ESG Report

2023

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CEO Letter

We are proud to publish SCD's first ESG report which reflects our unique company culture, commitment to our values, and dedication to operating as a responsible business in the defense and technology sectors.

This report is a natural step in a process that began several years ago when we formalized our commitment to sustainability and developed a structured ESG program. Since then, we have appointed a dedicated ESG Manager who oversees our ESG activities, and we are proud to have achieved the Platinum+ rating in the Maala ESG Index 2023.

The past year was a difficult one in Israel with the outbreak of the war in October. We faced these challenges together, while developing customized solutions for all of our employees, including those called to reserve duty or with family members in the reserves. This flexibility and resilience allowed us to meet our business deadlines, continue to work in full transparency and cooperation with our customers, and support our employees, their families, and the larger community during these challenging times.

The security reality in Israel demonstrates the complexity and importance of SCD's technology and activities, as well as the vital role of the security industry in Israel. At SCD, we are at the forefront of technology thanks to our uncompromising standards, innovation, and highly skilled employees. We understand that the way to maintain this position is through the cultivation and retention of our employees, and working to keep employees up-to-date with the latest diverse technological knowledge. Employee engagement is very important at SCD, and we seek to continuously listen to employees' voices as we work together towards technological and economic growth and development.

This ESG report highlights our activities related to operating in a responsible and ethical manner, supporting our employees' growth and development, providing innovative solutions to our customers, and working to reduce our impact on the environment. These accomplishments are a result of the talent, dedication, and commitment of every SCD employee to provide the best products and service to our clients and to do so in a sustainable manner. I am proud of our accomplishments and look forward to further updates regarding our ESG progress.

Kobi Zaushnizer, CEO

FIRST TO SEE

Who we are

SCD - Semi-conductor Devices Ltd. is a leading worldwide supplier of infrared detectors and laser diodes, with over 40 years of experience in research, development, and production of advanced technologies. Our solutions are used by corporations around the world as the core of their electro-optical systems in the defense, homeland security, commercial, and industrial markets.

As a vertically integrated company, we deploy deep R&D capacity with a specialized manufacturing infrastructure to develop high-end detector technologies based on various semiconductor materials.

Our wide range of technologies includes semiconductors to standalone products, with our semiconductors produced in-house at our semiconductor fabrication plant (FAB) in the north of Israel. With subsidiaries in the US and UK, as well as additional locations around the world, we are a one-stop-shop for our customers around the world.

At the forefront of innovation, we stand with our customers, delivering the solutions they seek — be it off-the-shelf or tailor-made.

SCD's extensive range of detectors, both Cooled and Uncooled, harnesses cutting-edge technologies and capabilities to drive innovation. These detectors utilize a diverse array of sending materials, including among others, InSb, XBn, InGaAs, T2SL and VOx from all across the infrared spectrum: SWIR, MWIR, and LWIR.

No matter where you are, regardless of the time or conditions, our mission is to empower you to see in and through every scenario. With unwavering dedication, we continually innovate and challenge the limits of technology, crafting pioneering solutions that guarantee you are always the FIRST TO SEE.

FIRST TO SEE

ALWAYS BY YOUR SIDE
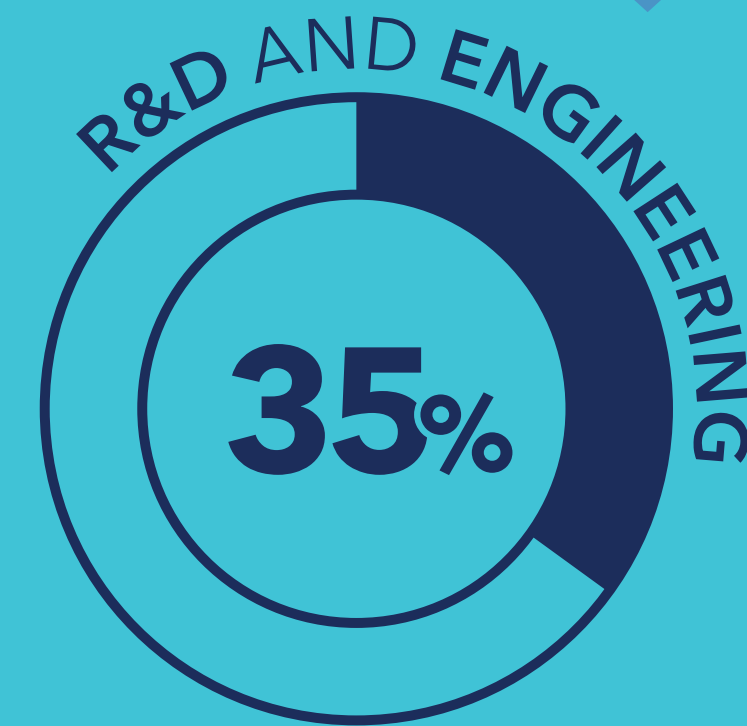
ALWAYS WHAT YOU NEED

ALWAYS A STEP AHEAD

Our Innovative Solutions

SCD is a worldwide supplier of Infrared (IR) Detectors and IR camera core modules. We provide the capabilities for high-quality sight at night, under low visibility conditions, and in bad weather. We deliver solutions across the entire electro-optical spectrum, from detectors used by the ground forces to surveillance systems for aircraft and satellites in space. As innovators, we were the first to deploy innovative solutions such as cooled detectors with digital output from the focal plane, devices with High Operating Temperature (HOT), Multifunctional digital pixel with ALPD capabilities and recently a 5 mega-pixel cooled detector with 5 um pixel size.

Our unique technologies are deployed in an extensive range of cooled and uncooled detectors based on a variety of sensing materials. These sensors translate electro-optical inputs into a video image, available in almost any video format. We offer both off-the-shelf detectors and tailor-made solutions across the infrared spectrum.

SWIR

The SWIR (Short-Wave Infrared) spectral range offers unparalleled benefits that set it apart from other spectral bands. Whether you are in the defense sector aiming for mission-critical accuracy or in commercial industries looking for highly efficient solutions, SWIR opens up a world of opportunities.

MWIR

The MWIR (Medium-Wave Infrared) spectral range facilitates both day and night thermal vision for medium to long-range imaging. SCD stands as a premier supplier of cooled MWIR infrared detectors, addressing our customers' specific needs. Backed by over forty years of research, development, and production.

LWIR

The LWIR (Long-Wave Infrared) spectral range is marked by extremely high Planck radiation intensities at Earth-like temperatures, usually one to two orders of magnitude greater than in the MWIR. This allows for the use of uncooled (UC) infrared detectors with lesser sensitivity and cooled infrared detectors with enhanced sensitivity

SCD Advantages

1
Capability to enable electro-optic (EO) superiority in the entire IR spectrum (SWIR, MWIR & LWIR) by developing and manufacturing a wide range of IR detectors.

2
Development of innovative solutions with solid reliability for thermal imaging for all sectors, including defense, homeland security, and space.

3
Ability to propose customized solutions based on our product portfolio to ensure a competitive edge for our customers, i.e., miniaturization is a key added value that allows clients to contain size and weight, without compromising on performance.

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ALWAYS WHAT YOU NEED

ALWAYS A STEP AHEAD

Business Vision & Strategy

Our Vision

1 To be a leading manufacturer of IR detectors, electro-optical components, and laser diodes.

2 To provide our customers with high-quality, state-of-the-art products.

3 To continuously expand our capabilities to new products and technologies.

Our business strategy is to provide strategic advantages to our customers through the development of advanced, innovative infrared devices and modules. We focus on continuous growth, with an emphasis on operational efficiency to achieve maximum results and maintain our competitive advantage. Our customer-oriented approach, together with a culture of fostering innovation and collaboration, enables us to be a trusted partner that delivers outstanding results.

SCD

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ALWAYS WHAT YOU NEED

ALWAYS A STEP AHEAD

Our Legacy

2020's

SCD becomes a global leader of InSb & SWIR detectors

2000's

SCD.USA established

2010's

IRIS Technologies Ltd. established in the UK

1980's

SCD established as a Rafael and Tadiran partnership (relent activity sold to Elbit Systems)

1990's

SCD starts development of InSb and MCT detectors

1970's

IR detector activity started at Rafael and Tadiran Group

SCD

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Our Values

For over 40 years, we have made every effort to earn the trust of the people we work with, and to pursue open dialogue and solve challenges that arise. We constantly work to enable people 'to see first' in any scenario – wherever they are, at any time, under any condition.
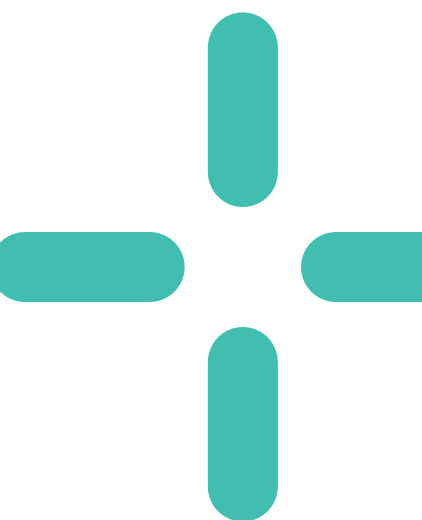
To strengthen our commitment to customers and employees, over the past year we undertook an in-depth process to listen to customers' needs, hear our employees' voices, and re-examine our core values to ensure they accurately reflect our business strategy. The process involved extensive interviews and mapping exercises with employees, across departments.

The exercises were conducted in Israel and the US, ensuring all voices were heard, and resulting in one unified approach for the company. We also spoke with customers and partners to understand our company's added value. The entire process gave us the opportunity to reflect upon where we've come from and where we are heading.

