BEYOND ALL BARRIERS

# Protecting Lives through Innovation

Elbit Systems Sustainability | Report 2015-16

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# About this Report

This fifth Sustainability Report of Elbit Systems describes 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. This Report is written in accordance with GRI Standards, Core Option.

This Report covers our four primary operational geographies: Israel, the U.S. Brazil and Australia, together representing more than 70% of our revenues and more than 90% of our staff. Australia is included in our reporting for the first time in 2015. Data for prior years does not include Australia.

In developing our sustainability strategy and this Report, we considered input from our primary stakeholders – employees and customers – as well as from other stakeholders through our different communication initiatives with them. A Reporting Steering Committee, headed by the Executive Vice President for Human Resources and the Executive Vice President - Chief Compliance Officer, determined the selection of content for this Report based on an internal review and assessment of Elbit Systems' most material sustainability impacts.

We report every two years. Unless otherwise stated, the data and information in this Report are for the calendar years 2015 and 2016. All reported data is verified internally prior to publication, and we do not employ external verification. Detailed financial information is not included in this Report; our Annual Reports 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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# Introduction from Bezhalel (Butzi) Machlis, President and CEO

I am pleased to present our fifth Sustainability Report for Elbit Systems covering the years 2015 and 2016.

Since we published our last Sustainability Report, our business environment has intensified in terms of the complex security and safety challenges we are asked to address through our technologies, products and services. Protecting the lives of those who serve in defense, homeland security and first responder agencies, and providing them with advanced tools to protect the communities our customers serve, remains the core of our business. Homeland security remains a top priority of many governments around the world, and countries are facing new and unpredictable challenges for which innovative responses are necessary. Cybercrime, to name just one threat, is growing in scale and sophistication, while legacy issues such as terrorism, border breaches, infrastructure attacks and crime require integrated and advanced responses. All of this means we must continue to strive to be market leaders in innovation and speed to market. During the period covered by this Report, we advanced numerous new technologies that contribute to protecting citizens and that defend them.

At the same time, we are leveraging the immense potential in civilian applications of our technologies. These are now being implemented proactively to explore new ways to protect and enhance lives, for example, in areas such as advanced imaging, health and agriculture. Civilian flight safety is also an area where our significant expertise is making a real difference to many people.

Sustainability remains central to our thinking. We believe in doing business in a responsible and ethical way, and we strive to act with respect towards our employees, our partners, our communities and the environment. We have made progress under our strategic sustainability plan, investing in employee engagement, improving the safety of our operations while making major strides in reducing our resource consumption and mitigating climate change impacts. We also endorse the UN's Sustainable Development Goals to achieve greater global prosperity by 2030, and have identified where we can best contribute. We maintain our memberships in the International Forum on Business Ethical Conduct (IFBEC) of the Aerospace and Defense Industry and other international ethics–oriented organizations.  As a leading company in our industry, we aim to collaborate for the benefit of our customers and other stakeholders by enhancing our sustainability initiatives.

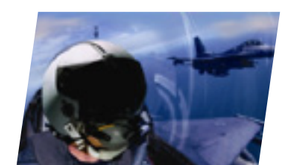
I thank you for your interest in our sustainability practices and welcome your feedback on this Report.

***Bezhalel (Butzi) Machlis***
*Elbit Systems President and Chief Executive Officer*

# About Elbit Systems

We are an international 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 and commercial applications. We invest major resources in developing new technologies for defense, homeland and cyber security and commercial applications, and provide new solutions and support services, including training and simulation systems. We are headquartered in Israel and maintain subsidiary operations in numerous countries around the world, with a workforce of more than 12,000 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, efficacy and cost-efficiency. We tailor and adapt our technologies, integration skills, market knowledge and operationally-proven systems to each customer's individual requirements. By upgrading existing platforms with advanced technologies, we provide cost-effective "systems of systems" overall solutions to improve customers' technological and operational defense, homeland security and safety capabilities.


Defense & Commercial Airborne Systems & Simulation

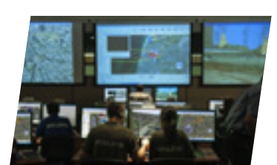
EW & Countermeasures Systems

CYBER Solutions

Combat Vehicles & Artillery Systems

C$^4$I & DAP Radio Communication

## OUR MAJOR TECHNOLOGY SOLUTIONS PLATFORMS


Homeland Security Systems

Naval Systems

Unmanned Vehicle Systems

ISR & Electro-optic Systems

# Our Vision and Core Values

## About Elbit Systems

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

# Elbit Systems: Fast Facts

## About Elbit Systems

**$ 3,260.2 million**

Total revenues in 2016

**$ 236.9 million**

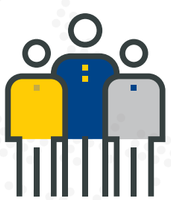
Net income in 2016 (non GAAP)

**$ 291.7 million**

2016 expenditure on R&D (8.9% of revenues)

**$ 6,909 million**

Order backlog at end 2016



**12,470**

Global employees at end 2016

**Bezhalel Machlis**

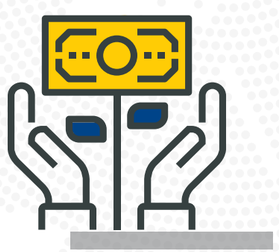
President and CEO

**Michael Federmann**

Chairman of the Board

# Recognition from Our Stakeholders

## About Elbit Systems



We are honored to receive recognition in numerous areas from our stakeholders around the world, confirming our positive contribution to business and protecting and enhancing lives. The list below includes some examples of stakeholder recognition in 2015 and 2016:

- **Bezhalel Machlis,** Elbit Systems President and CEO, was named to the list of the top 50 CEOs in Israel in 2015 and 2016.
- The Institute of Certified Public Accountants in Israel recognized Elbit Systems for its contribution to Israeli economy in 2015.
- Elbit ranked 7th best place to work in Israel in the annual CofaceBDI 2016 ranking Of corporate workplaces in Israel.
- **Airbus Helicopters** awarded Elbit Systems the title of "Industrial Best Performer Supplier" for the year 2015.

*"This award is recognition of Elbit System's capability to offer both the latest technology while providing excellent quality and logistic performance".*

***Yoram Shmuely, General Manager, Elbit Systems Aerospace Division***

- **CYBERBIT** was recognized with the 2015 Global Frost & Sullivan Award for Competitive Strategy Innovation and Leadership.
- **CYBERBIT** was recognized as a Top 10 Security and Risk Management Solution Provider in 2016 by Energy CIO Insights.

*"The energy sector is the key focus for CYBERBIT, which brings visibility, continuity and security to industrial control systems (ICS). We are honored to have this product, as well as our entire security portfolio, recognized by Energy CIO's industrial experts who have a broad understanding of the ICS security market, as well as by Energy CIO Magazine, as a leader in this field".*

***Adi Dar, CEO, CYBERBIT***

- **In 2015 and 2016,** we were pleased to achieve the highest possible level in the Business for Social Responsibility (Maala) ranking in Israel: Platinum Plus.

**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.

# Sustainability Strategy and Priorities

## Sustainability at Elbit Systems

Our sustainability approach is led by a Steering Team comprised of senior executives from corporate headquarters and other parts of our organization. The Steering Team meets several times a year to direct strategy, review progress, advance performance and support communications. Our multi-year strategy is based on feedback from our stakeholders about what matters most to them, together with our internal assessment of the business priorities and significant contributions of Elbit Systems around the globe. During 2016, our Steering Team reviewed our ten most significant sustainability priorities, and reconfirmed their ongoing relevance. We did not conduct any specific, additional stakeholder engagement relating to these material priorities, but our day-to-day interactions and participation in meetings and industry events enables us to keep a finger on the pulse of stakeholder sentiment and interests. On a regular basis, we engage primarily with three key stakeholder groups, and with others as needed. The feedback from key stakeholders, that informed our material priorities, is shown below:

| | |
|---|---|
| **Employees** | Positive workplace culture; opportunities for personal and professional development; communications and information. |
| **Customers** | Innovative integrated solutions that provide cost-efficient value; environmental sustainability; outstanding customer service. |
| **Suppliers** | Fair and ethical dealing, partnership approach, opportunities to support innovation and technology development. |

**Our Top Ten Sustainability Priority Topics**

| Impacts on Society and Our Customers | Impacts Throughout our Operations |
|---|---|
| Homeland defense and cyber security threats to governments, communities and citizens | Employee satisfaction |
| Civilian flight safety and security | Employee health and safety |
| Sustainable innovation - climate change, resource constraints and natural disasters that affect global safety and security | Resource consumption and emissions |
| Product quality and customer service | Ethical conduct |
| | Supplier best practice |
| | Advancing technology education to support future innovation |

# Sustainability Strategy: progress so far

## Sustainability at Elbit Systems

| Category | Element | Goal | Target | Progress in 2015 / 2016 |
|---|---|---|---|---|
| **Impacts on Society and Our Customers** | Homeland defense and cyber security | Resource-efficient solutions to improve safety and security of first responders and society in general in line with relevant stakeholder needs | Continue to develop cutting-edge solutions for customers around the world | Expanded and enhanced our homeland security offerings with WideBridge™ Cloud and CYBERBIT |
| | Civilian flight safety and security | Resource-efficient solutions to improve flight safety and security and protect passengers' lives | Expand portfolio of leading-edge solutions to commercial aviation customers around the world | Expanded and enhanced our flight safety offerings with BrightNite™ and ClearVision™ |
| | Sustainable innovation | Technology-based sustainability-driven solutions. Continued investment in breakthrough technological solutions that help protect and save lives | Expand delivery of leading-edge technology-based solutions to commercial customers around the world | Expanded involvement in several technology areas including the InnoBit technology incubator |
| | | | Expand employee innovation programs | Continued numerous employee activities relating to innovation |
| | Product quality and customer service | Improve customer satisfaction | Improve overall customer satisfaction rating by 5% by 2020. (2014 baseline) | Improvement of 2.3% versus 2014 |
| | | Expand quantity and quality of feedback received from customers | Receive direct feedback from 75% of key customers by 2020. (2014 baseline) | Direct feedback formed 65% of our customer feedback in 2016 |

