons of waste in 2021.

Our analysis found that iron was the primary recycled waste product, followed by cables and spill containers, which are treated in authorized treatment facilities. Being 45.4% of Iron, 22.1% of cables, and 17.2% of spill containers, waste is separated and recycled by Magal.

Our partnership with All Recycling has improved our recycling system. Our goal is to increase the quality and value of recyclables collected and work with our employees to reduce non-recyclable material collected and develop a better and more conscious way of managing our waste.

There is no hazardous waste as an by-product of our production. The company is committed to continuously improving its recycling rate and monitoring and managing its waste according to regulatory requirements.

Also, we encourage our employees to reuse the polystyrene bought to package consumables for Magal's products. In addition, we reuse the printed paper for daily use, and we give the cardboard as a gift to employees who are moving out of their apartments so they can reuse it.



Our People

To build our organization into one with the flexibility and capabilities to meet the challenges and opportunities of a complex and constantly-evolving business environment, we recognized the importance of creating a safe, diverse, inclusive work environment that allows our employees to grow and thrive. In this spirit, we are committed to ensuring the protection of human rights, such as fair hiring practices, and fair compensation, as well as working hours, rest periods, and health and safety for employees.

As a company, we are committed to meeting and exceeding local rules regarding workplace practices. Our key metrics:

Employees by gender, %	22% of employees in Israel are represented by women
Women in management, %	20% of executive management is represented by women
Average turnover, %	12% is the general turnover of the employees, and entity-initiated separation
Amount of money losses as a result of legal proceedings associated with professional integrity	For 2021 there were no claims for insurance by employees.

Table 10 – Human resources key metrics

Diversity:

While we are committed to enhancing diversity, it is also critical that our employees enjoy a safe and fair work environment, free of harassment and discrimination, regardless of their gender, age, religion, or sexual orientation.

Our industry has traditionally had a low female representation, and we have faced difficulties in attracting and promoting women for a variety of reasons over the years. As a company, we are committed to increasing the representation of women in our business across all divisions.

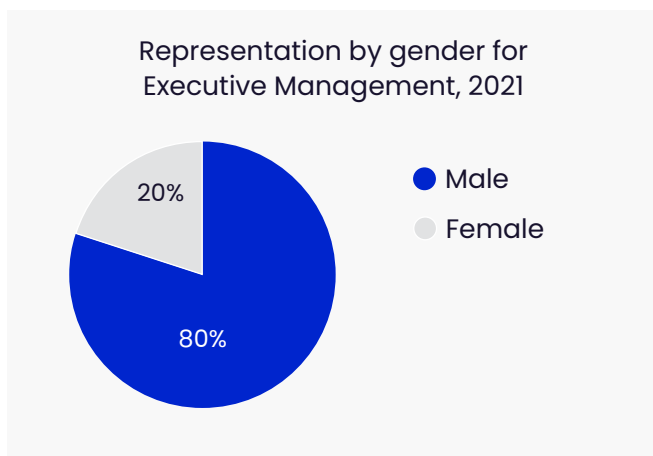


Figure 10 – Representation by gender for executive management in 2021

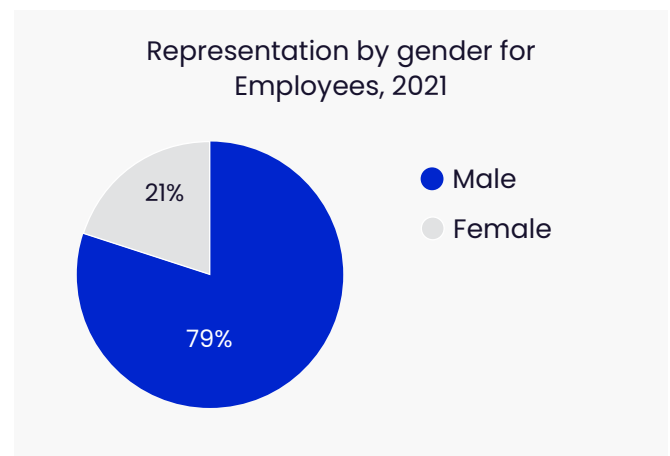


Figure 11 – Representation by gender for all employees in 2021

Also, we are committed, and we have invested considerable resources into promoting our recruitment among members of the Ultra-orthodox Jewish community and people with disabilities. Magal also prioritizes recurring employees who are over 65 years old. Two employees over 60 years old were hired in 2021.

Training and Code of Conduct:

It is essential that every employee feels comfortable at work, so the company advocates an equal employment policy. Magal employees sign a Code of Ethics, a Policy to Prevent Sexual Harassment, Information Security Regulations, and Safety training when they start working.

Well-being and benefit plans:

We improved and increased work flexibility in all of our operations to assist employees who have other responsibilities outside of work. We introduced flexible shifts, so employees who have a family could work with flexibility. For this reason, employees can report their work hours, and they can work short days and complete hours on other days.

In addition, we have expanded a benefit to allow parents of children on holiday or vacation to organize activities for the kids in Magal's offices.