As a result, in 2023 we launched our updated core values, along with new branding and logo for the company. These elements are built upon SCD's strong heritage and enable us to leap forward in an era of continued growth, development, technological and operational progress.

"At SCD, we are not just manufacturers; we are visionaries, innovators, and pioneers. Our commitment to being the "First to see" extends beyond technology – it's a mindset, a philosophy, and a driving force that propels us forward. Together, we are shaping a brighter, safer future for generations to come."

- Kobi Zaushnizer, CEO -

Our Values

ALWAYS BY YOUR SIDE

We are a trusted partner, with reliable and proven experience. We are committed to taking a proactive, 'can-do approach' with personal attention to details. We practice open communication and strive to solve problems in any situation.

ALWAYS WHAT YOU NEED

We demonstrate high flexibility in our business operations, development, and implementation. We are a one-stop-shop that meets our customers' specifications, schedules, and capacity needs. We develop unique solutions to always give our employees what they need to thrive and succeed.

ALWAYS A STEP AHEAD

We develop innovative solutions that are unique, high end, and diverse. We maintain high quality throughout the entire value chain, with production capabilities and quick operational responses. Our distinctive knowledge delivers long-term solutions for customers. We take a proactive approach to providing for our employees.

These values were chosen as an expression of how we engage with the people we work with, including our employees, customers, suppliers, and other stakeholders. They also reflect how we conduct our business – always by your side, always what you need, and always a step ahead.

To that end, our ESG report is organized according to our values, as they encompass all that we do in our business – including our ESG efforts and commitment to operating as a responsible company.

Material Issues

To identify and prioritize material issues related to environmental, social, and governance performance, last year we conducted a detailed ESG materiality analysis according to GRI requirements. The analysis involved identifying relevant issues, evaluating them according to priority, and examining how they interact with each other. Topics and stakeholders were assessed according to sector standards of the Sustainability Accounting Standards Board (SASB) to ensure relevant sustainability topics were considered.

Once the issues were identified, we worked with internal representatives across the company to evaluate the topics according to their commercial relevance and their particular significance for SCD's business divisions. The evaluation did not include surveys of external stakeholders. The final material topics were presented to SCD's management and Board of Directors for approval.

ESG Material Topics

ALWAYS BY YOUR SIDE

- Ethical business conduct
- Anti-bribery & corruption
- Human capital development
- Diversity & Equity
- Talent attraction & retention
- Community involvement

ALWAYS WHAT YOU NEED

- Quality
- Product Safety
- Health & Safety
- Governance

ALWAYS A STEP AHEAD
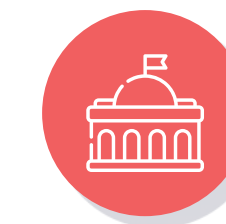
- R&D
- Partnerships with academia
- Environmental management
- Climate risk
- Local procurement
- Human rights
- Product stewardship

Stakeholder Engagement

We value open dialogue with our stakeholders, and work to communicate with them in a transparent, regular manner. We take a proactive approach towards communicating with various stakeholders, with regular, open communication throughout the year.

Stakeholder	How we communicate
Company owners	Board meetings
Employees	Employee survey, emails, newsletters, all hands meetings, roundtable, panel discussions, etc.
Customers	Website, marketing materials, Customers surveys, Exhibitions, meetings, etc.
Suppliers	PMR meetings
Innovation ecosystem: academia, Israel Innovation Authority	Meetings, professional events, etc.
Defense ecosystem: IDF, Israel Ministry of Defense	Meetings, Conferences
Regulators	Audits, on going updates
Communities	Conferences, volunteer activities, meetings with municipalities, etc.

Ratings and Recognition

We are proud of the recognition we have received for our achievements. These ratings reflect our combined effort and commitment to delivering high end solutions and services, and to strive for excellence in all that we do. In 2023, we were recognized by a variety of organizations for our work.

Maala ESG Index

Maala is a non-profit corporate membership organization that serves as the ESG hub in Israel. The annual Maala ESG Index rates companies across topics, including corporate governance, employees and work environment, DEI, responsible procurement, community contribution, environmental sustainability, safety in the workplace, and more.

In 2023, SCD achieved Platinum+ in the Maala ESG Index, the highest rating possible.

Council for a Beautiful Israel

The Council for a Beautiful Israel is a nonprofit organization that develops and promotes environmental social responsibility in Israel, working to create behavioral change to protect the environment and improve urban spaces.

In 2023, SCD was awarded 5 stars – the highest level, in recognition of our achievements in our employee, social, and sustainability programs.

Israeli Society for Human Resource Management (ISHRM)

ISHRM is the leading professional organization in Israel for the promotion and development of Human Resources.

In 2023, SCD was recognized for updating and implementing our company values and corporate culture on a global scale and aligning our business operations according to these values.

SDG's

Our ESG strategy considers the UN Sustainable Development Goals, with a focus on those SDGs relevant to our operations and sector.

#SDG	Description of our activities	Report location (section)
3 GOOD HEALTH AND WELL-BEING	SCD prioritizes the health and wellbeing of employees and the communities and stakeholders where we operate. SCD supports the development and engagement of all employees while providing parental support, retirement, work/life balance, and mental and physical health benefits to our employees. Our EHS policies support the wellbeing of our employees and surrounding communities, and are part of our risk management strategy and approach.	Environment, People, Health & Safety
4 QUALITY EDUCATION	We take a holistic approach to employee learning and development. We focus on continuous 'on the job training', where employees are regularly supported through open communication, manager feedback, and the necessary tools to improve in their jobs. This is an ongoing process, with external courses or formal learning occurring as a result of the continuous development process, and collaborative identification of skills needed for each employee. We support technology education in the community to raise awareness of the value of technology and motivate the future generation of technology talent. We partner with leading academic and research institutions and conduct original research across disciplines.	People, Social, Innovation
5 GENDER EQUALITY	We value the principles of equality and diversity and strive to create a workplace that is welcoming and safe for all. We believe in an equity approach that does not discriminate against gender. We make significant efforts to hire women employees and promote women within the company. The ratio of women employees at SCD is the same as women in leadership and management positions.	Diversity
6 CLEAN WATER AND SANITATION	We improved our production infrastructure for reduced water consumption and treatment: • Switched to ultrasonic humidification systems, which resulted in reduced consumption of RO (reverse osmosis) water. • Installed flow meters on hoods in the clean room that consume large amounts of UPW (ultrapure water) and DI (deionized) water to avoid misuse or overuse. • Replaced old solvent drainage pipes. • Installed two new RO water circulation systems at workstations, where there is high consumption of RO water.	Environment

#SDG	Description of our activities	Report location (section)
8 DECENT WORK AND ECONOMIC GROWTH	SCD conducts business in a way that protects our society and human rights throughout our supply chain. We abide by policies and compliance plans that support this commitment including SCD's Code of Ethics, the Human Rights policy, and the Suppliers Code of Conduct. Protecting the health and safety of our employees, customers, and the places where we operate is of importance to SCD. The company has implemented an EHS Management System to establish policies and procedures, risk assessment tools, and enterprise initiatives that seek to reduce or eliminate exposure to workplace hazards.	Human Rights, Health & Safety
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Our business strategy is to be a technological leader, driving entry into new markets and establishing SCD at the forefront of the sector. We put special emphasis on identifying gaps in existing products to provide creative, original solutions. SCD is recognized worldwide as the leader in cooled MWIR (mid-wave infrared) detectors that are integrated into various commercial and defense digital detector applications.	Innovation
10 REDUCED INEQUALITIES	We value the principles of equality and diversity. We believe in an equity approach that does not discriminate against age, genders, religion, ethnicity, nationalities, or other characteristics. All benefits granted to employees are carried out in an equitable manner, and employees are promoted according to equal criteria for their skills.	Diversity
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	We have implemented a range of measures to reduce our energy consumption and optimize our operations processes: • Implemented a process to reuse rejected processors. In 2022, ~5% worth of materials were reused. • Reduced hazardous waste and containers. • Improved our nitrogen infrastructure to reduce nitrogen usage and minimize waste. • Improved uniform collection process to reduce number of uniforms used and sent to laundry.	Environment
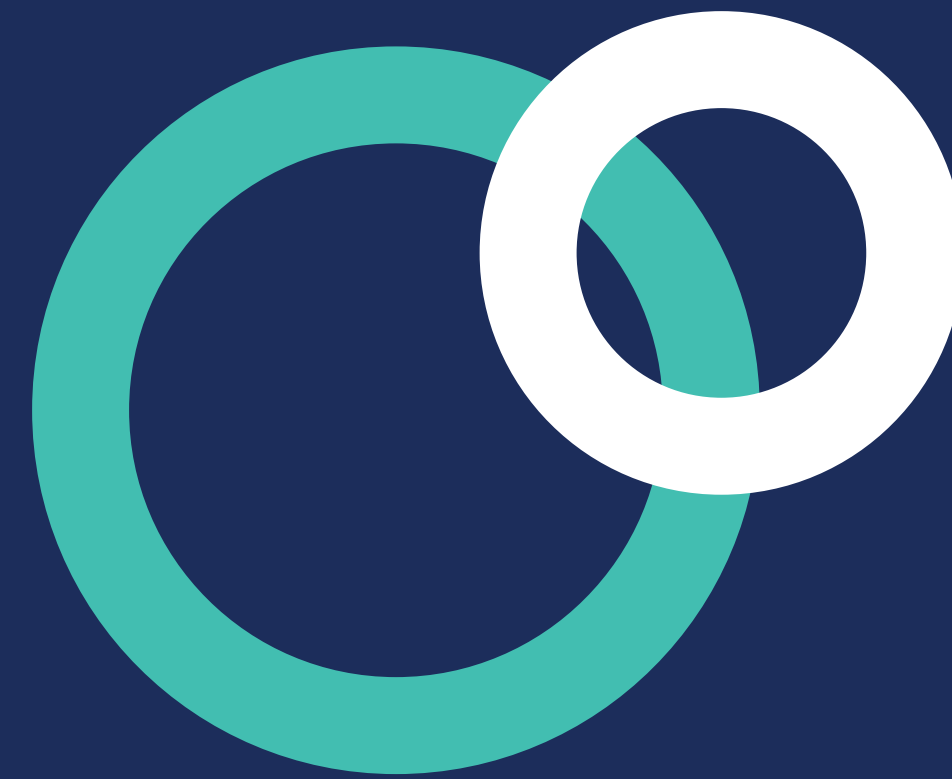
Business Ethics

Fair and ethical business practices are of crucial importance at SCD, as they reflect our values and are key contributors to our growth and success. We have policies in place that clarify our expectations for employees and managers, and serve as a compass in our relationships with the different entities we work with. We foster an ethical corporate culture that complies with professional standards of excellence and promote teamwork that provides mutual support.