# Sustainability Strategy: progress so far

## Sustainability at Elbit Systems

| Category | Element | Goal | Target | Progress in 2015 / 2016 |
|---|---|---|---|---|
| Impacts Throughout Our Operations | Employee satisfaction | Higher employee engagement and satisfaction | 10% improvement in employee satisfaction by 2020. (2013 baseline) | 3.2% improvement in 2016 versus 2013 survey |
| | Employee health and safety | Reduce work injury rate | Reduce work injury rate by 15% by 2020. (2013 baseline) | Reduction of 33% in 2016 versus 2013. We will target to maintain or improve this going forward (exceeds current 2020 target) |
| | | Reduce rate of lost days due to injury | Reduce rate of lost days due to injury by 20% by 2020. (2013 baseline) | Reduction of 50% in 2016 versus 2013. We target to maintain or improve this going forward (exceeds current 2020 target) |
| | Resource consumption and emissions | Reduce electricity consumption | Improve electricity consumption intensity by 5% by 2020. (2013 baseline) | Reduced 4% in 2016 versus 2013 (MWh/employee/000m$^2$) |
| | | Reduce GHG emissions | Improve GHG emissions intensity by 7% by 2020. (2013 baseline) | Reduced 13% in 2016 versus 2013 (tons CO2e /employee/000m$^2$) |
| | | Reduce water consumption | Improve water consumption intensity by 5% by 2020. (2013 baseline) | Reduced 27% in 2016 versus 2013 (m$^3$/employee/000m$^2$) |
| | Ethical conduct | Reduce risk of unethical behavior | 100% employees trained in anti-corruption and ethics on a bi-annual basis. | More than 95% of employees reached in 2015-2016 |
| | | | Perform annual ethical risk assessments at all operational sites | Annual risk reviews for all sites performed in 2015-2016 |
| | Supplier conduct | Improve ethical awareness and conduct of suppliers | Commitment by suppliers to uphold ethical practices. | All strategic and new 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 U.S. | Maintained programs in Israel and U.S. Program in Brazil to be developed |

# Sustainability Highlights in 2016

## Sustainability at Elbit Systems

**14.5%**
reduction in normalized energy consumption in 2016 versus 2015

**18%**
reduction in paper usage in Israel in 2016 versus 2015

**10%**
reduction in normalized greenhouse gas emissions in 2016 versus 2015

**10%**
reduction in total waste generated in 2016 versus 2015

**20%**
reduction in normalized water consumption in 2016 versus 2015

**28%**
reduction in injury rate in 2016

CUSTOMER

**10%**
increase in customer satisfaction in 2016

EMPLOYEE

**15,000**
hours volunteered by our employees in the community

**27.5**
training hours per employee in 2016

**>500**
employees fighting cyberthreats in our new company CYBERBIT

**95%**
of eligible employees trained in anti-corruption

**3.2%**
improvement in employee engagement and satisfaction

**7,200**
employees participated in our employee engagement and satisfaction survey

**4**
Sustainable Development Goals identified as key for Elbit Systems

**8**
technology companies in our Incubit incubator platform

# Key Sustainability Metrics Dashboard

## Sustainability at Elbit Systems

### Employee data

| Employees by gender and contract | GRI Standard | Unit | 2013 | | 2014 | | 2015 | | 2016 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Male | Female | Male | Female | Male | Female | Male | Female | |
| Employees by gender | 405-1 | % | 75% | 25% | 75% | 25% | 76% | 24% | 75% | 25% | |
| Managers by gender | 405-1 | % | 91% | 9% | 90% | 10% | 87% | 13% | 88% | 12% | |
| Non-managers by gender | 405-1 | % | 88% | 12% | 86% | 14% | 85% | 15% | 85% | 15% | |
| Permanent contract employees | 102-8 | % | 94% | 93% | 96% | 94% | 96% | 94% | 96% | 93% | |
| Temporary contract employees | 102-8 | % | 6% | 7% | 4% | 6% | 4% | 6% | 4% | 7% | |
| Employees with Collective Bargaining Agreements | GRI 102-41 | % | 27% | | 26% | | 26% | | 25% | | -5% |
| **Employees by age** | | **Unit** | **2013** | | **2014** | | **2015** | | **2016** | | **Change in 2016** |
| Employees below age 30 | 102-8 | % | 10% | | 10% | | 10% | | 11% | | 4% |
| Employees aged 30 - 50 | 405-1 | % | 51% | | 51% | | 52% | | 53% | | 2% |
| Employees over age 50 | 405-1 | % | 38% | | 39% | | 37% | | 36% | | -4% |
| **New hires and turnover** | | **Unit** | **2013** | | **2014** | | **2015** | | **2016** | | **Change in 2016** |
| Employees covered in Sustainability Report* | 102-8 | Headcount, year end | 10,435 | | 10,476 | | 10,898 | | 11,104 | | 2% |
| New hires | 401-1 | Headcount | 821 | | 1,007 | | 1,074 | | 1,248 | | 16% |
| Leavers | 401-1 | Headcount | 1,177 | | 977 | | 1,016 | | 975 | | -4% |
| Turnover | 401-1 | Leavers % end-year headcount | 11% | | 9% | | 9% | | 9% | | -6% |
| **Training and development** | | **Unit** | **2013** | | **2014** | | **2015** | | **2016** | | **Change in 2016** |
| Employee training total hours | 401-1 | Total hours | 327,744 | | 275,476 | | 296,292 | | 300,853 | | 2% |
| Employee training average hours | 401-1 | Hours average/person/year | 31.4 | | 26.3 | | 27.7 | | 27.5 | | -1% |
| Employee performance reviews | 404-3 | % of employees | 98% | | 98% | | 96% | | 87% | | -10% |
| **Anti-corruption** | | **Unit** | **2013** | | **2014** | | **2015** | | **2016** | | **Change in 2016** |
| Elligible employees receiving anti-corruption training | 205-2 | % | 74% | | 100% | | 100% | | 100% | | 0% |

* Employees in Israel, U.S., Brazil, Australia, representing more than 89% of our workorce

# Key Sustainability Metrics Dashboard

## Sustainability at Elbit Systems

| Environmental performance | GRI Standard | Unit of measure | 2013 | 2014 | 2015 | 2016 | Change in 2016 | Change from 2013 |
|---|---|---|---|---|---|---|---|---|
| Direct energy consumption (Scope 1) | 302-1 | GJ | 380,803 | 375,727 | 299,637 | 291,575 | -3% | -23% |
| Indirect energy consumption (Scope 2) | 302-1 | GJ | 527,860 | 500,562 | 514,298 | 555,857 | 8% | 5% |
| Total energy consumption | 302-1 | GJ | 908,663 | 876,289 | 813,935 | 847,432 | 4% | -7% |
| **Energy efficiency** | **302-3** | **GJ/ employee/ 000 m2** | **0.151** | **0.152** | **0.144** | **0.132** | **-8%** | **-13.0%** |
| Scope 1 GHG emissions | 305-1 | tons CO2e | 26,178 | 25,868 | 20,634 | 20,076 | -3% | -23% |
| Scope 2 GHG emissions | 305-2 | tons CO2e | 109,096 | 102,824 | 106,087 | 105,864 | 0% | -3% |
| Scope 1+2 GHG emissions | 305 | tons CO2e | 135,274 | 128,692 | 126,720 | 125,940 | -1% | -7% |
| **GHG emissions efficiency** | **305-4** | **tons CO2e/ employee/ 000 m2** | **0.023** | **0.022** | **0.022** | **0.020** | **-12%** | **-13.2%** |
| Water withdrawal | 303-1 | m3 | 329,710 | 264,306 | 245,108 | 259,422 | 6% | -21% |
| **Water efficiency** | **303-1** | **m3/ employee** | **0.055** | **0.046** | **0.043** | **0.04** | **-7%** | **-26.64%** |
| Waste to recycling | 306-2 | metric tons | 2,150 | 1,729 | 1,617 | 1,530 | -5% | -29% |
| Waste to landfill | 306-2 | metric tons | 7,195 | 6,225 | 6,477 | 5,803 | -10% | -19% |
| Total waste | 306-2 | metric tons | 9,645 | 8,136 | 8,379 | 7,505 | -10% | -22% |
| **Waste efficiency** | **306-2** | **tons/ employee/ 000 m2** | **0.002** | **0.001** | **0.001** | **0.001** | **-21%** | **-27.46%** |
| Waste recycling rate | 306-2 | % | 22% | 21% | 19% | 20% | 6% | -9% |

| Safety performance | GRI Standard | Unit of measure | 2013 | 2014 | 2015 | 2016 | Change in 2016 | Change from 2013 |
|---|---|---|---|---|---|---|---|---|
| Lost time injury rate | 403-2 | per 200,000 hours worked | 0.653 | 0.550 | 0.611 | 0.488 | -20% | -25% |
| Lost time injury severity rate | 403-2 | per 200,000 hours worked | 8.722 | 6.588 | 5.983 | 4.344 | -27% | -50% |

# Supporting the Sustainable Development Goals

## Sustainability at Elbit Systems

The Sustainable Development Goals (SDGs) were adopted by the United Nations in September 2015 after being ratified by 183 member countries. Together, the goals represent a plan of action to address global sustainable development needs through 2030. At Elbit Systems, we endorse the need for all sectors – government, private and civil society - to work together to promote prosperity for people and the planet for the long-term. We understand we have both an obligation and an opportunity in supporting the SDGs and believe our contribution to protecting and enhancing lives through innovation and responsible business conduct is aligned with the SDGs' key objectives.

The areas in which Elbit Systems makes a significant contribution to advancing the SDGs through our core business are:

### Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Our business is driven through innovation in both defense and commercial applications which protect and enhance lives and support effective homeland defense, cyber security and flight safety. Our innovations in critical comminications technologies, infrastructure protection and flight safety and visibility make many aspects of life safer for citizens and represent a key contribution to sustainable living and security in many countries around the world.

### Make cities and human settlements inclusive, safe, resilient and sustainable

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 more.

### Ensure sustainable consumption and production patterns

We make a positive economic contribution in the coutries 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.

### Take urgent action to combat climate change and its impacts

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.

# Protecting Our Communities and Helping Save Lives

This section covers the way Elbit Systems contributes to global security and advances sustainable solutions that protect, save and enhance lives, providing examples of our performance in 2015 and 2016.

**GRI Standards covered in this section:**

| | | |
|---|---|---|
| **Homeland defense and cyber security** | GRI 203: Indirect economic impacts 2016 | 203-2 Indirect economic impacts |
| **Civilian flight safety and security** | | |
| **Sustainable innovation** | | |
| **Product quality and customer service** | GRI 418: Customer Privacy 2016 | 418-1 Substantiated complaints about customer privacy |

# Homeland Security

## Protecting Our Communities and Helping Save Lives

With a mission to empower our customers with the tools and technologies necessary to face the future with confidence, our focus is squarely on technologies which contribute to protecting and enhancing lives. In a world where threats are unpredictable and increasingly unconventional, our job is to enhance the effectiveness of the men and women serving their nations in defense and security forces around the world, while facing minimal risk to their personal safety and security. At the same time, we are increasingly deploying our technologies for civilian first responder applications to make cities smarter, to improve the reliability and safety of commercial aviation, to secure borders and to provide enhanced tools that give police, firefighters and other first responders the ability to provide fast, effective and decisive support for victims of the full range of crises and emergencies. Using our extensive expertise and significant investment in innovation, our core business is protecting, saving and enhancing lives.