Also, we create a comprehensive welfare program for employees, which covers their entire life cycle. In this program, the company presents a gift to every employee who marries, has a child, celebrates a Bar Mitzvah, or enlists in the army.

Health and safety:

In order to continue to lead we decided to continually improve all our activities and products, by implementing an integrated policy to ensure: safety and health, quality, and environment management based according to the following international standards: the ISO 14001, ISO 45001, and ISO 9001. The purpose of the decision is to create a safe, health and quality work environment; to satisfy internal and external customers, to inculcate a culture and integrated organizational conduct of safety and health, quality and environment, creating a safe and healthy work environment for employees, the environment and stakeholders, manufacturing quality and reliable products and services that meet customer expectations.

Also, as part of our effort to improve our quality and service, and keep, preserve, and manage the information in a safe, accessible, and controlled manner, we have decided to adopt the international standard for information security: ISO 27001. This procedure for cybersecurity will protect our databases and assets and ensure the availability, completeness, and reliability of the information that we are responsible for. The company's management considers the human resource an important component in raising the level of information security in the company, and therefore the management will work to establish mechanisms to check the reliability of employees and increase their awareness of information security issues.

Global safety and health targets are set by the team to ensure that our goals are achieved. All workplace accidents and injuries are closely monitored by the team.

Based on our reporting of accidents and safety incidents, we have not had any fatal accidents or lost consciousness at work. We are improving our training and communications for better safety performance, in order to maintain our safety culture.

Moving forward, we have defined the following KPIs for future action:

Total annual working hours:

$255K = [(182\text{hrs}/\text{per month worked per employee} * 12 \text{ months}) * (117 \text{ employees})]$

Total Recordable Injury Frequency Rate (TRIF):

$(2*200,000)/255K = 1.56$

The results mean that for every 100 employees that worked full-time hours (40-hour work week each year), there will statistically be 1.56 employees **injured** with recordable injuries in a year.

Lost Time Injury Frequency Rate (LTIFR):

$117 \text{ employees} * 2,184\text{hrs per year per employee} = 255K \text{ hrs. worked}$

$(6*1,000,000)/255K = 23.5$

The result means that for 6 injuries reported in 2021, calibrating to 1 million hours worked, represent 23.5 **lost time** caused by an injury will occur in the given period.

Days Away, Restricted, or Transferred (DART):

$(6*200,000)/255K = 4.7$

The result means there were 4.7 **cases** where an employee missed work from a work-related injury.

Employee attraction and development:

By working, we have the opportunity to express ourselves and our abilities and find meaning and value through our profession. The rapid evolution of technology and society has redefined roles, career length, and how individuals can become professionals. Companies must rethink and redesign their recruitment, development, and retention processes to meet the new and exciting era of employability. There are a variety of ways we encourage our hiring process. These include job sites, LinkedIn, Facebook, and employee recommendations. We want to make sure the job posting is visible and attracts as many diverse profiles as possible.

Magal believes that its greatest resource is human capital, which is why it will always be our preference to promote employees from within. In addition to creating career development processes at the cutting edge, we understand the importance of promoting people to key positions within our company. Four internal promotions were held in 2021. We continue making sure that our staff grows and is provided with the necessary tools for success.

Supply chain ethical practices:

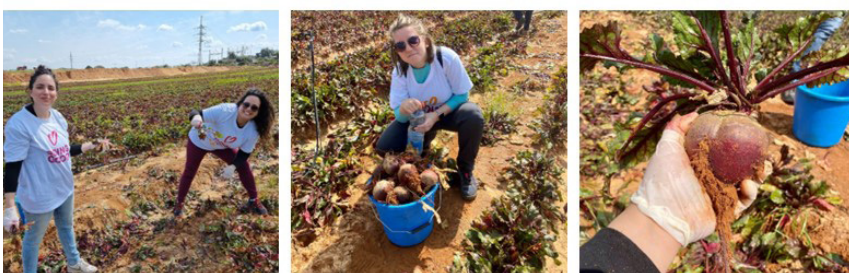
To be able to provide quality service to our customers, we must operate our supply chain responsibly and sustainably. A detailed procedure and supplier inspections are performed as part of our purchasing terms and conditions.

In order to practice inclusive procurement, we work with suppliers who employ a diverse workforce. We work with both small and large businesses. We seek to support suppliers located in areas that have government support and in rural areas.

Volunteering:

International Women's Day is always a day when we all share stories and experiences related to empowerment, fulfillment, and equality. This year, the women of Magal chose to spend the day at the design terminal in Bat Yam, which was established by the "Lazet Mehakufsa" ("Out of the box") association.

The terminal is a unique and spectacular design complex that manages a variety of social projects, such as the 'greenhouse' program that supports young designers who create for the community. And also provides a warm and supportive employment home for the mentally challenged who come daily to create in the rehabilitation yard and the factory, whose entire income is for the benefit of this blessed endeavor.



"Good Deeds Day," a day dedicated to doing good, has become a global day in recent years, uniting more than 100 countries in action for others and the environment.

Today, millions of people and dozens of organizations are working to make a good difference in their communities.