We consider every employee as an 'ambassador' of SCD who is expected to act in accordance with the law and to the highest moral and ethical standards.

Code of Ethics

In 2023, we updated our Code of Ethics to reflect our updated values and current standards for employee behavior. As we engage with many stakeholders in our daily work, we are sometimes faced with complex ethical decisions and dilemmas. The Code provides detailed guidance on what is expected from our employees and serves as a moral compass in our relations with internal and external parties.

To support a safe work environment for all, the Code details our anti-harassment and sexual harassment policies. We practice a zero-tolerance approach to harassment and abide by all local and national labor regulations. The Code further outlines our commitment to our business partners and we also require and expect our suppliers to adhere to the highest personal and professional standards, as well as our responsibilities to contract employees, and commitment to fostering a work environment that of accessibility and occupational diversity.

In addition, the Code describes our commitment to environmental responsibility and supporting the communities we work in.

The Code covers a range of topics, including:

- Responsibilities of SCD employees and managers
- Private work outside the company
- Conflicts of interest
- Confidentiality and Intellectual Propert
- Security and safety at work
- Safeguarding SCD's assets
- Social media practices
- Political activities by employees

Managing the Code

SCD employees are expected to act according to the Code of Ethics, as well as all relevant laws and regulations. Employees are encouraged to report any suspected or actual violation of the Code to their manager or a representative from the HR or legal departments. In addition, we have a system in place where employees can make an anonymous report directly to the CEO. SCD acts to protect and prevent any claim or harassment of an employee who reports a violation of the Code of Ethics. The VP of Human Resources and the company's General Counsel are responsible for investigating any report of violation of the Code. In 2022 and 2023, there were less than 1% of reports per 100 employees, with none of them related to misconduct.

The Code is updated regularly and is available on SCD's website. New employees and subcontractors are required to review the Code, and current employees receive training on the Code once a year. In 2022, 95% of employees and subcontractors completed training on the Code of Ethics and in 2023, 96% of them completed training.

Anti-Corruption & Anti-Bribery

As stated in the Code of Ethics, SCD's employees are required to comply at all times with relevant laws and regulations in the countries in which we operate regarding the prevention of corruption. Bribery payments in any form are not acceptable and will be dealt with in full severity according to SCD internal policies and the law.

In 2022 and 2023, there were no monetary losses as a result of legal proceedings associated with incidents of corruption, bribery, or illicit international trade. We acquired no revenue from countries ranked in the 'E' or 'F' Band of Transparency International's Government Defence Anti-Corruption Index in 2022 and 2023.

Issues related to managing business ethics risks throughout the value chain are discussed below in 'Supply Chain'.

People

The success of SCD's activities depends on our people. We are committed to creating a work environment that strives for excellence and promotes continuous professional development. We conduct our business activities with professionalism, dedication, and in alignment with our values. SCD believes in and supports occupational diversity, and we encourage our employees to be involved in all aspects of our activities. We strive for all employees to feel a sense of belonging and as a crucial part of our success and the future of SCD.

We uphold the highest standards at work, not only in our operations and products, but also in how we treat the people we work with. This extends to our clients and our employees – always supporting one another and recognizing our shared humanity and dedication that we bring to our work.

At SCD, we appreciate the moments that matter and strive to create a balanced work-life environment. Through the company's outings and activities, holiday celebrations, and special events, we connect with our colleagues and families, honoring our collective achievements, and also our individual talents and abilities. This helps motivate us to keep working towards our shared goals.

Photographer: Erez Elman Uzir Photographe

Our work environment is unique.

While we work in a highly regulated industry with exacting standards for quality and control, we also operate in a flexible, agile manner that promotes creativity and innovation. Even as we operate in an environment with clean, sterile rooms, there is great human warmth at SCD and room for personal expression. It is important that all employees flourish in this exceptional environment and feel they have the opportunity to grow, the space to make mistakes we can learn from, and thrive in their personal and professional paths.

To manage our unique work environment, we have developed an HR strategy to position SCD as an employer of choice, based on the following four pillars:

Our people:

Employee satisfactions

Excellence in products and service

Customer satisfaction

Profitability

49%

30%

2022   2023

% Women New Hires

2023 - - - - 500

2022 - - - - 450

Number of employees
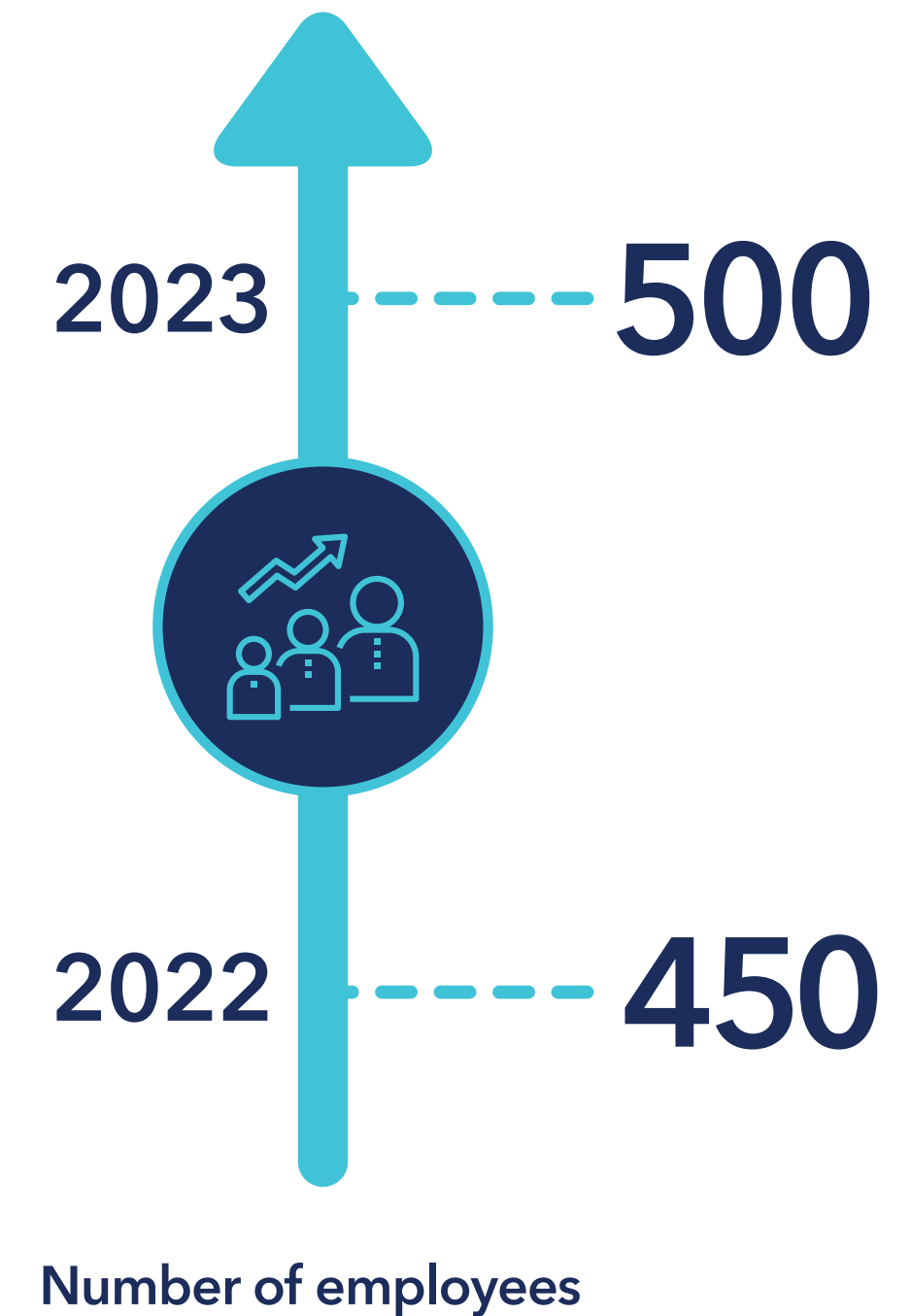
After the challenges of the coronavirus and other global economic challenges, while other companies in the region may be experiencing a slowdown, we are in a continuous growth phase. In the past year, we have seen an increase in demand, and expanded our operations and increased the number of employees.

Learning & Development

We take a holistic approach to employees' learning and development. We focus on continuous 'on the job training' where employees are regularly supported through open communication, manager feedback, and the necessary tools to improve in their jobs. This is an ongoing process which may involve external courses or formal learning – which typically occurs as a result of the continuous development process and collaborative identification of the skills needed for each employee.