## Connectivity for Effective First Responders

The role of first responders in any homeland security incident is critical and urgent. Their initial response in any emergency situation can influence the scope and scale of ongoing danger to individuals and recovery of local populations. First responders need the most comprehensive, real-time information available to make the best split-second decisions, which can protect and save lives.

Building on the success of our Homeland Security Command and Control System (HLS-CACS) which has been in use since 2014, we have now introduced the next generation of secure, cloud-based, public safety broadband communications services – the WideBridge™ Cloud applications suite. Widebridge was developed as a response to the need of first responders to securely share mission-critical voice and live video sessions so that diverse teams can interoperate together more effectively in emergency situations even when using different communication means. Our cloud-based application adds the ability to use secure mobile public safety communications solutions for critical interactions when other forms of communication are disrupted. WideBridge intuitive mobile application – Smart Responder – supports smartphones using Android and iOS, accessing critical information for greater situational awareness and overall incident management via a range of channels including voice, video and radio interoperability.

**First responders** are trained experts who selflessly provide services and support in homeland emergency situations. They may be police, fire-fighters, ambulance services, doctors, nurses, social workers, security guards, soldiers or other specialists. They are present in the wake of every incident, often placing themselves at significant personal risk. At Elbit Systems, we aim to help first responders be as effective as possible while minimizing exposure to unknown dangers.

*"The WideBridge Cloud system provides the nation's first responders with the ability to use broadband secure communications solutions for a variety of applications and scenarios. WideBridge Cloud is another important example of our commitment to provide Homeland Security and the public safety community with superior operational solutions."*

***Raanan Horowitz, President and CEO, Elbit Systems of America***

# Homeland Security

## Protecting Our Communities and Helping Save Lives

### Making the Streets Safe in Uruguay

Homeland security does not refer only to major incidents and emergencies. It's also about protecting citizens and visitors every hour of every day from crime and other safety risks. The safety profile of any city or region can have a major impact on the local economy, the productivity of the area and on tourism. In the Maldonado District in Uruguay, the need to protect citizens was identified as a major factor in enhancing the lives of citizens and attracting tourists. Enrique Antía, Governor of Maldonado, therefore, made an investment in establishing Safe City as a priority under his tenure. In fact, this was a key electoral promise.

In 2016, Elbit Systems was engaged to supply the technology for this initiative in Uruguay, using our Homeland Security expertise to make the streets safer for locals and visitors. The Safe City (district) spans over 2000 km² across six municipal authorities, including the renowned Punta Del Este tourist resort. We have supplied a system that deploys more than 1,000 cameras and sensors, including vehicle license plate recognition systems, at strategic locations. These camera and sensors connect over 400 sites, providing 24/7 surveillance and a link to a Command and Control Center by a wireless network and fiber optic cables. Real-time voice and visual information feeds to the Command and Control Center to warn the Center's operators of potential security incidents so that relevant emergency services can be dispatched in a timely manner. Analytics even show up suspicious packages or vehicles in the city streets.

**Safe Cities** are becoming the new imperative as urbanization grows to over 80% in developed countries and more than 50% as a global average. The market for Safe City development is expected to grow to more than $50 billion by 2020. The safety of citizens is increasingly dependent upon the deployment of sophisticated technology to support round-the-clock protection and prevention. At Elbit Systems, we aim to offer the most advanced, tailored, effective solutions available to protect and enhance lives.

# Homeland Security

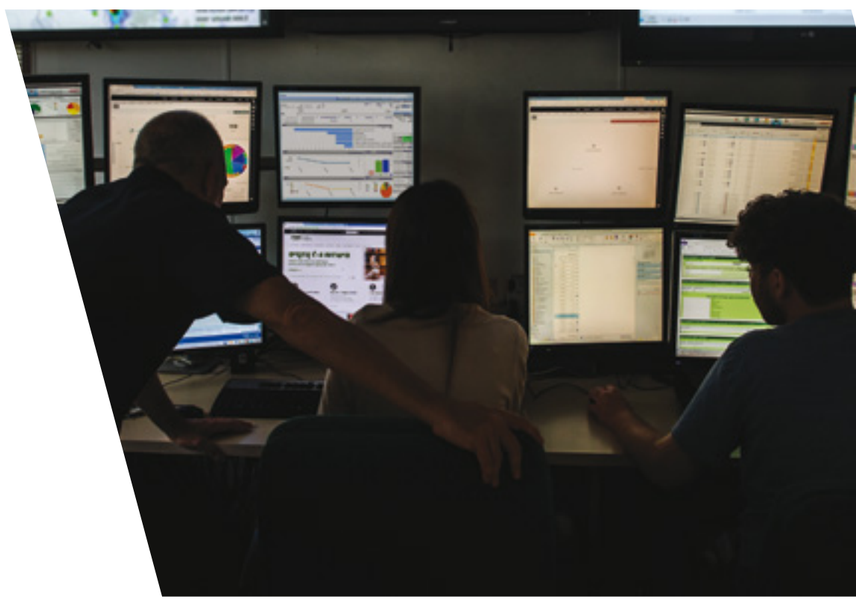
## Protecting Our Communities and Helping Save Lives

## Cyber Security

Cyber-attacks continue to disrupt business and threaten national security in many ways and forms. The scale and pace of sophisticated cyber-attacks on national governments, infrastructures, corporations and networks of all kinds continue to increase. Protecting lives and enhancing the quality of life is dependent upon a strong defense against such cyber- attacks.

*"It is not enough to learn about past cyber threats to prevent future attacks. The nature of cyber threats is that they are constantly changing their form, finding new cracks in our security. That's why we created CYBERBIT. We have found a way, using sophisticated Big Data analytics and machine learning tools to predict and counter the next waves. Our award-winning Range of cyber-protection tools is already making a formidable contribution to securing our systems, institutions, transactions and preserving our quality of life."*

***Sharon Rosenman, Vice President Marketing, CYBERBIT***



# Homeland Security

## Protecting Our Communities and Helping Save Lives

**CYBERBIT** is a subsidiary of Elbit Systems with more than 500 highly expert employees in Israel, the U.S., Europe and Asia. Since its inception in 2015, CYBERBIT has already made a positive mark in the world of cyber security solutions, through activities and products such as those described below.

**Endpoint Detection and Response (Cyberbit EDR)** is the only Endpoint Detection and Response system that uses hybrid machine learning and behavioral analysis over big-data to detect and respond to unknown threats and ransomware, and provide forensics and proactive threat hunting.

**SOC Automation and Orchestration (SOC 3D)** provides Big Data security analytics for real-time investigation and response, enabling any organization's security team to be in control using one aggregated interface. Using SOC 3D analytics with other critical data systems in the organization, security-critical information is channeled to the security team for fast and decisive action.

**Industrial Control Systems (ICS)** Security and Continuity (SCADAShield) is designed for complex critical infrastructure and manufacturing organizations that are challenged by several layers of connected legacy systems that are vulnerable to breaches from lower-level systems. SCADAShield supports threats being correctly identified and addressed before an attack shuts the system down.

**Cybersecurity Training and Simulation (Cyberbit Range)** builds on Elbit Systems' extensive expertise in simulation solutions for training purposes and offers a first-of-its-kind simulation solution for teams dealing with complex networks facing a cyber breach. Cyberbit Range offers an efficient solution to get teams up to speed with advanced ways of handling the most complex of attacks.

RUAG Defence of Switzerland is now using CYBERBIT's Cyberbit Range Trainer and Simulator as a new element in its comprehensive cyber training capabilities offered to military and civilian organizations across a range of needs from technical specialists to senior directors.

*"The technology that CYBERBIT delivers adds real value to our existing Cyber Training. Though it is only one part of the program, the insights and knowledge the collaboration brings, helps us continually strengthen our cyber security expertise".*

***Florian Schütz, Program Manager Cyber Training at RUAG Defence***

# Flight Safety

## Protecting Our Communities and Helping Save Lives

Both military and commercial pilots face an array of challenges that can put their safety and that of their passengers at risk. Turbulent weather conditions, absence of daylight and loss of pilot alertness are three of the most common causes of compromise to flight safety. Unchecked, these safety hazards can quickly become disasters, not only for pilots and passengers, but also for people on the ground. Flight safety is critical for the success of military operations, emergency and rescue missions and commercial flights. Elbit Systems' innovations in systems to enhance flight safety have been protecting lives for years. We continue to bring our customers technology-driven leading-edge solutions.

## Night Flying with Confidence

The technology that enables helicopter pilots to fly safely and accurately at night has seen little innovation for many years, allowing pilots to complete their missions on only 40% of nights, due to poor visibility conditions. We wanted to enable pilots to fly safely whenever there is a need. That's why, last year, we introduced BrightNite™, our leading-edge helicopter technology that doubles the opportunity for pilots to complete their missions on 90% of nights.

BrightNite™ is mainly used for utility and transport helicopter pilots flying on dark, moonless nights or in a Degraded Visual Environment (DVE). It is a multi-spectral panoramic piloting solution which aggregates images from 11 different cameras and transmits them as one integrated visual of the entire landing environment directly to the pilot's Helmet Display System, enabling the pilot to remain in control in the most obscure conditions.

To demonstrate BrightNite™'s effectiveness, in 2016 we invited 40 experienced pilots from air forces from 115 countries to participate in flight tests over several pitch-dark nights in Israel, departing from Megiddo airfield. The feedback was uniformly positive, with pilots confirming the significant advantage of BrightNite™ for safe flying in unsafe conditions.

**Degraded Visual Environment (DVE)** most often occurs in remote, unfamiliar, dusty areas, and often in conditions of low daylight or unsettled weather. Low-flying aircraft, such as helicopters, are particularly susceptible to DVE and the intersection of utility wires in the flight path can present an additional obstacle. Helicopter crews attempting to land in DVE must overcome critical challenges despite impaired vision to identify obstacles in the landing zone and maintain landing coordinates with no drift. At Elbit Systems, we aim to enable pilots to fly, take off and land with confidence and the utmost safety.

*" The head of one Eastern European air force said that the system had far exceeded his expectations and would change what was operationally possible during the darkest of nights. "This is a breakthrough system that changes flight philosophy, it opens a whole new world of flight operations arena.... The system is like magic."*

From an article by Tony Skinner in Defense Helicopter, ***July/August 2016, Volume 35 Number 4.***

## Improved Visibility for Civil Pilots

Just as helicopters on military missions need technology-driven innovations to increase their safety and effectiveness, civilian helicopter pilots experience similar low-visibility challenges. Our new cutting-edge ClearVison™ suite offers the first solution ever available for civilian helicopters, whether the mission is corporate, search and rescue, offshore marine surveillance or rescue, law enforcement or medical emergency. Elbit Systems' helicopter avionics ClearVison suite uses both virtual and real-time imagery, offering helicopter pilots a "real-world" view of the terrain along with all obstacles within their flight path. This can be used, for example, in extreme conditions enabling the pilot to land without seeing the landing strip.