Magal believes that it is essential to encourage community connection, mutual support, and volunteering for the sake of others.

This year, we selected to participate in a community service project by gathering produce in the fields of the "Collect Israel" group.

The agricultural produce harvested by volunteers on behalf of Magal was distributed to hundreds of thousands of recipients around the country via associations.

Appendix: Disclosure

Sustainability Disclosure Topics & Accounting Metrics / SASB Disclosure

This sustainability report aligns our disclosure with the Sustainability Accounting Standards Board (SASB) framework.

We used the SASB framework to identify and disclose our most material ESG topics to prepare this report. To identify relevant SASB indicators, we used the Professional & Commercial Services standard and the Software & IT Services standard for Magal.

As part of our new strategy, we plan on reviewing standards and developing more accurate and transparent practices.

Details regarding our human capital information 2021 are specified in the following tables¹.

Topic				
SASB accounting metric	SASB category	SASB unit of measure	Magal Disclosure	
The number of employees by:	Quantitative	Number, %	Full time	112
	Quantitative	Number, %	Part-time	5
	Quantitative	Number, %	Temporary	2
	Quantitative	Number, %	Contract	0
Employee info:	Quantitative	Hours, %	Hours Worked	2184
	Quantitative	%	% billable	-

Table 11 – SASB Activity Metrics

Gender Representation				
SASB accounting metric	SASB category	SASB unit of measure	Magal Disclosure	
			Female	Male
Executive Management	Quantitative	%	2	8
Employees	Quantitative	%	24	93

Table 12 – SASB Gender Representation Metrics

¹ The data represented in these tables refers to Israel subsidiary

Ethnic Representation							
SASB accounting metric	SASB category	SASB unit of measure	Magal Disclosure				
			Israeli	Orthodox	Hispanic or Latin	Asiatic	Druze
Executive Management	Quantitative	%	10	0	-	-	-
Employees	Quantitative	%	117	12	-	-	-

Table 13 – SASB Ethnic Representation Metrics



Workforce Diversity & Engagement

SASB accounting metric	SASB category	SASB unit of measure	Magal Disclosure	
Workforce Diversity & Engagement	Qualitative	Description	Policies and programs for fostering equitable employee representation across its global operations	<p>The company advocates an equal policy, and it is essential that all employees feel comfortable in the workplace.</p> <p>Every employee who starts working signs a code of ethics and a policy to prevent sexual harassment.</p> <p>In addition, sexual harassment prevention policies depend on billboards in public spaces.</p>
	Qualitative	Description	Transparency of hiring	We have recruited candidates through several sources: Job sites, LinkedIn Facebook, an employee brings a friend
	Qualitative	Description	Ensuring equal employment opportunities	The company believes that its central resource is human capital, and therefore we will always prefer to promote employees from within
	Qualitative	Description	Wage practices	N/A
	Qualitative	Description	Program training/mentorship on diversity	<p>The company prioritizes recruiting employees of the female gender and employees of advanced ages.</p> <p>We recruited two employees over the age of 60 and 3 female employees</p>
	Qualitative	Description	Ensuring equal employment opportunities	The job posting is addressed to both sexes
	Qualitative	Description	Flexible work schedules to accommodate the varying needs of employees	<p>According to Israeli labor laws, the first day of illness is not paid. For the second and third days of the period of disease, the payment is 50% of the regular salary, and from the fourth day, the payment is 100% of the salary.</p> <p>At Magal, there is a full payment from day one.</p> <p>Maternity leave is paid according to the labor laws in Israel.</p>
	Qualitative	Description	Minimum gender and ethnicity representation	Magal works under Israeli law, employing people with disabilities states that in a workplace with 100 or more employees, the adequate representation will be considered if at least 3% of the employees are people with disabilities.

	Qualitative	%	The voluntary turnover rate for employees	General turnover (Voluntary + Involuntary) is 12% during 2021
	Qualitative	%	The involuntary turnover rate for employees	
	Qualitative	%	Employee engagement as a percentage	The CEO attends round table meetings
	Qualitative	Description	Description of approach to ensuring professional integrity	Guidance of compliance once a year by an attorney
	Qualitative	Reporting currency	The total amount of monetary losses as a result of legal proceedings associated with professional integrity	There are no claims for insurance by employees

Table 14 – Workforce Diversity & Engagement

Sustainability Disclosure Topics & Accounting Metrics			
SASB accounting metric	SASB category	SASB unit of measure	Magal Disclosure
Data security	Discussion and Analysis	n/a	<p>Description of approach to identifying and addressing data security risks</p> <ol style="list-style-type: none"> 1. By ISO 27101 2. An external security company monitors all communication between data centers 3. A vulnerability survey is conducted twice a year by an external expert 4. An annual survey of security risks – how to respond to incidents
	Discussion and Analysis	n/a	<p>Description of policies and practices relating to the collection, usage, and retention of customer information</p> <p>The COO of the company is the only one granting access to the library's contents, as this server monitors the departmental accesses.</p>

Table 15 – SASB Sustainability Disclosure Topics & Accounting Metric