We believe	**We embrace**	**We value**
in the power of continuous learning and skill development	the importance of leadership capabilities in order to excel in a rapidly evolving landscape	progress and success through annual evaluations and continues feedback

We believe in a personalized approach to learning and development and aim to provide continuous support to every employee based on their position and needs. There is mandatory training in place for certain positions, and we provide employees with additional supplemental training and courses on an ongoing basis, such as language lessons, soft skills training, and other skills and reskills training.

While we work to support employees in their career progression, we also believe in the value of learning and development in an employee's current position. As part of our cross-training programs, we provide employees with the opportunity for learning and training in topics beyond their specialty, so they can apply their talents to other disciplines, as well. This helps to support employee engagement and keeps employees relevant in the market. As a technology company, we recognize the importance of staying up-to-date with the latest developments in the sector. In addition to our internal learning programs, employees attend numerous professional conferences throughout the year, both to learn new information and present their own findings and share knowledge within the industry. In 2023, SCD's employees received an average of 16.5 hours of training per person.

"Knowledge sharing is a priority at SCD, and we accomplish this through internal courses and continuous learning from each other to advance our technologies and skills."

- Liron Dagan, Learning and development manager -

Managers as change agents

To support our continuous personal development approach, we have identified managers as key change agents at SCD, in recognition that they set personal examples for the company's expectations and standards of daily work. We work with managers to provide training and tools to support this approach and have seen the results – both at work and beyond.

Each year, managers receive a budget for team building events. In the past two years, we have seen more managers organize team events that also contribute to the community or environment, such as a beach clean-up, painting a youth center, or renovating holocaust survivors' homes. This can be attributed to a shift in our managers' approach, as they now better understand the value of team building and fostering a personal connection to the company in an informal setting, and the importance of setting a personal example for their teams through contributing to the community.

We take a proactive approach towards understanding employees' expectations and priorities. Every manager is required to focus on one area of improvement over the next year, and the HR team works with them to support these efforts based on organizational tasks. On a company level, we take what we hear and implement it into our workplans.

Communicating the results of employee surveys is extremely important at SCD. We display the results throughout the company and through employee communications, and we talk about not only what employees say, but how we plan to implement changes based on their feedback.

81.4%

85%

2022   **2023**

*Employee survey engagement

Employee engagement

Communicating and listening to our employees is one of our keys to success. Each year, we conduct a Gallup's Employee Opinion Survey (EOS), with an observable annual increase in participation and performance rates. We attribute this to the belief that employees know their thoughts and opinions will be heard, and that we will take actions based on what they say.

"'It's all about the people'.
This encapsulates our dedication to fostering a supportive environment
where every individual is valued and empowered to succeed."

— Einat Wolff, VP HR

Diversity

We value the principles of equality and diversity and strive to create a workplace at SCD that is welcoming and safe for all. Our unique work culture, where we operate in a traditional, industrial sector but take a personalized, flexible approach to our work, enables us to take an authentic, individualized approach in our diversity and inclusion efforts. We work closely with employees to create a customized plan that supports their success at work – whether it's providing flexible work hours to new parents or ensuring the workspace is accessible to meet someone's physical or special needs, we build the appropriate personalized response for every individual.

We believe in an equality approach that does not discriminate. All benefits granted to employees are carried out in an equitable manner, and employees are promoted based only on their skills and expertise.

Our diversity efforts currently focus on two areas: age and gender.

We value more experienced employees and make efforts to recruit employees over the age of 45. In addition, we encourage employees to work until retirement age and make the necessary adjustments as needed. We believe age diversity is good for business and appreciate and respect the experience and knowledge that older employees bring to our teams.

As a company operating in the technology and defense sectors, we are aware that women are underrepresented in these industries. We make significant efforts to hire women employees and promote women within the company. Furthermore, our ratio of women employees is the same as women in leadership and management positions. We focus on providing women with the opportunity to thrive at work and get promotions and accommodate flexibility in creating a healthy work-life balance when needed. Throughout the year, we hold sessions open to all employees where women employees lecture on their experiences and achievements, both at work and beyond.

33% 2022 **33%** 2023
% of women of total employees

33% 2022 **36%** 2023
% of women in leadership & executive
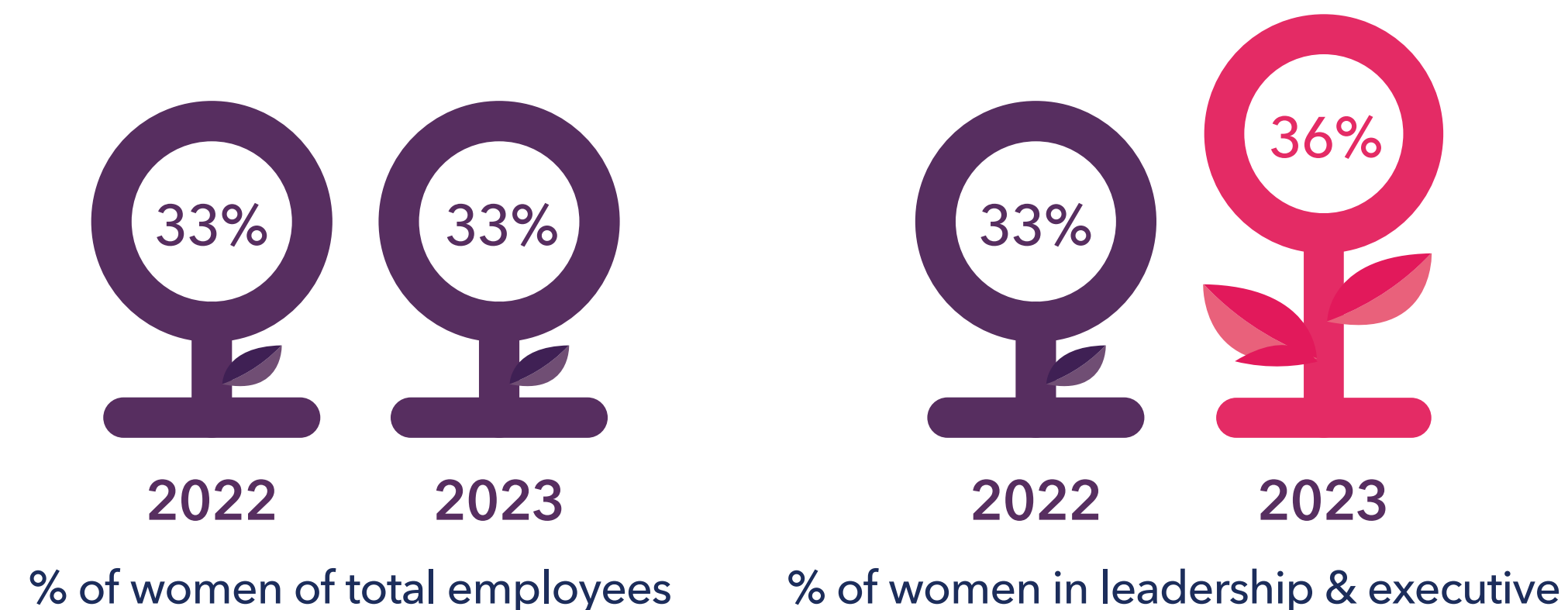
Talent & Retention

As a company operating in a highly advanced technological sector, and as we are committed to developing cutting-edge, innovative products and processes, we have a very strong R&D culture. This allows us to keep the company moving forward and be a leader and the forefront of global technological development.

The technology that we develop is based on deep research and development, as well as continuous learning. While we do produce semiconductors in an industrial setting, we specialize in technological advancement, and our talent is crucial to maintaining our competitive edge. We deliver a highly unique products with added value to our customers. Every employee contributes to these efforts, and we consider every individual as critical to our success and the development of our superior technology.

To support our culture of innovation and bold thinking, we believe in 'room for mistakes'. We give people the space to try new ideas and to not necessarily succeed – this allows for experimentation in all different ways,

and across topics. Thinking out of the box is an important part of our DNA at SCD. We enable this through open communication and support, even when an idea may not be successful, because we are always able to learn from it and potentially use it at another time or form. As part of our 'room for mistakes' approach, we provide training to employees on how to analyze failure and learn from them.

We believe this approach helps us to attract and retain talent and makes us an employer of choice. There are no limits to the imagination and creativity of our employees, and we give them the tools – and space, to explore and create novel technologies.

At SCD, we don't just see your needs; we see YOU. We join forces to consistently strive for, deliver, and uphold the highest standards. This dual dedication is directed not only to our esteemed clients but also within our own team – always supporting one another and recognizing our shared humanity and the dedication we bring to our work.

At SCD, we are bringing 'Soul' to the workplace.

FIRST
TO SEE

ALWAYS BY YOUR
SIDE

ALWAYS WHAT YOU
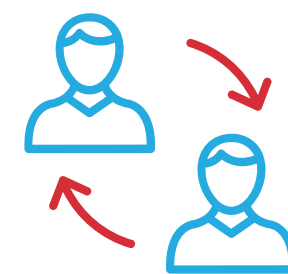NEED

ALWAYS A STEP
AHEAD

Low turnover

We have seen significant results from our HR strategy and learning and development program. Our employee turnover and voluntary attrition rate is low compared to the benchmark, and we have seen many employees return to SCD after working at other companies, i.e., the boomerang effect. In fact, there are a significant number of employees, including in executive management positions, who have returned to SCD, and we continue to support them on their professional development paths.

95% of our employees remained at our company in 2023.