ClearVison incorporates a flexible integrated system with two options:

- HeliEVS™ camera and either a
- Skylens™ wearable head-up display (HUD) or a
- SkyVis™ Head Mounted Display (HMD)

Skylens has been rigorously tested, during day and night, in a range of locations demonstrating a variety of maneuvers such as rooftop landings and oil rig approaches above the sea, simulating real operational flight conditions during rescue, emergency or rig transportation missions. Pilots attested to its significant contribution to flight safety and expressed their desire to fly the system in their routine missions.

**Wearable HUD for ATR:** In 2016, ATR, a European maker of turboprops, projected a need for 2,800 new regional turboprops as the aircraft are used to open more routes across the globe*. For the development of these new models, ATR announced a renewed collaboration with Elbit Systems to enhance the capabilities of the aircraft with ClearVision. Enhancing the turboprop for low-visibility operations extends operational flexibility, improves safety and reduces costs. The first prototype was installed on an ATR aircraft approximately five years ago. Technology advances have now enabled implementation in 2017/2018.

*AviationDaily, 10/7/16

## Protecting Pilots in the Sky

As part of our mission to protect and save lives, Elbit Systems perfected a new technology solution called Canary™ as an early warning system for pilots who may be at risk. Canary is a pilot physiological monitoring system with a unique sensor that the measures blood perfusion, heart rate and oxygen saturation of a pilot in real time, continuously assessing the pilot's condition. This monitoring provides pilots with early warning of developing hypoxia conditions as well as detecting and helping prevent G-LOC while simultaneously providing data to the aircraft mission computer that allows triggering autopilot recovery if the pilot actually loses consciousness. As fatal accidents are likely if a pilot reaches a state of G-LOC, Canary's critical early warning systems enable corrective action to avoid deterioration of the pilot's physical condition and prevent disaster.

We are currently testing Canary and expect to provide this solution to aircraft operators within the coming two years. Our collaboration included work with the National Aeronautics and Space Administration (NASA), the U.S. Air Force Research Laboratory (AFRL) and others.

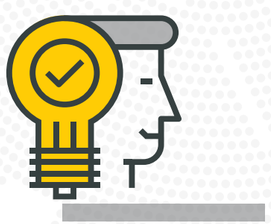
**G Loss of Consciousness (G-LOC):** G-LOC happens during sharp turns and high-speed accelerations, when centrifugal force reduces the normal flow of blood to a pilot's brain. This leads to impaired sight, loss of sight and eventually unconsciousness. G-LOC has proved fatal for many pilots.

**Hypoxia**: A lack of oxygen to the brain (hypoxia) can affect anyone at high altitudes, when loss of cabin pressure or failure in the oxygen supply system oxygen levels. Pilots are often not aware that they lack oxygen and react often too late to prevent potentially fatal decisions.

# Sustainable Innovation

## Protecting Our Communities and Helping Save Lives

Innovation is the lifeblood of our business and at the heart of our ongoing contribution to protecting and saving lives. Our innovation addresses real market needs identified by our customers around the world, both for defense and civilian applications. Innovation has become increasingly urgent as new solutions are needed to address evolving real-time threats. We aim to optimize use of resources, drive efficiencies for our customers and speed up time to market. At Elbit Systems, we are maintaining our market-leadership through innovation in several ways:



### Advancing internal idea creation

We have established platforms to encourage bottom-up ideas from our employees using approaches such as hackathons and agility training to support a culture of innovation.

### Establishing a technology incubator

We have created a platform for open innovation and scouting of new technologies emerging from civilian market.

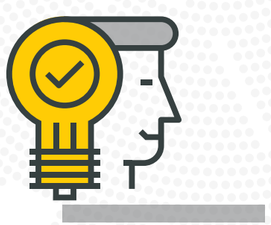
### Creating spinoffs

We have supported the creation of several startup companies to bring to the civilian market our unique technologies.

### Knowledge transfer

We maintain several collaborative programs with large industrial companies for knowledge transfer to progress innovation using a range of skills and technologies.

## Protecting Our Communities and Helping Save Lives



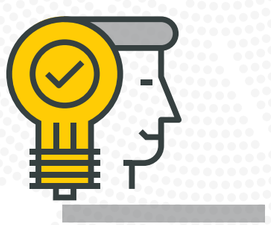
### Protecting Civilians and Troops in North Mali

In recent years, Mali (West Africa) has faced a profound and prolonged political and socio-economic crisis, placing the population at risk. Following a coup and collapse of the government in 2012, UN troops have been deployed to help maintain peace. While the situation has improved, security challenges remain in the north of Mali and close to half a million people still require basic humanitarian assistance. A primary source of support for civilians is the UN peacekeeping force and convoys bringing food and other supplies. Elbit Systems, through a UK joint venture, has provided three Hermes 900 medium-altitude long-endurance unmanned aircraft systems (UAS) to carry out persistent air surveillance, reaching previously inaccessible parts of North Mali, enhancing the safe passage of convoys and protecting troops from local threats.

### Collaborating to Protect Aircraft and Passengers from MANPADS Threats

Our Direct Infra-Red Counter Measure (DIRCM) technology which protects aircraft from surface-to-air Man Portable Air Defense missile threats (MANPADS) has now achieved NATO approval as part of a collaborative project of Elbit Systems and Airbus Defense and Space (Spain). Our DIRCM system was installed in an Airbus C295 aircraft and tested by NATO in Germany in 2015. During the tests, conducted by a multi-national NATO team, the C295 aircraft successfully demonstrated the capability to detect and jam the trial test equipment on the ground under extreme conditions. This approval now enables DIRCAM to be deployed in more aircrafts around the world, protecting more air crews and passengers from targeted and random threats.

## Protecting Our Communities and Helping Save Lives



# Technology Innovation in Agriculture and Utilities

Protecting and enhancing lives comes in many forms and we are constantly searching for new applications for our advanced technologies. In recent years, we have made progress through collaboration with commercial and academic institutions. Below are two such examples:

### Precision agriculture

In the U.S, we have been testing a Hermes™ 450 unmanned aircraft system (UAS) to generate real-time data on crop conditions to support improved crop management. In collaboration with North Dakota State University and the Northern Plains UAS test site, we worked with local farmers to gather and analyze data. The Hermes 450 is equipped with advanced sensors and high-resolution cameras, covering 40,000 acres per hour and remaining in flight for up to 17 hours. Imagery from the UAS can help farmers understand and monitor real-time changes in field variability throughout the season helping them with crop management for better farming efficiencies, increased yields and reduced labor investment. To date, such data has only been available via satellite at monthly intervals and satellite image resolution is much lower. We successfully conducted our proof-of-concepts tests in 2016.

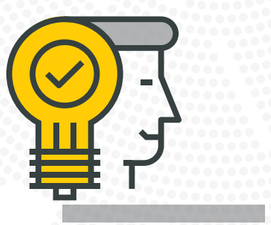
### Utilities infrastructure

Also in the U.S, we are partnering with Xcel Energy, North Dakota State University and others to use Hermes 450 in assessing damage to utilities infrastructure following storms, tornadoes, and other natural disasters. Downtime for power lines or other critical utilities is disruptive for local populations and highly expensive for power operators. Early knowledge of infrastructure damage can help ensure teams and equipment for repairs are mobilized quickly and safely where they are needed. Using unique technology to pinpoint areas needing attention considerably reduces the burden of resources required for fast recovery. The HERMES 450 can also support the assessment of railroads, oil and gas lines, geology studies, and other infrastructure studies.

*"The potential for beneficial use of drones in civilian applications is tremendous. We are already working on applications in crop agriculture and infrastructure support, and we see many other areas of opportunity. In agriculture, we are assessing what else farmers need. For example, cattle counting could be handled by our Hermes 450. We are aware of potential challenges relating to reliability, safety and privacy and expect that a regulatory framework will be developed to enable these advanced applications to contribute to improving the quality of life in many ways."*

***Yuval Chaplin, Director of Major Campaigns, Elbit Systems of America***

## Protecting Our Communities and Helping Save Lives



## Accelerating Innovation

Incubit Technology Ventures, is our open innovation technology incubator platform with an investment channel to fund technological startups in the peripheral southern region of Israel. We founded Incubit in 2012 under the umbrella of the incubator program of the Office of the Chief Scientist in Israel. Incubit portfolio companies leverage Elbit Systems' technical facilities, knowhow and technological experts to accelerate growth and market feasibility. In 2016, Incubit counted eight technology companies in its portfolio.

| | | | |
|---|---|---|---|
| COLLAGE Medical Imaging<br>Optical biopsy of cancerous tumors | Cens<br>Increasing the energy of super-capacitors and batteries | NewRocket<br>Developing environmentally friendly rocket engines | CREATIVE IC3D<br>3D printing of printed circuit boards (PCBs) |
| ECHOCARE Technologies<br>Automatic elderly-care home monitoring system | L7 DEFENSE<br>Technology to protect web systems from DDoS attacks | VOCASEE<br>Technological systems for automatic transcription of video/audio clips | ExBand<br>Technology for cellular infrastructure transmitter |

In 2015, Incubit joined the Inno-Negev technology accelerator which supports startups and hi-tech entrepreneurs. Inno-Negev is led by the Bengis Center for Entrepreneurship & Hi-Tech Management at Ben-Gurion University of the Negev – close to the home of our own Incubit activity, enabling us to amplify our contribution while retaining a focus in this region. Inno-Negev targets early stage ventures with a different focus at each funding cycle, such as cyber, homeland security, medical devices, and other technology areas. We have supported funding of selected initial projects supported by Inno-Negev.

Another venture to support innovation is our InnoBit program, launched in 2016, designed to assist students at Tel Aviv University understand technological processes, develop business insight and gain practical support. The program is a collaboration between the Faculty of Engineering at Tel Aviv University and Elbit Systems' Land and C4I Division. Student teams in their third or fourth year can apply with their ideas and be selected for the program. In the 2016/2017 cycle, 5 teams will participate.

# Product Quality and Customer Service

## Protecting Our Communities and Helping Save Lives

In the past two years, we have undertaken a comprehensive quality transformation program, designed to elevate our product quality and customer service to a uniform standard of excellence across all our operations and for all our customers. Significant changes in our business over the years and the need for improved tools to control our quality systems have required a fundamental revision of our quality architecture and automation data from critical processes to enable improved analytics and decision-making.

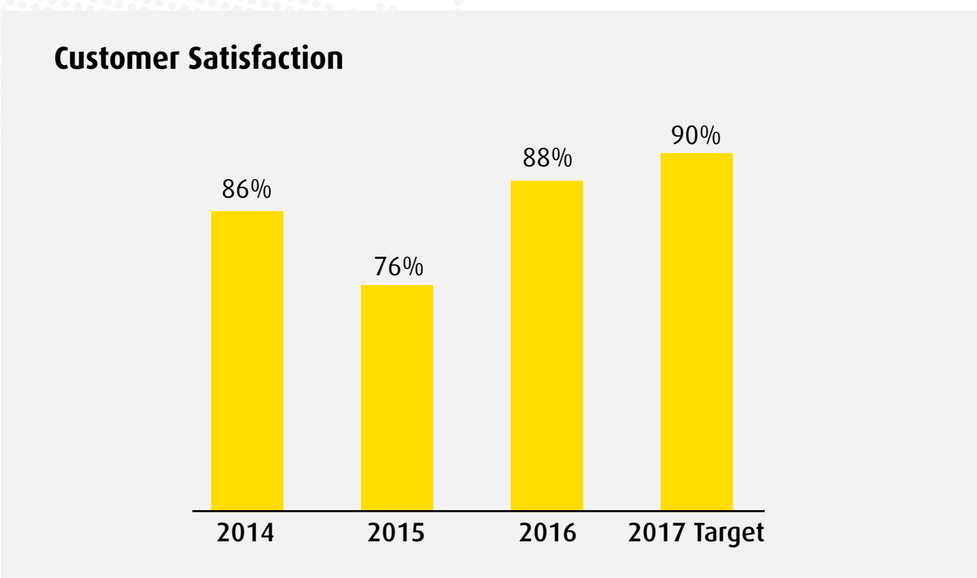
Our quality transformation was signalled by our certification to the new AS9100:2016 Quality Management System for the Aerospace and Defence Industry Standard, released in September 2016. This Standard is much more than a simple revision of the existing AS9100. In our implementation of this Standard through 2016, we fundamentally amended our quality system and redefined our overall Quality Manual, adding relevant elements relating to counterfeit components, addressing product safety and other applicable issues. An essential element of the new Standard is a focus on leadership and embedding leadership awareness, education, processes, communications and above all, commitment throughout the organization.

*"A key element in our quality transformation is leadership. We have made quality leadership by our most senior executives and all our managers a foremost priority, one that is at the forefront in every management discussion and every divisional metrics dashboard. Leadership of quality is the essence of our transformation."*

***Dov Fisher, Vice President, Chief Quality Officer***

## Customer Satisfaction

Customer satisfaction at Elbit Systems is measured continuously throughout our global operations. We collect tens of data points relating to different aspects of our service to customers and issue both periodic and event-related surveys to hear our customers' views on different aspects of our service in different situations. We aggregate customer feedback scores together with internally measured service data to give an overall customer satisfaction score.




In the past two years, we have made a concerted effort to increase the number of satisfaction ratings that we receive directly from customers, in addition to our own internal service ratings based on actual delivery performance against contract. This gives us a more authentic "voice of the customer" in our rating system. In 2016, 53% of our customer satisfaction scores were based on customer feedback, and we are on track to deliver our 2020 target of 75% by 2020.

Additionally, during 2016, we completed a full overhaul of our customer service platform and built a new system for online tracking that includes reasons for service failures. This provides a comprehensive analytical view of customer service and enables focused interventions to improve service or prevent recurrence of service failures.

Elbit Systems maintains several quality certifications: AS9100, ISO14001, OHSAS18001, ISO27001.

Equally, we maintain strict protocols relating to customer privacy, an essential aspect of our service to our customers. In 2016, there were no substantiated breaches of customer privacy.

# Maintaining an Ethical and Responsible Organization

## GRI Standards covered in this section

| | | |
|---|---|---|
| **Employee satisfaction** | GRI 401: Employment | 401-1 New employee hires and turnover |
| | GRI 404: Training and Education 2016 | 404-1 Training per year per employee |
| | | 404-2 Programs for upgrading employee skills |
| | | 404-3 Employees receiving performance reviews |
| **Employee health and safety** | GRI 403: Occupational Health and Safety 2016 | 403-2 Injury and rates of injury |
| **Resource consumption and emissions** | GRI 302: Energy 2016 | 302-1 Energy consumption |
| | | 302-3 Energy intensity |
| | | 302-4 Reduction of energy consumption |
| | GRI 303: Water | 303-1 Water withdrawal |
| | GRI 305: Emissions | 305-1 Direct (Scope 1) GHG emissions |
| | | 305-2 Energy indirect (Scope 2) GHG emissions |
| | | 305-4 GHG emissions intensity |
| | GRI 306: Effluents and Waste 2016 | 306-2 Waste by type |
| **Ethical conduct** | GRI 205: Anti-corruption 2016 | 205-1 Operations assessed for risks related to corruption |
| | | 205-2 Training about anti-corruption |
| | | 205-3 Confirmed incidents of corruption |
| | GRI 415: Public Policy 2016 | 415-1 Political contributions |
| **Supplier conduct** | GRI 414: Supplier Social Assessment 2016 | 414-1 New suppliers screened using social criteria |
| **Advancing technology education** | GRI 413: Local Communities 2016 | 413-1 Operations with local community engagement |

# Employee Satisfaction

## Maintaining an Ethical and Responsible Organization

Our employees around the world are our best source of innovation and the foundation of our success. We try to create a workplace where employees can feel motivated to contribute to the development of new and creative ways of meeting customer needs. We support an inclusive working environment and try to bridge the gap between maintaining a long-serving and stable workforce while attracting new talent to lead future generations of innovation and technology throughout the business.

During the past two years, we have been reformulating and revising our Human Resources strategy to reflect the changing nature of our business, the evolving expectations of our employees and the competitive landscape of our markets. Our focus is threefold:

- **Excellence** as a mindset
- **Leadership** skills reinforcement at all levels of the organization
- **Dialogue** with and among employees in an inclusive and empowering organizational culture

We developed our new leadership focus with the engagement of 1,000 managers across the company, building on their perspectives about what it takes to succeed at Elbit Systems over the long term. The new focus assesses business skills (leading the business) with people skills (leading relationships) and personal skills (leading self). The significant shift is a change in the relative importance of each element in leadership success. Business skills were historically held to be the predominant contributor to manager success. Now, we are making it clearer that other "softer" aspects of leadership are also important. This new approach is generating more open dialogue and greater focus not only on the way things are done and but also how effectively tasks are performed.

*"We are slowly but surely evolving our culture to increase transparency at Elbit Systems. For example, in 2016, we held a Managers Forum for the first time in the company's history of this scale to update managers from all divisions on our business strategy and hear their views. While this may sound like a small step, it represents quite a significant culture shift, one that makes open debate and involvement a new basis for empowerment and accountability."*

***Shelly Gordon, Executive Vice President, Human Resources***

In 2016, reinforcing our open and inclusive direction, we established WeBit, an internal social media channel for all employees. This open platform invites all employees to play an active role in our internal dialogue, and several professional and social forums have been established in WeBit to facilitate this. We are seeing involvement of hundreds of employees. Such a platform substantially increases our organizational transparency, and we have chosen to enable all employees to express opinions openly. Our most senior executives are participating, responding to insights and questions and engaging where possible.

# Employee Satisfaction

## Maintaining an Ethical and Responsible Organization

### Employees Are Engaged

In our last employee survey, employees responded more positively, expressing higher levels of engagement. 7,200 employees participated in this survey and overall engagement increased from 4.65 in 2013 to 4.80 in 2015.

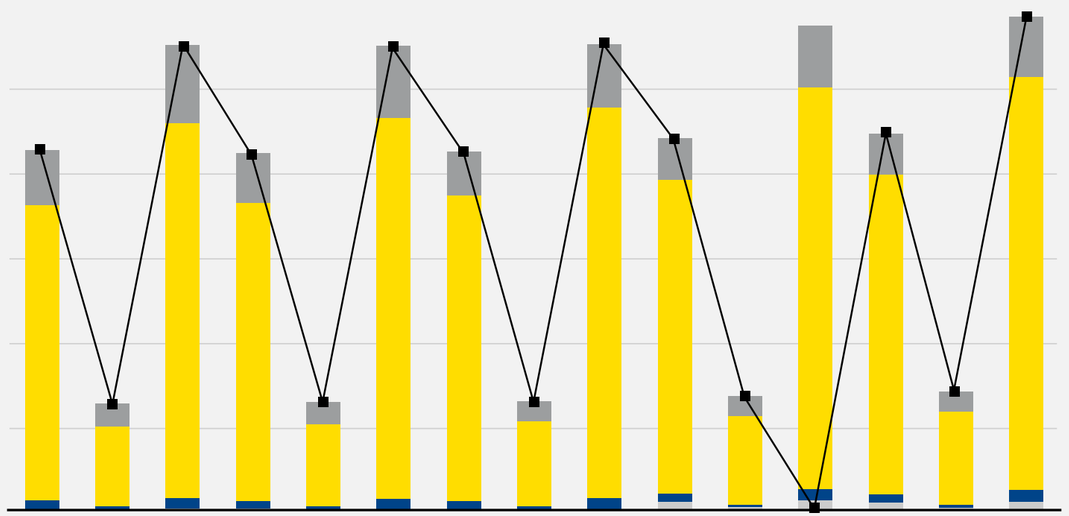
We believe this positive result is attributable to the significant investment we have made over the past few years in enhancing transparency, dialogue and leadership development.

# Employee Satisfaction

## Maintaining an Ethical and Responsible Organization

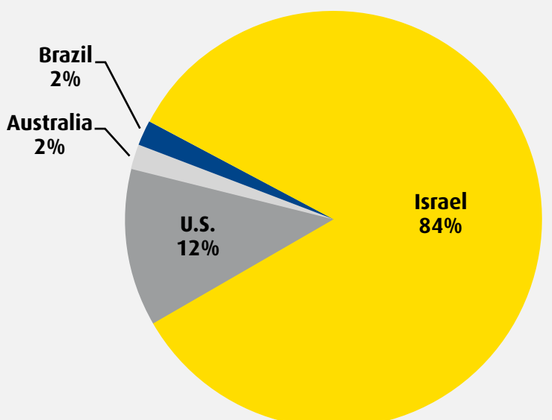
## Profile of Our Employees

### Employees by region and gender



| | Men 2012 | Women 2012 | All 2012 | Men 2013 | Women 2013 | All 2013 | Men 2014 | Women 2014 | All 2014 | Men 2015 | Women 2015 | All 2015 | Men 2016 | Women 2016 | All 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| U.S. | 1,242 | 516 | 1,758 | 1,121 | 502 | 1,623 | 982 | 445 | 1,427 | 939 | 440 | 1,379 | 914 | 447 | 1,361 |
| Israel | 6,654 | 1,790 | 8,444 | 6,727 | 1,848 | 8,575 | 6,890 | 1,914 | 8,804 | 7,065 | 2,004 | 9,069 | 7,213 | 2,101 | 9,314 |
| Brazil | 189 | 63 | 252 | 181 | 56 | 237 | 181 | 64 | 245 | 192 | 63 | 255 | 192 | 63 | 225 |
| Australia | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 158 | 37 | 192 | 140 | 34 | 174 |
| Overall | 8,085 | 2,369 | 10,454 | 8,029 | 2,406 | 10,435 | 8,053 | 2,423 | 10,476 | 8,354 | 2,544 | 192 | 8,459 | 2,645 | 11,104 |

### Employees by region 2016



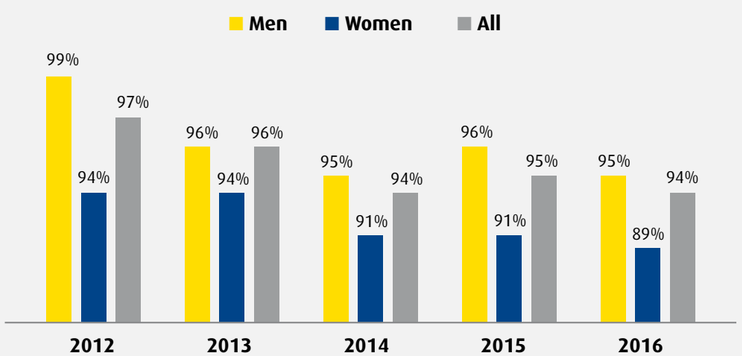

Notes: Employee data represents Israel, Brazil, U.S for the years 2012-2014. In 2015 and 2016, Australia is also included.