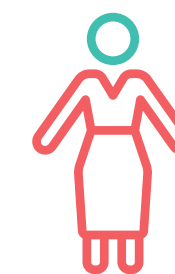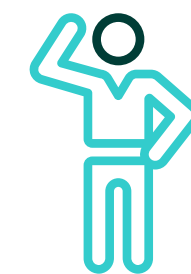| Voluntary Attrition Rate		Employee Turnover		Women		Men	
9.4%	**5.1%**	**11.4%**	**6.2%**	**21%**	**20%**	**79%**	**80%**
2022	2023	2022	2023	2022	2023	2022	2023

Community Development

We place tremendous value on working with the community. Our community development programs are developed on the basis of matching the community's needs with the talents of our employees. In this respect, it is important for us that our employees are engaged in our community efforts, and we encourage full employee involvement. We take a systematic approach to our community work.

Our community efforts focus on four areas:
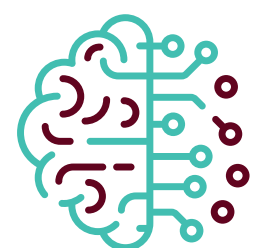
Technology education for future generations
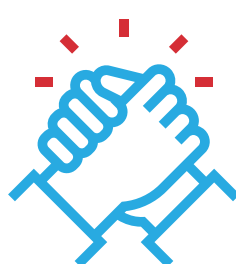
Support for youth at risk

Assistance for older people in need, including Holocaust survivors

Activities that protect and conserve the environment

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1 First, we seek to understand the needs of the community and our own capabilities.

2 Second, we create a plan that will engage employees in our community work.

3 Third, we develop activities with meaningful content that challenge our employees to contribute in an authentic way and create new value, allowing people to connect in their own personal ways.

4 Finally, we work to strengthen the connection between SCD employees and the community through long-term joint ventures, so we can be proud of the work that we achieve.

Spotlight: Technology education

We focus our efforts on students in 9th and 10th grades, as that is a key turning point in their decision to study technological subjects. SCD provides 360° support to students who visit our facility and meet with professionals across the company - from engineering to marketing, to gain a full perspective of the technology sector. In addition, we have special educational kits for employees to use when they visit schools to introduce students to our unique technology.

SCD encourages employees to volunteer as a means to realize our personal and organizational values of partnerships and cohesion. We encourage employees and managers to participate in volunteering activities throughout the year, and we assist in providing a framework to identify meaningful volunteer opportunities, for both our employees and the populations they want to support.

We consider these volunteering efforts not only as an important opportunity to contribute to the community, but also as an opportunity to foster deeper connections among our employees. We have found that volunteer activities outside the company create meaningful connections, and sometimes even lead to new ideas, as people are able to interact with others in different, informal settings. In addition, employees who participate in volunteer activities express increased employee satisfaction and motivation.

SCD

FIRST TO SEE

ALWAYS BY YOUR SIDE

ALWAYS WHAT YOU NEED

ALWAYS A STEP AHEAD

We track and measure our volunteer efforts in a systematic way:

We have a goal to increase volunteer hours

We track inputs, i.e., volunteer hours

We track short-term outputs with our community partners

We track long-term outputs:

Satisfaction of our community partners over the long term

Quick feedback from participants after specific activities to ensure the volunteer program is effective and meeting their needs.

Volunteering is such an important part of our culture that is included as one of the criteria for our employee excellence awards, given each year to outstanding employees.

Total volunteer hours

2022	2023
1,777	2,500

Number of volunteers

2022	2023
137	188

% of total employees

2022	2023
30%	40%

FIRST TO SEE

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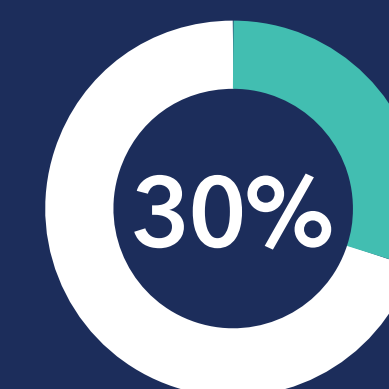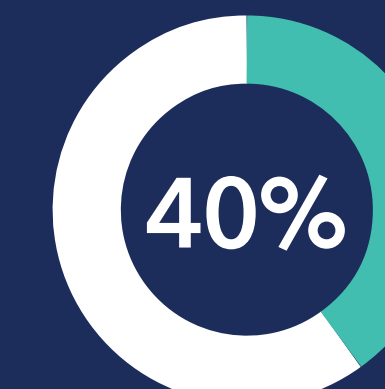
ALWAYS WHAT YOU
NEED

Customer Service

Ensuring the success of our customer relationships is of paramount importance. Accordingly, we have established a dedicated **customer care team** tasked with providing outstanding assistance and expert technical support.

We take a proactive approach to customer service. We are a steadfast, reliable presence for our customers, striving to anticipate their needs and respond to all inquiries to **always provide what they need.**

Our team of expert employees, spanning from R&D to engineering, is available to collaborate with our customers. This collaborative approach enables us to work efficiently together with customers, fostering innovation and providing added value throughout our partnership.

We pride ourselves on delivering **personalized, prompt responses** and offer a comprehensive range of services that include:

- On-site troubleshooting at customers' premises.

- Comprehensive resources, from data and application guides to reference documents, to empower customers with the knowledge they need to maximize the potential of our products.

- Rapid response to RMA (return merchandise authorization) requests.

- Streamlined repair process that minimizes downtime – we quickly restore equipment to optimal functionality, reducing any disruption to customers' operations.

- Transparent communication, including regular updates on repair statuses, ensuring our customers are informed at all stages.

- Extended support options beyond standard warranties – our out-of-warranty repair options and customized service contracts cater to specific customer requirements.

- Striving to meet any and all special requirements and requests by customers.

Ensuring Quality

SCD aspires to be a worldwide pioneer in the realm of IR sensing detectors and high-powered laser diodes. We are committed to pushing the boundaries of technology, crafting cutting-edge systems that bring unparalleled value to our customers. In the rapidly-evolving tech landscape, quality isn't just an aspiration—it's our strategic edge. It's the cornerstone of our vision and mission, ensuring we stay at the forefront and deliver nothing but the best.

SCD's quality system is a holistic framework aiming to achieve the most efficient integration of our processes and systems to allow optimal performance.

Quality at SCD is a collective endeavor, stemming from the active involvement of every stakeholder. It is ingrained in our DNA through continuous innovation and the meticulous integration of essential processes and tools for effective implementation and oversight. Our unwavering commitment to quality resonates at every organizational tier, ensuring there's no room for compromise. Every individual, regardless of their role, upholds this high standard, with no exceptions.

With the understanding that quality is a central axis for achieving and realizing the company's vision and mission, we have implemented an organizational framework that supports the assimilation of quality processes and procedures. This contributes to our culture of quality and maintains SCD's reputation as a company that strives for quality in all our products. It contributes to our profitability and growth through the activation of uniform and systematic processes across the organization – including our development, production, services and product support, while providing flexibility in fulfilling our customers' special needs.

Our Quality Policy

At SCD, our commitment to quality is unwavering.

We pledge to:

Champion a culture where improvement never stops.

Uphold all external and internal standards and requirements.

Pursue excellence and unmatched quality in everything we do.

Operate a robust and streamlined Quality Management system.

Ensure our customers are more than satisfied by always meeting our promises.

Engage every team member in implementing our approach to quality daily.

Deliver dependable and efficient products and services, every time.

Principles and Guidelines for Quality Management

We adhere to a specific set of principles and guidelines for quality management. These include:
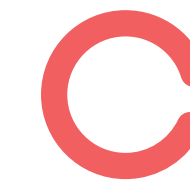
Customer focus
Prioritize an understanding of customer needs, fulfill their requirements, and always aim to surpass their expectations.
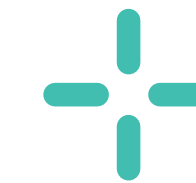
Mutually beneficial supplier relationships
Strengthen collaborations with suppliers to amplify the value creation for both parties.

Factual approach to decision making
Base decisions on comprehensive data and information analysis to ensure effectiveness.

Continual improvement
Commit to the ongoing enhancement of the company's overall performance, treating it as an enduring objective.

Leadership
Set clear directions and cultivate an environment where employees are empowered and engaged in realizing the company's goals.

Employee involvement
By fully involving our workforce, we harness their potential to boost the company's achievements.

Process approach
Recognize that optimal results come from effectively managing activities and resources as cohesive processes.

Managerial approach
Systematically identify, evaluate, and manage interconnected processes for a harmonized operational flow.

Policies and Certifications

All of SCD's products are covered under our Total Quality Management program. This program includes managerial procedures, operating practices, testing, and monitoring of output. SCD's Quality Manual is available on our website.

Our Quality Management System was awarded by the certified body (SII) of IAQG (International Aerospace Quality Group) these certifications:

Our Environment, Health and Safety (EHS) Management System was awarded these certifications:

Our products aiming to meet any local
and customer regulations and directives.

Health & Safety

At SCD, we prioritize the health and safety of employees and the people we work with. We have implemented health and safety policies and procedures across the organization, with a heightened focus on our semiconductor fabrication plant (FAB), in recognition that activities performed there require great caution and strict observance of procedures to prevent accidents or harm to employees and the environment.

Management Approach and Training

The company regards the health and safety of people as the upmost importance. Based on these principles, SCD's senior management has established a company-wide health and safety policy that is relevant for all employees, suppliers, and entities operating at our sites.

To oversee the management of health and safety at SCD, we have a full-time Safety Manager who reports directly to the VP HR and the company CEO. In addition, there is a Safety Committee with equal representation of managers and employees. The committee meets every six weeks to review any incidents and determine remediation efforts. In addition, members of the committee serve as safety ambassadors throughout the company.

Maintaing safety standards

Every two weeks, the VP HR, Safety Manager, Infrastructure Manager, and Resources Manager conduct tours of all company sites to identify any potential safety hazards and raise awareness of our culture of safety. In addition, we conduct various safety drills to promote a high level of readiness and are committed to learning lessons from any safety incidents or 'near-miss' incidents.

Managers and relevant employees receive safety reports related to any incidents, including remediation details, so they can take a proactive, engaged approach to safety and the prevention of further incidents. We have mechanisms in place to report safety issues, and believe in the importance of an open, transparent work environment where employees are encouraged to speak up. Employees can make anonymous reports to HR, the Safety Manager, and the CEO. Reports and updates are shared with company management and the CEO on a regular basis.

Training

All company employees undergo safety training at least once a year, and every new employee undergoes safety training and a safety briefing before they start working at the company. Once a year, the Safety Manager gives a safety presentation to the entire company focusing on a different safety topic. There are regular communications with employees on safety issues throughout the year, including a roundtable with the CEO. Any supplier, contractors, or partners who work in our facilities receive safety training, regardless of their role or responsibilities.

Emergency Team

In addition, we have established an emergency team that is trained to respond to emergencies at work and contain any dangers. The emergency team undergoes regular training throughout the year and conducts exercises to maintain members' professional skills and competence. We have more members in the emergency team than required by regulation. In 2023, as part of our risk management process, the Safety Manager underwent training for forest fire safety, as the SCD production facility is located in a forest area.

Health & Safety Policy

The company's Health & Safety policy outlines our approach and expectations for operations at SCD. It includes detailed information on a range of topics, including the obligation of our management and employees to strictly comply with the requirements of relevant laws, regulations, and standards for health and safety. Accordingly, all employees have the necessary qualifications to perform their duties in accordance with relevant requirements.

The policy further outlines our commitment to reducing existing risks at work processes, including conducting risk surveys to ensure continuous improvement in occupational safety and health issues. We take a proactive approach to health and safety across all of our facilities, and have processes in place for the FAB, our offices, and the handling of hazardous materials, align with ISO standardizations when relevant.

Safety		
	2022	**2023**
Ergonomic (#)	-	-
Falls (#)	3	3
Contact Sharps (#)	1	-
Struck by (#)	-	-
Other (#)	4	5
Total Work Related Injuries (#)	**8**	**8**
Total Recordable Incident Rate (TRIR) (#)	14	13
Total Lost Work Days (#)	138	23
Fatality Rate (#)	0	0

"We believe that safety is not just about preventing accidents, it's about creating a culture where everyone feels empowered to speak up about safety concerns and where safety is always a top priority."

Compliance

We fully comply with the relevant national and international regulations and laws regarding our business activities. As an Israeli company that exports its products and services to large players in the global defense industry, we comply with the export rules set forth by the Israeli Defense Export Controls Agency (DECA) at the Israeli Ministry of Defense.

Our compliance efforts are managed by SCD's General Counsel, and we recently undertook a process to refresh our compliance program and approach. As part of this process, we implemented an updated policy relating to **anti-trust and anti-competitive** behavior, as well as an **anti-bribery and anti-corruption** policy. These policies outline our rules and regulations related to these topics, including guidance on conflicts of interest, receiving and providing gifts, and other issues that employees may encounter in our business operations and daily activities.

To highlight the importance of compliance throughout SCD's departments and locations, we are developing a company-wide internal awareness campaign to be rolled out next year. The aim of this initiative is to make employees aware of specific policies and regulations and be familiar with what is expected of them in different situations.

Governance

SCD is committed to responsible governance practices. As a private company jointly owned by a public company and governmental company, and with extensive business in the defense sector, we are subject to wide range of complex regulations. We comply with all relevant local, national, and international laws and regulations. Although we are a private company, SCD takes a 'beyond compliance' approach in our governance and business activities to meet the required standards for public and government companies.

Board

The board of directors consists of representatives of the company's owners. Board members have engineering or business backgrounds, and all board members have extensive experience in the field. The board meets at least four times a year, on a quarterly basis. The board has appointed sub-committees on its behalf related to finance and audit issues. ESG issues are presented to the board of directors at least once a year.

Most board and committee members have a financial education, with extensive experience both in the security and electro-optics fields, or in business operations of security companies.

Internal Audit

To support good governance and responsible business activities, the company has an internal auditor who provides assurance on the effectiveness of risk management, control, and governance processes. This includes reviewing and evaluating the organization's risk management framework to identify and assess the risks facing the organization; evaluating the organization's system of internal control to ensure that it is adequate and effective in mitigating risks; and assessing the organization's compliance with laws, regulations, and policies. The internal auditor reports to the CEO and the Audit Committee of the Board.

Risk & Crisis Management

Throughout the company's on-going activity, we apply risk management evaluations in various disciplines to assure that all relevant risks are properly identified and classified and that we have the appropriate plans in place to reduce and contain the risks, including the appointment of the personnel in charge of the schedule, implementation, and control of the set processes.

Each of the company's departments manages its own risks in a bottom-up approach. For example, in the R&D department, all risks are managed from the development project level up to the VP R&D level.

Business Continuity

In recent years, several events have had significant impact on business activities and supply chains around the world, including the global pandemic and regional wars. These events have had an effect on the availability of raw materials, shipping, and inflation. At SCD, we have maintained our operational continuity throughout this time, due to our governance procedures, experienced management guidance, and the activities of our procurement department.

To safeguard our business continuity, we maintain relevant business continuity plans which include risk assessment, to ensure our operations proceed in challenging times and emergencies, so we can always provide customers with what they need.

Data & Privacy

At SCD, we consider our technology infrastructure, platforms, and databases as strategic assets that contribute to our business success. As such, we consider data privacy and security as a high priority and have implemented information security protocols and programs throughout the company. Information security rules are applied to SCD's employees, suppliers, and customers, and contribute to our business stability and the ability to achieve our business goals.

Our information security program is built to protect the confidentiality, integrity, and reliability of information and information systems at SCD, and helps maintain business continuity and protect SCD's business and financial interests. The company's information security procedures and guidelines are detailed in SCD's Information Security policy. The plan outlines the management, supervision, and control of information security practices at SCD, with the aim of providing an adequate response to potential threats and risks, as defined in SCD's information security risk survey.

SCD's management is committed to information security and meeting our defined information security goals, including through protecting the confidentiality of SCD's data; providing tools for evaluating the state of information security at SCD; implementing protection measures in accordance with threats and technology, while taking into account relevant regulations and laws; and other measures. We take a continuous improvement approach to managing information security at SCD, and have implemented process controls and information security risk management procedures.

Potential threats include those caused by human factors, information technology components, malicious activities, and other events. To identify and manage these threats and provide a complete and balanced security response, we periodically verify the robustness and effectiveness of our information security measures within the framework of all our organizational processes. Our information security risk management includes a mitigation plan, thus providing a response to the protection of information and data while prioritizing business considerations.
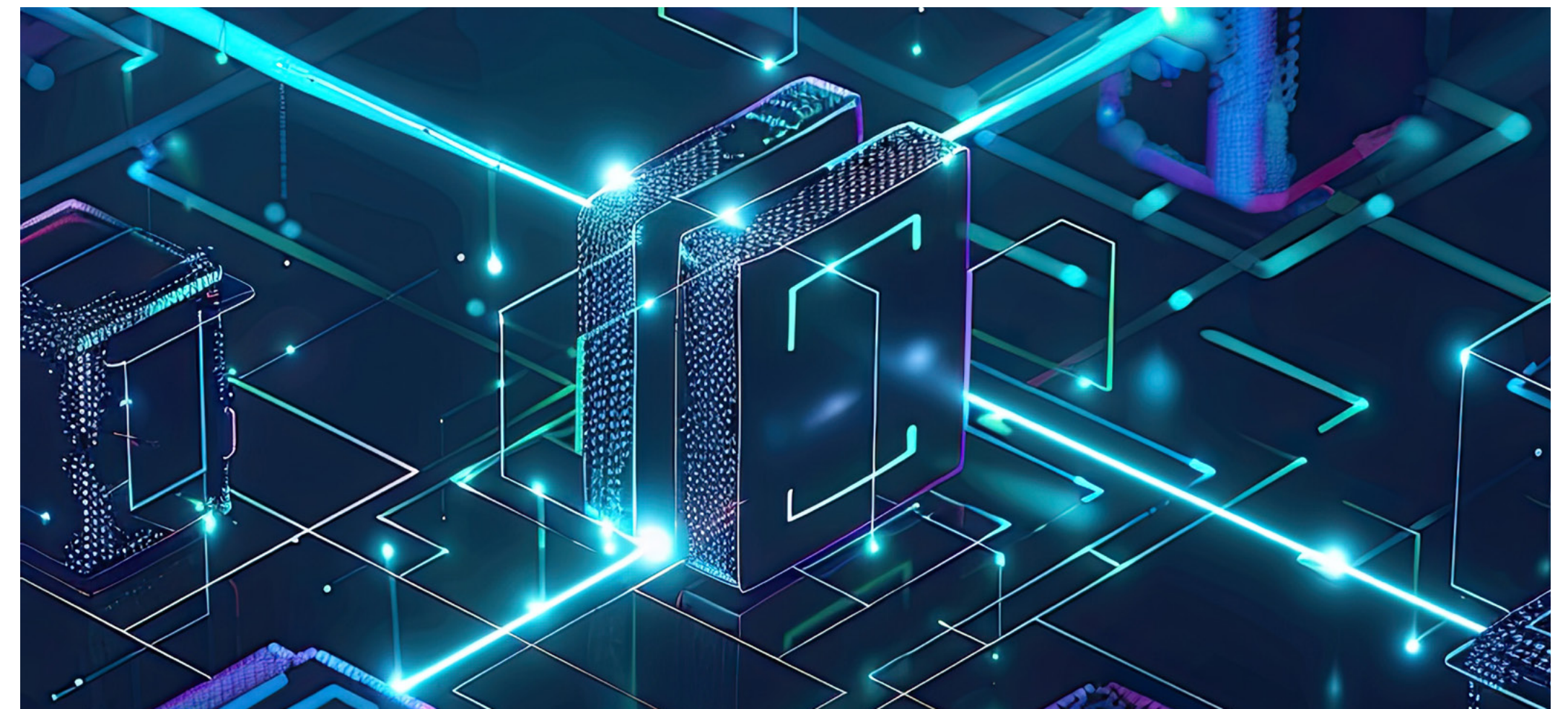
Innovation

SCD has gained worldwide recognition for its innovative and high-quality products in the Infrared (IR) detectors and laser diodes arenas.