# Employee Satisfaction

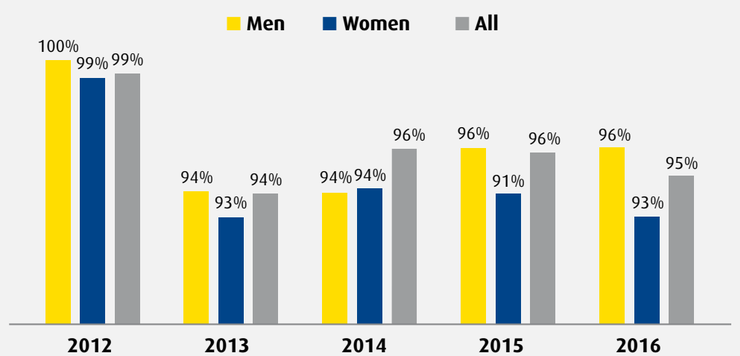
## Maintaining an Ethical and Responsible Organization

## Profile of Our Employees

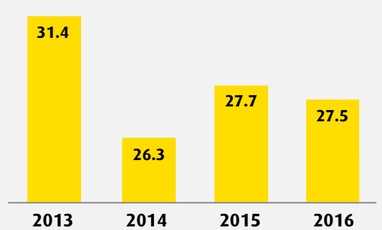
### Employees on full-time contract



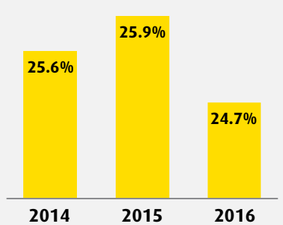

### Employees on permanent contract




### Average training hours per employee per year




### Employees on collective bargaining agreements




Notes: Employee data represents Israel, Brazil, U.S for the years 2012-2014. In 2015 and 2016, Australia is also included.

# Employee Satisfaction

## Maintaining an Ethical and Responsible Organization

| New hires and turnover rates | | Australia | | | | Brazil | | | | Israel | | | | U.S. | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | New hires | Leavers | New hire rate | Turnover | New hires | Leavers | New hire rate | Turnover | New hires | Leavers | New hire rate | Turnover | New hires | Leavers | New hire rate | Turnover |
| 2015 | Men <30 | 11 | 5 | 6% | 3% | 14 | 3 | 5% | 1% | 181 | 54 | 2% | 1% | 40 | 29 | 3% | 2% |
| | Men 30-50 | 41 | 37 | 21% | 19% | 3 | 6 | 1% | 2% | 356 | 288 | 4% | 3% | 55 | 59 | 4% | 4% |
| | Men >50 | 13 | 12 | 7% | 6% | 2 | 2 | 1% | 1% | 33 | 201 | 0% | 2% | 29 | 88 | 2% | 6% |
| | Women <30 | 4 | 2 | 2% | 1% | 5 | 4 | 2% | 2% | 95 | 30 | 1% | 0% | 24 | 12 | 2% | 1% |
| | Women 30-50 | 10 | 10 | 5% | 5% | 2 | 3 | 1% | 1% | 90 | 61 | 1% | 1% | 34 | 28 | 2% | 2% |
| | Women >50 | 1 | 1 | 1% | 1% | 0 | 0 | 0% | 0% | 5 | 41 | 0% | 0% | 26 | 9 | 2% | 1% |
| 2016 | Men <30 | 9 | 4 | 5% | 2% | 7 | 3 | 3% | 1% | 261 | 66 | 3% | 1% | 25 | 32 | 2% | 2% |
| | Men 30-50 | 21 | 35 | 12% | 20% | 4 | 3 | 2% | 1% | 468 | 281 | 5% | 3% | 55 | 59 | 4% | 4% |
| | Men >50 | 7 | 14 | 4% | 8% | 1 | 0 | 0% | 0% | 57 | 185 | 1% | 2% | 44 | 75 | 3% | 6% |
| | Women <30 | 0 | 3 | 0% | 2% | 3 | 2 | 1% | 1% | 111 | 34 | 1% | 0% | 24 | 16 | 2% | 1% |
| | Women 30-50 | 5 | 6 | 3% | 3% | 3 | 1 | 1% | 0% | 112 | 78 | 1% | 1% | 36 | 19 | 3% | 1% |
| | Women >50 | 0 | 1 | 0% | 1% | 0 | 0 | 0% | 0% | 6 | 34 | 0% | 0% | 80 | 18 | 6% | 1% |

| 2016 | New hires | Leavers | New hire rate | Turnover |
|---|---|---|---|---|
| Australia | 42 | 63 | 24% | 36% |
| Brazil | 18 | 9 | 7% | 4% |
| Israel | 1,015 | 678 | 11% | 7% |
| U.S. | 264 | 219 | 19% | 16% |
| **Overall** | 1,339 | 969 | 12% | 9% |

| Employees receiving performance review | 2013 | | 2014 | | 2015 | | 2016 | |
|---|---|---|---|---|---|---|---|---|
| | Male | Female | Male | Female | Male | Female | Male | Female |
| Senior management | 87% | 88% | 92% | 89% | 91% | 81% | 93% | 92% |
| Middle management | 93% | 99% | 93% | 96% | 94% | 96% | 65% | 83% |
| Non-management | 99% | 98% | 98% | 96% | 96% | 97% | 89% | 89% |
| **Total by gender** | 98% | 98% | 98% | 98% | 96% | 97% | 87% | 89% |
| **Total by group** | 98% | | 98% | | 96% | | 87% | |

## Employee Training and Development

We continue to invest in the professional development of our employees, providing professional and personal skills training across the organization. On average, we invest more than 300,000 hours of formal training each year for employees, which is more than 27 hours per year on average for every employee in the organization.

Among our skill development programs, we maintain a learning and development framework over a three-year period to groom managers to develop critical leadership skills and be ready to take on more senior roles as the business demands. In 2016, we also developed a new performance management process that promotes the key values that support our business strategy: excellence, leadership and dialogue. The new process included significant changes, with tools to support target setting, professional development and mentoring, performance ranking and an integrated performance improvement plan as an integral part of the process. The entire program is hosted in a new, accessible online system that encourages transparency and produces reports for managers to help identify employees with high performance and potential and produce targeted programs for improvement.

# Employee Health and Safety

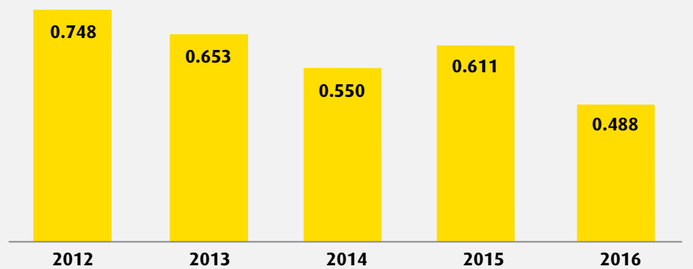
## Maintaining an Ethical and Responsible Organization

A culture and practice of safety is fundamental to protecting the lives and occupational health of those who work at Elbit Systems. We maintain leading standards of health and safety at work, including compliance with applicable laws and regulations and adherence to the OHSAS 18001 Occupational Health and Safety Management System Standard, where we have 13 sites certified in Israel. 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. Most of our workplace injuries are minor cuts, scratches, slips and knocks.

In the past two years, we continued our trend of reducing workplace injuries and recorded a total of just 63 lost time injuries in 2016 (67 in 2015). We continue to raise awareness and provide targeted safety training across our operations with a range of activities including communications, online information on our employee portal, posters and regular safety meetings. In different safety campaigns, we focused on selected types of safety risk. For example, in 2016, we ran an employee campaign relating to accidents that occur in factory yards and open spaces.

In addition to safety practices, we continue to support our employees' wellbeing through a range of social programs that provide recreation and sports activities for employees. In 2015, for example, all our employees in Israel were invited to join a 4-day highly subsidized company vacation in Greece. This large and complex event took two years to plan. 120 return flights took more than 20,000 adults and children, our employees and their families, to spend a wonderful time together end enjoy each other's company and a great deal of fun on the Greek Riviera.

### Injury rate per 200,000 hours worked




| Injury rate | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Australia | 0.000 | 0.000 | 0.000 | 1.026 | 0.575 |
| Brazil | 0.397 | 0.000 | 0.408 | 0.392 | 0.000 |
| Israel | 0.650 | 0.713 | 0.630 | 0.662 | 0.547 |
| U.S. | 1.365 | 0.370 | 0.000 | 0.218 | 0.073 |
| Total | 0.748 | 0.653 | 0.550 | 0.611 | 0.488 |

| Lost day due to injury | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Australia | 0.000 | 0.000 | 0.000 | 4.000 | 3.000 |
| Brazil | 3.968 | 0.000 | 6.122 | 0.000 | 0.000 |
| Israel | 8.637 | 8.175 | 7.526 | 6.511 | 4.906 |
| U.S. | 4.608 | 13.494 | 0.000 | 3.771 | 0.735 |
| Total | 7.958 | 8.722 | 6.588 | 5.983 | 4.344 |

# Resource Consumption and Emissions

## Maintaining an Ethical and Responsible Organization

Minimizing our resource consumption is both an operational requirement for us to remain competitive in our markets, and also an environmental imperative, so that we contribute to global efforts to address climate change and safeguard the planet. Our approach is a proactive one, seeking efficiencies at each step of the planning, production and manufacturing stages. Our Corporate Vice President and Chief Quality Officer oversees our corporate-wide environmental strategy, program and performance and maintains an in-house global forum of Environmental, Health and Safety (EHS) Officers who review environmental performance and define annual environmental targets in each operation. We uphold environmental laws and regulations in all our countries of operation and are certified to ISO 14001 environment management system at 14 sites.

## Environmental Performance

This report includes our performance in our four main countries of operation:

| Australia | Brazil | Israel | U.S. |
|---|---|---|---|
| **3** production sites and warehouses with a total built area of 14,689 $m^2$ | **2** production sites and warehouses with a total built area of 10,664 $m^2$ | **16** production sites including our global headquarters with a total built area of 379,695 $m^2$ | **4** production sites, including storage, with a total built area of 78,236 $m^2$ |

We continue to make strong progress in reducing our environmental impacts across key metrics: energy, greenhouse gas emissions, water consumption and waste generation on a normalized basis per person employed per 1,000 $m^2$ of operational space. This is the result of ongoing, intensive, incremental efforts throughout our operations to review environmental practices regularly, share learning across our global organization and increase awareness of all employees in their respective roles. We maintain a rolling program of proactive equipment maintenance and replacement that results in a more efficient manufacturing profile across our operations each year. Where relevant, we invest in new processes that increase efficiencies and reduce environmental impacts.

Since 2013, our baseline year, we have improved efficiencies in all areas:

| | |
|---|---|
| **Energy efficiency** | **-13%** |
| **Greenhouse gas emissions efficiency** | **-13.2%** |
| **Water efficiency** | **-26.4%** |
| **Waste generation efficiency** | **-27.5%** |

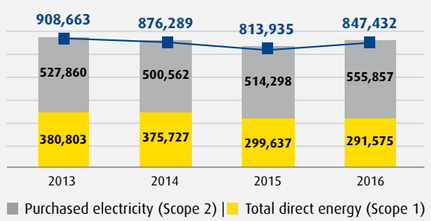
Note: All results are normalized by employee by 1,000 $m^2$ operational space.

# Resource Consumption and Emissions

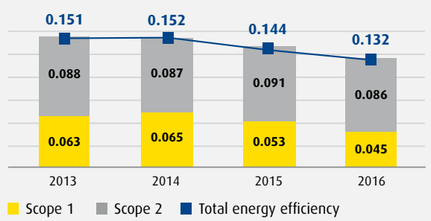
## Maintaining an Ethical and Responsible Organization

## Environmental Metrics

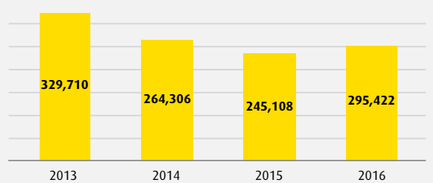
**Energy consumption in gigajoules**



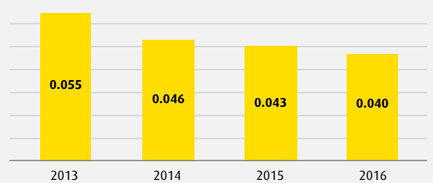

**Energy efficiency: GJ/ employee/ thousand m²**



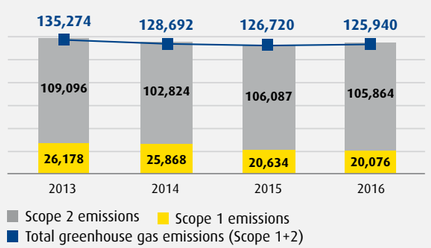

**Total water withdrawal in m³**



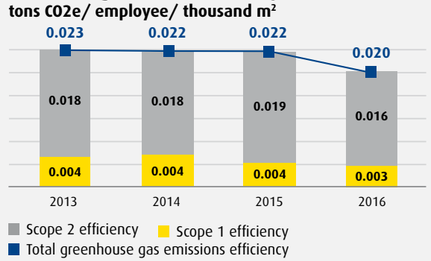

**Water withdrawal efficiency: m³ / employee/ thousand m²**



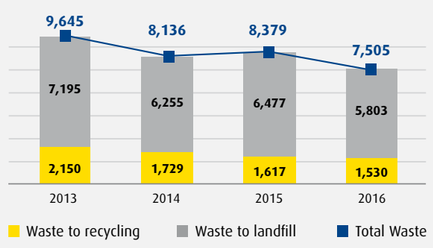

**Greenhouse gas emissions in tons CO2e**



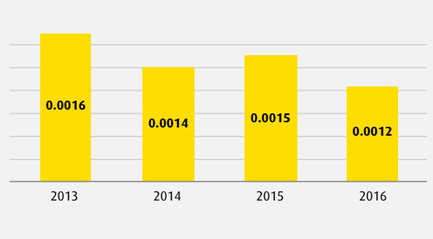

**Greenhouse gas emissions efficiency: tons CO2e/ employee/ thousand m²**




**Waste in tons**




**Waste efficiency: tons/employee/thousand m²**




**Notes:**

- Includes Elbit Systems in Israel, Brazil, U.S. and Australia. Australia was reported in 2015 for the first time, increasing overall absolute results.
- Direct energy includes diesel fuel, LGP, aviation fuel and gasoline. On average, gasoline represents 95-98% of direct energy consumption.
- Some small quantities of electricity are purchased off-grid. This is not noted separately as it is less than 2% of total electricity purchased. All water is sourced from municipality water supplies.
- GHG emissions are calculated using IEA factors, except for Israel where the national electricity company published figures are used. Greenhouse gases for CO2e are CO2, CH4 and N2O.
- A small amount of waste is classified hazardous (2.3% in 2016), and we dispose of this safely in accordance with applicable regulations.

# Environmental Practices

## Maintaining an Ethical and Responsible Organization

The key ways we have improved our environmental performance year-by year include:

- Improved air conditioning and lighting controls, automatic sensors and LED lighting replacements
- Use of low-emission or hybrid vehicles in our company vehicle fleets
- 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, re-use of packaging materials and recycling programs for different materials.

The following are a few examples from 2015-2016:

### Australia

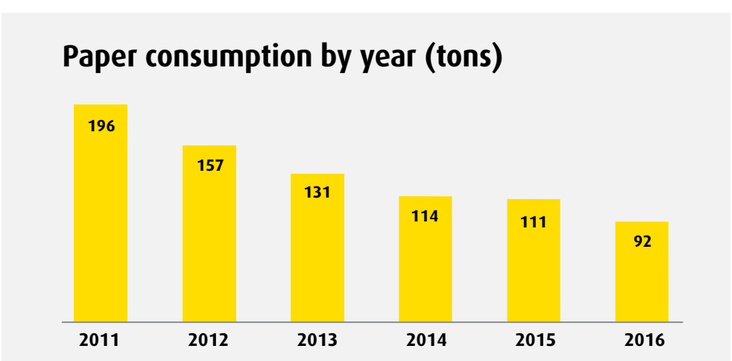
In 2016, we implemented an electricity saving project at our Port Melbourne facility after identifying higher than expected energy use. After monitoring energy data for each site on a 24-hour basis, plant managers discovered that energy usage remained relatively high during nighttime hours and on weekends, when the sites were not operational. By introducing simple measures to reprogram air conditioning controls, install automatic lighting shut-offs and retrofit the sites with efficient LED lighting fixtures, our site generated a reduction in electricity equivalent to almost 10% of the total usage in Australia on an annualized basis.

### U.S.

In 2015-2016, all our warehousing facilities switched to LED lighting and operation with movement sensors. At our Fort Worth site, ten air conditioners were replaced with more energy efficient units in 2016 alone.

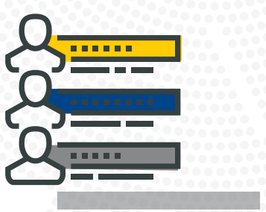
### Israel

In 2016, we continued our efforts to reduce paper usage with a program of replacement of office printers at all our locations sites with combi-printers that serve as printers, copiers and scanners. In addition, we made the use of these new machines dependent on an ID-card swipe, meaning that a physical presence is required to print. This avoids the historical waste of unnecessary printing, avoids duplications and ensures each employee is accountable for individual printing.  Following the installation of hundreds of combi-printers around our operations, we saw an immediate drop in paper consumption of 18%, which we expect to increase in 2017 as we complete installation in remaining offices.



# Ethical Conduct and Supply Chain Compliance Best Practices

## Maintaining an Ethical and Responsible Organization



Ethical conduct is a cornerstone of our business practices and is the basis for generating trust among our customers, employees, partners and suppliers. We believe that business is sustainable only when it conforms to high ethical standards, not only because it supports business continuity but also because it enhances our positive contribution to society. With thousands of employees around the world, instilling a culture of ethical conduct both helps safeguard our business as well as improve our workplace atmosphere and our impact on the world around us.

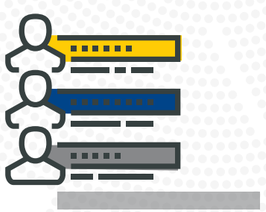
Our Chief Compliance Officer is an Executive Vice President and is responsible for our compliance and ethics programs throughout Elbit Systems. Internal Ethics Committees operate both at our Corporate Headquarters and major divisions and subsidiaries. Our Code of Business Conduct and Ethics (Ethics Code) defines our ethical principles and constitutes the guidelines for engagement both among employees and with our other stakeholders. The Ethics Code specifically includes provisions relating to our company-wide restrictions on conflicts of interest and anti-competitive behavior.

Our Ethics Code, as well as our accompanying Anti-Bribery Compliance Policy and Supplier Code of Conduct, are published on our website and are periodically updated to reflect evolving best practices. We place particular emphasis on anti-bribery and anti-corruption provisions. Our anti-bribery policies reflect zero tolerance for corruption. We have specific policies and procedures regarding permissible business entertainment and preventing potential conflicts of interest in the hiring process. Our ethics and anti-bribery policies are adapted by each of our subsidiaries to reflect applicable local laws and policies. For example, our UK subsidiaries' policy is in line with the UK Bribery Act, and our Brazilian subsidiaries comply with the Brazilian Clean Company Act.

All our employees are required to become familiar with our Ethics Code, our Anti-Bribery Compliance Policy and related procedures. Ethics training is conducted both as part of the employee new hire orientation process as well as in ongoing training sessions at various levels of the organization. The Ethics Code and Anti-Bribery Compliance Policy are available in several organizational communication channels, including Elbit Systems' Employee Intranet Portal. They have also been translated into languages applicable to several of our worldwide subsidiaries, and ethics training is provided in the language applicable to each operating subsidiary. We facilitate anonymous reporting of potential violations of our Ethics Code under a "whistleblower" process open to all employees, including a 24-hour hot line administrated by Elbit Systems of America. We maintain a policy of non-retaliation for good faith reports of potential violations. We investigate allegations of breaches of our Ethics Code and related policies, and impose disciplinary measures including dismissal, where appropriate. During 2016 we conducted dozens of such investigations and imposed disciplinary measures on a number of employees.

# Ethical Conduct and Supply Chain Compliance Best Practices

## Maintaining an Ethical and Responsible Organization



### Collaboration to Advance Ethical Conduct

We continue to take an active role in our membership in 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 and foster through its Global Principles the development of global, industry-wide ethical standards for companies that are active in the aerospace and defense business sector.