Our business strategy is to be a technological leader, driving entry into new markets and establishing SCD at the forefront of the sector. We put special emphasis on identifying gaps in existing products to provide creative, original solutions. SCD is recognized worldwide as the leader in cooled MWIR (mid-wave infrared) detectors that are integrated into various commercial and military digital detector applications.

To maintain our position as a technological leader and stay up-to-date with the latest innovations in the field, we have established significant associations with other players in the ecosystem, and this is a key part of our R&D investment. This includes regular work with various academic and research institutions, including the Technion – Israel Institute of Technology. Collaborations span across disciplines, such as physics and electronics, and materials engineering, and we have dozens of PhDs on staff who conduct ongoing work with members of academia. As such, SCD's employees often present their work at professional conferences, and are recognized as important players in the market with unique knowledge and value.

In addition to academia, we also work with the Israel Innovation Authority and other companies across various sectors. A central component of our R&D program is our participation in the Innovation Authority's MAGNET Consortium Program, a cooperation between companies and research institutions for the development of new technologies in various tracks. We currently participate in three consortiums: VCSEL (Vertical Cavity Surface Emitting Laser), metamaterials, and smart imaging. These partnerships enable us to be continuously involved in new, cutting-edge technological research and to be proactive, leading player in Israel and the global market.

"There is a huge difference between the need for one person to see at night and a device in space that needs to see ranges of hundreds of kilometers, and SCD knows how to answer all these diverse needs. You can say that today, we are giving new type of eyes to our world."

— Dr. Tuvy Markovich, VP R&D

# Smart Imaging Consortium: A 3-Year Success Story

Over the past three years, SCD has spearheaded the Israeli national Smart Imaging consortium, a collaboration supported by the Israeli Innovation Authority, whose members included Leading defense company's and Universities.

The consortium focused on advancing imaging technologies for applications such as autonomous systems, emphasizing innovations in digital Read Out Integrated Circuits (ROIC), simulation capabilities, and detection and tracking of dynamic events.

The consortium developed an innovative step towards edge processing, drawing inspiration from human visual systems. Initial processing at the ROIC level mimics human vision, balancing spatial sharpness and high temporal resolution.

As a result of the consortium, SCD has developed the first IR sensor with event detection capabilities, a two-in-one detector for event detection and imaging in parallel. This breakthrough supports SCD's new SWIFT-EI sensor, enabling advanced capabilities like laser event spot detections and SWIR event-based imaging. These capabilities enhance target detection and classification in day and low-light scenarios, providing 24/7 situational awareness and cost-effective SWIR image systems for defense, security, and commercial use.

The Smart Imaging consortium's collaborative efforts have resulted in groundbreaking technologies with broad applications, marking a significant milestone in the evolution of imaging systems.
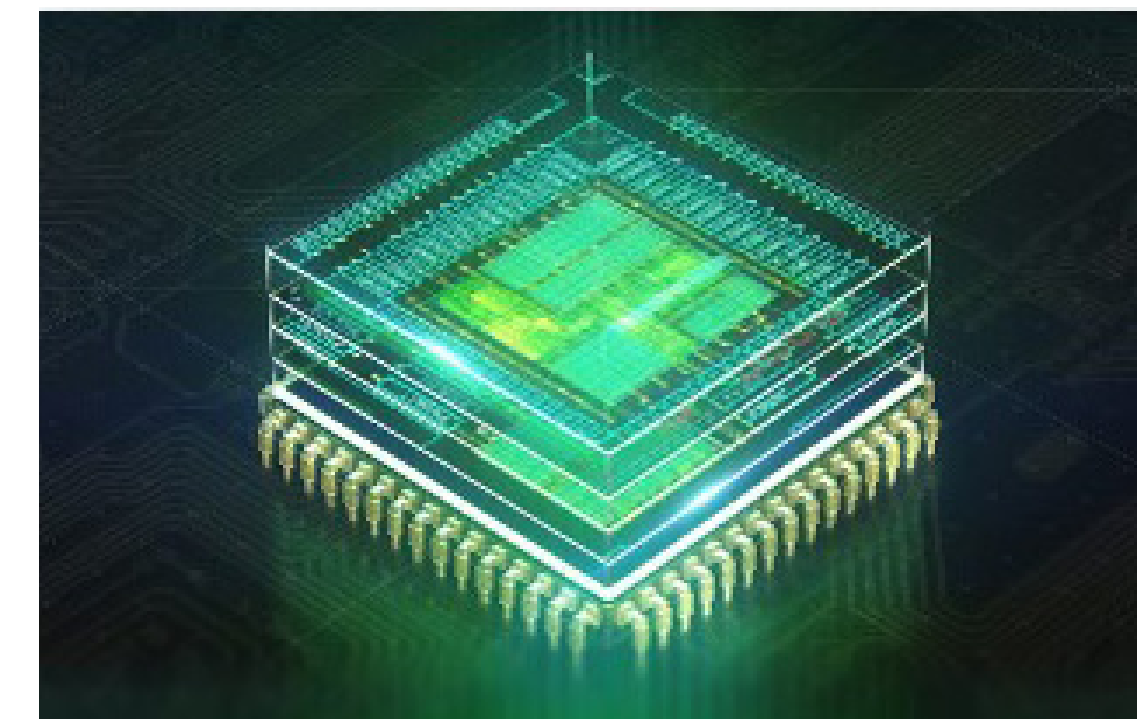
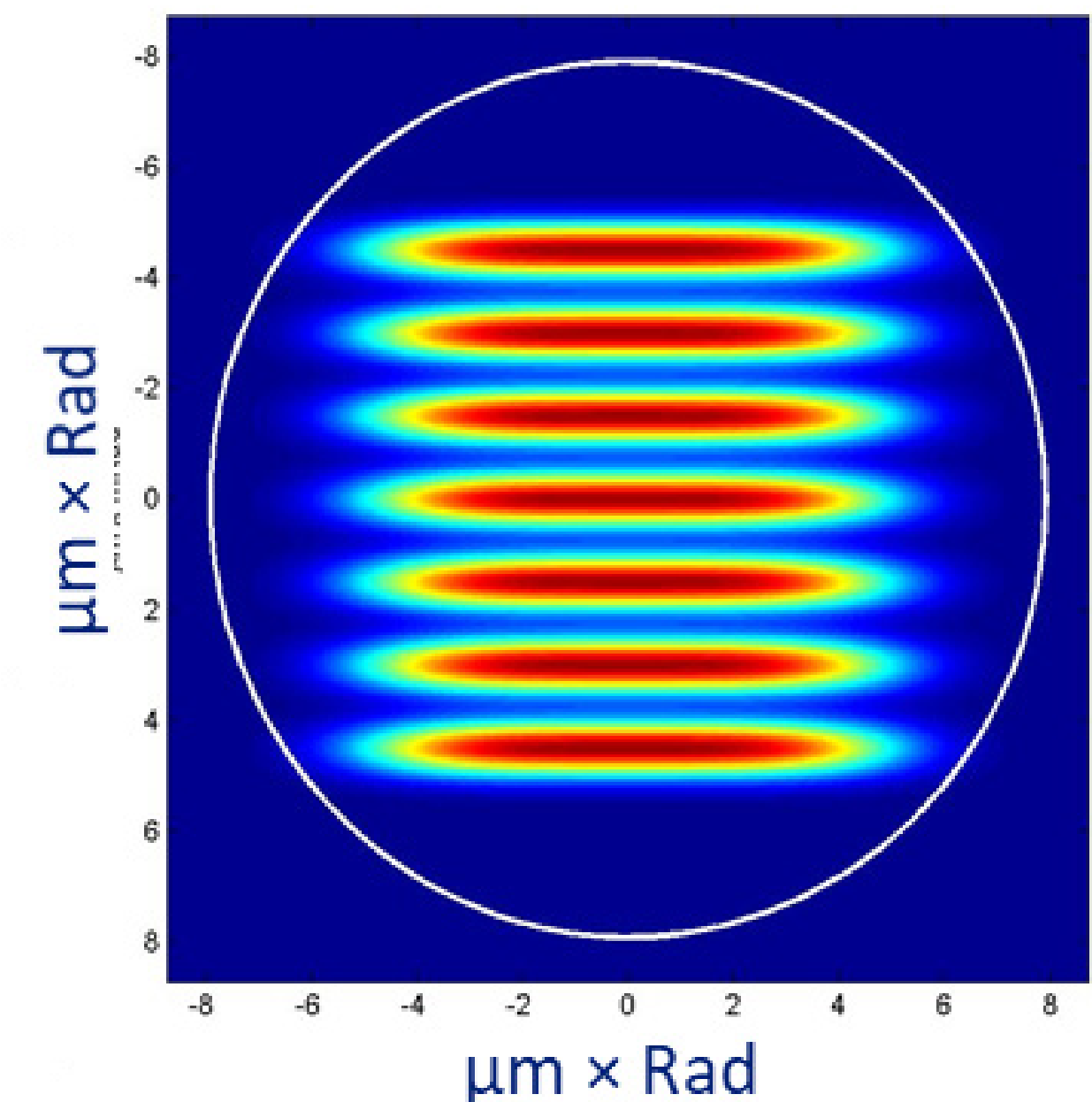# SCD Leads National Consortium on development of novel VCSEL devices

In 2023, SCD began leading the Israeli national consortium for the development of next generation Vertical Cavity Surface Emitting Lasers (VCSELS). The consortium focuses on three main technological directions: high power, fast telecommunications, and atomic clocks. The consortium includes leading high-tech Israeli companies and academic institutions.