### Improving Our Transparency

Elbit Systems has been included in the Transparency International Defense Companies Anti-Corruption Index since 2012. We support the work of Transparency International in promoting worldwide practices that are free of corruption and continue to improve our approach and reporting to improve our transparency in combating corruption.

### Ethics in Our Supply Chain

Our ability to serve our customers with outstanding quality and service relies upon an efficient supply chain which operates in a responsible and sustainable manner. Our policy is to purchase materials and parts from responsible suppliers who respect compliance, environmental, social welfare and labor laws. Our purchasing terms and conditions include a Supplier Code of Conduct, which is published on our website, and which makes suppliers 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. Among other compliance aspects, our Supplier Code of Conduct requires our suppliers to adopt measures to prevent human trafficking. We have specific policies and practices to comply with the requirements of the U.K. Modern Slavery Act as well as with the U.S. Government procurement regulations relating to combating human trafficking.

### Counterfeit and Obsolete Parts

Counterfeit parts cause potentially serious problems and could compromise the safety of our products. We strive to prevent the presence of counterfeit parts in our production lines. Our policy is to purchase components and equipment parts only from authorized dealers and manufacturers and conduct ongoing monitoring regarding these sources. All incoming parts are subject to our own rigorous quality controls, and we reject parts that do not conform with all required standards.

### 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. Our Conflict Minerals Compliance Policy is published on our website. 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.

# Advancing Technology Education in our Communities

## Maintaining an Ethical and Responsible Organization

The focus of our contribution to our local communities is linked to our business goals: developing and securing technology skills that can prepare young people for a productive and rewarding career in our industry. With some of the 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.

In 2016, our global community investment, with a focus on technological education, amounted to approximately $2 million, including charitable donations, in-kind donations of equipment and services, and the value of employee volunteering time. More than 1,500 employees engaged in volunteering activities around the world, contributing at least 17,000 hours in communities in 2016. Our companies do not make donations to political or politically affiliated organizations.

### Partnering for Technological Education in Israel

We support the advancement of technological education in Israel as part of a national collaboration agreement with ORT Israel, an organization which runs a network of more than 90 vocational high schools in Israel with a focus on technological education, including in peripheral, underserved areas. Eight Elbit Systems sites in Israel have adopted an ORT school and created a specific work-plan that includes site visits, lectures, homework assistance and project support. Each site-school relationship takes a different form, depending on local needs.

### Breaking the Glass Ceiling

Two of our sites in Israel support a program in Israel called Breaking the Glass Ceiling, designed to help female high school students gain self-confidence, build their knowledge of technology and encourage them to choose technology academic concentrations and possibly technology careers in the future. The girls, in groups of up to 30, visit our sites once every two months to engage with our employees and learn about different aspects of life and work. In some cases, they learn to code programs. The students are also challenged to prepare a technology project throughout the year which they manage, with the support of our employees, from start to finish.

# Advancing Technology Education in our Communities

## Maintaining an Ethical and Responsible Organization

### Making STEM Attractive in the U.S.

As a corporate sponsor of the Team America Rocketry Challenge (TARC), the Aerospace Industries Association's signature program and the only aerospace-specific U.S. national STEM competition, Elbit Systems of America (ESA) helps inspire and attract the next generation of engineers and technicians to join the aerospace industry. A survey of TARC alumni showed that exposure to aerospace through TARC has a positive impact on students' career choices, with 81% of participants planning to pursue careers in science, technology, engineering or math.

As part of our sponsorship, ESA volunteers are involved in mentoring students in designing, building and eventually firing rockets. The volunteers lead weekly classes on topics such as rocket design and construction, propulsion and aerodynamics and help prepare the students for the TARC qualifying competition.

In 2016, two student teams, one of which was an all-girls' team, sponsored by ESA qualified for the TARC National Finals in which 798 teams competed overall

*"Our nation's security depends on a skilled aerospace and defense workforce. By supporting STEM education through programs such as TARC, we're introducing students to the aerospace and defense industry and inspiring them to pursue the many opportunities this industry provides."*

***Raanan Horowitz, President and CEO, Elbit Systems of America***

# Contributing to our Communities in Different Ways

## Maintaining an Ethical and Responsible Organization

In addition to our focus on technological education, Elbit Systems and our employees demonstrate solidarity with our local communities where we operate, in various local programs. The following are examples of such activities during 2015 - 2016.

### Good Deeds Day

In Israel, Elbit Systems employees took part in our annual contribution to Good Deeds Day, a global event that is held in Israel every March. More than 700 employees were given paid time off work to renovate facilities for at-risk youth, harvest vegetables for the needy and entertain the elderly at several homes. In Brazil, employees volunteered to give children in a local home a very happy day, organizing a party and bringing gifts.

### Contributing to the Community in the U.S.

In the U.S., our employees are long-standing supporters of the Leukemia & Lymphoma Society (LLS), the world's largest voluntary health organization dedicated to funding blood cancer research, education and patient services. Each year our employees volunteer their time in LLS activities, including the annual Light The Night® Walk and raise funds for cancer research. We also support Snowball Express, an organization providing support to children of men and women of the U.S. military forces who have died while on active duty since 9/11.

### Social Inclusion Project in Brazil

In 2016, one of our Brazilian subsidiaries advanced an initiative to support disadvantaged youth and prepare them for the job market. 25 of our employees developed and deliver a 60-hour course to 16 students. At the meetings, we made presentations about all the different departments in the company, and provided targeted guidance in how to select a career path and practical tools to gain a foothold in the job market.

### Supporting Soldiers Serving in Israel

Over many years, we have contributed to the wellbeing of soldiers serving in the Israel Defense Forces (IDF). We donate funds to support the Association for the Wellbeing of Israel's Soldiers, which offers soldiers a range of recreational, educational and welfare services to enhance their wellbeing as they engage in their important roles of protecting the State of Israel. In addition, the Association helps "lone" soldiers who have no family close by as they serve in the IDF inviting soldiers for meals on weekends and holidays and arranging social activities.  Also, our employees from different divisions of Elbit Systems offer support throughout the year for groups of soldiers serving in a number of army divisions, providing essential items to make them more comfortable, but more importantly, friendship and caring.

# Global Reporting Initiative – Content Index – Standard Disclosures

| GRI Standard | | Disclosure | Page reference or response | Omission |
|---|---|---|---|---|
| GRI 102: General Disclosures 2016 | 102-1 | Name of the organization | 3 | |
| | 102-2 | Activities, products, and services | 5 | |
| | 102-3 | Location of headquarters | 5 | |
| | 102-4 | Location of operations | 5 | |
| | 102-5 | Ownership and legal form | See Elbit Systems' SEC filing on form 20-F in the Investor Relations section of our website: ir.elbitsystems.com | |
| | 102-6 | Markets served | 5 | |
| | 102-7 | Scale of the organization | 5, 7 | |
| | 102-8 | Information on employees | 35, 36 | |
| | 102-9 | Supply chain | 43 | |
| | 102-10 | Significant changes | No significant changes | |
| | 102-11 | Precautionary Principle | 39 | |
| | 102-12 | External initiatives | 8, 45 | |
| | 102-13 | Membership of associations | 44 | |
| | 102-14 | Statement from senior manager | 4 | |
| | 102-16 | Values, principles, standards | 6 | |
| | 102-18 | Governance structure | See Elbit Systems' SEC filing on form 20-F in the Investor Relations section of our website: ir.elbitsystems.com | |

# Global Reporting Initiative - Content Index - Standard Disclosures

| GRI Standard | | Disclosure | Page reference or response | Omission |
|---|---|---|---|---|
| GRI 102: General Disclosures 2016 | 102-40 | List of stakeholder groups | 10 | |
| | 102-41 | Collective bargaining agreements | 24.7% of our employees are covered by collective bargaining agreements | |
| | 102-42 | Identifying and selecting stakeholders | 10 | |
| | 102-43 | Stakeholder engagement | 10 | |
| | 102-44 | Key topics and concerns raised | 10 | |
| | 102-45 | Entities included | 3 | |
| | 102-46 | Report content and topic Boundaries | 3 | |
| | 102-47 | List of material topics | 10 | |
| | 102-48 | Restatements of information | None | |
| | 102-49 | Changes in reporting | Australia is included for the first time. | |
| | 102-50 | Reporting period | 3 | |
| | 102-51 | Date of most recent report | 3 | |
| | 102-52 | Reporting cycle | 3 | |
| | 102-53 | Contact point | 3 | |
| | 102-54 | Reporting in accordance with the GRI Standards | 3 | |
| | 102-55 | GRI content index | 48 | |
| | 102-56 | External assurance | 3 | |

# Global Reporting Initiative – Content Index – Material Disclosures

| Material priority | GRI Standard | Mgmt. approach -page | Specific GRI Disclosures | Page | Omissions |
|---|---|---|---|---|---|
| Homeland defense and cyber security | GRI 203: Indirect economic impacts 2016 | 101-1-3: 18 | 203-2 Indirect economic impacts | 18-29 | |
| Civilian flight safety and security | | 101-1-3: 22 | | | |
| Sustainable innovation | | 101-1-3: 26 | | | |
| Product quality and customer service | GRI 418: Customer Privacy | 101-1-3: 31 | 418-1 Substantiated complaints about customer privacy | 31 | |
| Employee satisfaction | GRI 401: Employment | 101-1-3: 33 | 401-1 New employee hires and turnover | 37 | |
| | GRI 404: Training and Education 2016 | 101-1-3: 33 | 404-1 Training per year per employee | 36 | |
| | | | 404-2 Programs for upgrading employee skills | 38 | |
| | | | 404-3 Employees receiving performance reviews | 37 | |
| Employee health and safety | GRI 403: Occupational Health and Safety 2016 | 101-1-3: 39 | 403-2 Injury and rates of injury | 39 | |

# Global Reporting Initiative - Content Index - Material Disclosures

| Material priority | GRI Standard | Mgmt. approach -page | Specific GRI Disclosures | Page | Omissions |
|---|---|---|---|---|---|
| Resource consumption and emissions | GRI 302: Energy 2016 | 101-1-3: 40 | 302-1 Energy consumption | 41 | |
| | | | 302-3 Energy intensity | 41 | |
| | | | 302-4 Reduction of energy consumption | 12 | |
| | GRI 303: Water 2016 | 101-1-3: 40 | 303-1 Water withdrawal | 41 | |
| | GRI 305: Emissions 2016 | 101-1-3: 40 | 305-1 Direct (Scope 1) GHG emissions | 41 | |
| | | | 305-2 Energy indirect (Scope 2) GHG emissions | 41 | |
| | | | 305-4 GHG emissions intensity | 41 | |
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| Ethical conduct | GRI 205: Anti-corruption 2016 | 101-1-3: 43 | 205-1 Operations assessed for risks related to corruption | 12 | |
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