Since their industrialization in the 90s, VCSELs have become important building blocks in various applications such as optical fiber data transmission and recently facial recognition for smartphones. When it comes to manufacturability, VCSELs have significant advantages over traditional laser edge emitting technologies including the ability to process large

quantities of diodes on a single wafer, enable testing on the wafer level, and more.

Within the consortium, SCD, together with the leading academic scientists in the field, intends to develop an innovative high power VCSEL that will enable a new paradigm in optical laser pumping for many applications – commercial and defense alike. SCD will leverage its semiconductor expertise and long-standing heritage of development and manufacturing of high-power laser diodes to develop the next generation VCSEL solutions.

We have identified VCSELs as a potential game changer in the ever-growing world of high-power lasers for many different applications. SCD, with its strong tradition of technological innovation in the IR and laser domain, is once again pioneering an innovative technology which, if successful, will result in a significant impact on the laser industry.

There is a growing need for cost-effective persistent surveillance solutions for multiple platforms, such as UAVs, drones, and fixed and rotary-wing aircraft. For infrared (IR) detectors, there is a constant demand for reduced Size, Weight, Power and Cost (SWaP-C) on the one hand, and a demand for larger arrays with more pixels on the other. SCD has introduced the world's most advanced MW infrared (IR) detector – the Crane. This breakthrough product is a game changer in EO/IR applications, offering excellent performance in a small, lightweight, and compact product.

The Crane enables persistent surveillance from a cost-effective tactical platform or drone, while overcoming the need for multiple UAVs to be deployed, each with its own payload, to cover large areas. Instead, very high resolution can be achieved with just one highly-reliable Crane detector, reducing costs and operational complexity.

The Crane detector offers high-resolution tactical area dominance day and night, with reduced size, weight, and power (SWaP). It empowers various industries with distinctive qualities, including:

Technological breakthrough: its compact size (5µm pixel pitch) and advanced sensing material make it the smallest global detector with exceptional performance.

Wide range of applications: it is ideal for border protection, 360-degree situational awareness, launch detection, surveillance, civil applications, and industrial systems.

Edge AI enabler: its ultra-high-resolution enables more "pixels on target" and allows users to apply neural network algorithms at the camera level, reducing overall system cost and complexity.

The device features a 5-megapixel resolution in a 2560×2048 format with a fine 5µm pitch. It is based on SCD's established XBn technology and incorporates a digital readout circuit developed using an advanced CMOS process. The High Operating Temperature (HOT) Focal Plane Array (FPA) functions efficiently at 150K or 120K, enabling a large-format detector that excels in image quality, while maintaining relatively compact size, weight, and power consumption.
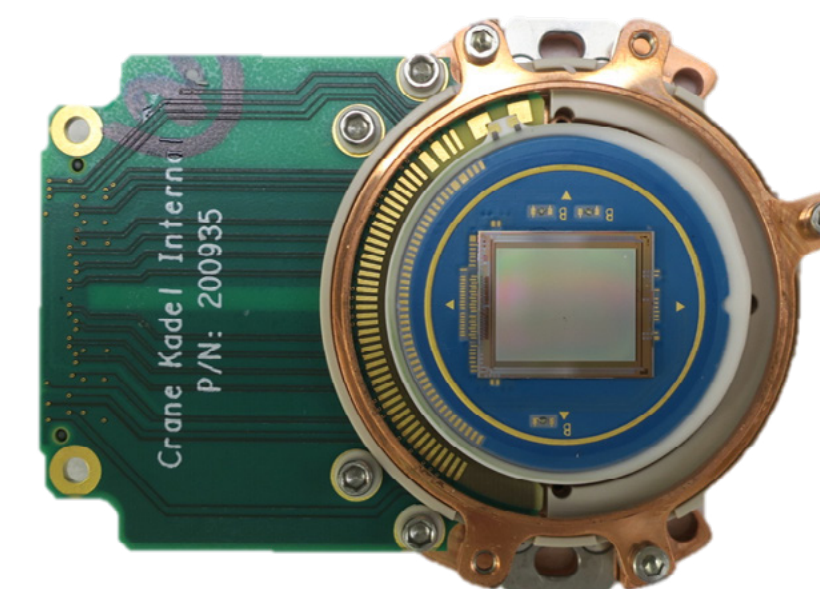
"The CRANE detector gives our customers a wider field of view, thanks to more pixels and higher resolution that allow for greater area capture and perimeter protection that we haven't seen before."

— Dr. Lior Shkedy

Environment

SCD is dedicated to protecting the environment and advancing environmental sustainability. We comply with all applicable laws and regulations, manage our risk accordingly, and strive to beyond compliance when possible. Our environmental, health, and safety (EHS) management system and framework – which includes robust policies and standards, risk assessment tools, and detailed compliance assurance programs, guides our operations across the company. We strive to incorporate social responsibility and environmental excellence by establishing overall EHS objectives and have developed a workplan to reduce our environmental effects, with measurable targets to track our progress.

Our Environmental Goals:

Reduce energy consumption

Target Year	Target
2024	1%
2030	3%

Reduce miles traveled by car

Target Year	Target
2024	2%
2030	5%

Reduce GHG emissions

Target Year	Target
2024	1%
2030	5%

Reduce general waste

Target Year	Target
2024	2%
2027	5%

Reduce hazardous waste

Target Year	Target
2024	5%
2027	10%

Reuse and recycle materials

Target Year	Target
2024	5%
2027	10%
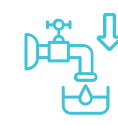
Reduce water consumption

Target Year	Target
2024	2%
2030	5%

Reduce water sent to treatment

Target Year	Target
2024	2%
2030	5%

We have developed specific work plans to meet these goals and have begun to implement several initiatives.

To manage these efforts, in 2023 we established a Steering Committee to monitor our environmental strategy and workplan, and make updates as needed.

Note: goals relate to performance vs. baseline year of 2021

Energy Efficiency

Our production is carried out in a clean room - FAB. This means we are required to maintain constant temperature and humidity in the production facility 24/7, throughout the entire year. In addition, we deploy sophisticated technologies at our facility that cannot stop operating or be disconnected from electricity. This includes, for example, a machine that produce certain structures, e.g., crystals, which do not exist in nature, and would require a long-term recalibration process if disconnected from the electricity.
In addition, there are continuous production processes that cannot be paused, and last for many hours. Therefore, our energy consumption is not directly correlated to sales volume.

We have implemented a range of measures to **reduce our energy consumption:**

▮▮▮▮▮ Upgraded our air conditioning systems in 2020 to finetune our humidity control and significantly reduce our energy consumption.

▮▮▮▮▮ Installed speed regulators on water pumps and blowers to reduce electricity consumption.

▮▮▮▮▮ Implemented a project for 2023-2024 to maintain accurate air pressure in the clean room, including:

- Installation of differential pressure transmitters on the filters so they can be replaced as needed, and not on a regular basis.

- Installation of filters with less resistance to air flow, and a longer lifespan

Emissions		
	2022	**2023**
Scope 1 emissions (MTCO$_2$e)	9	5
Scope 2 emissions (location-based) (MTCO$_2$e)	4,862	4,894
Total GHG Emissions (Scope 1 & 2) (MTCO$_2$e)	4,871	4,894

Energy			
		2022	**2023**
Total energy consumed	GJ/ Terajoules	4,862	4,894
Fuel: Diesel, Propane, Gasoline, Jet Fuel (Scope 1)	GJ/ Terajoules	9	5
Fuel: Natural Gas (Scope 1)	GJ/ Terajoules	0	0

Optimizing Production Processes

We have implemented several changes in our production process to **reduce our environmental impacts:**

Reuse of QA rejected detectors and other components

We began an administrative process to closely control the cycle and utilization of detectors and other components that were originally rejected in the production process. We began to examine items that were disqualified for use in a particular detector or test, with the aim of identifying whether these components could be reused in other detectors that have different requirements. In 2023, we reused ~5% of previously rejected materials.

Reduction of hazardous waste and containers

As part of our environmental quality strategy, we carried out a review of our hazardous materials purchasing, with the goal of reducing the number of containers we used. We implemented several changes:

- Waste collection tanks: we installed a central drainage system for collecting the solvent photoresist, replacing individual collection bottles at each workstation.

- Use of adhesives: we implemented strict control over adhesive expiration dates, using existing adhesives instead of opening new ones, to reduce the adhesive waste and containers.

Water & Waste Performance

Total Waste Generated (tons)

2022-2023

2.6   4.2

Landfill (tons)

2022-2023

0.8   0

Diverted From Landfill (tons)

2022-2023

1.8   4.2

Total water withdrawn
Thousand cubic metres (m³)
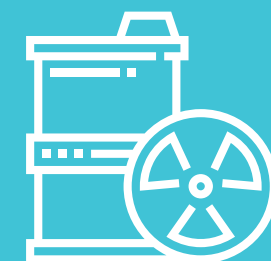
2022-2023

25,992   31,513

Percent of Waste Diverted From Landfill

2022-2023

30%

Total Hazardous Waste Generated (tons)*

2022-2023

81.5

Recycling/Recovery (tons)
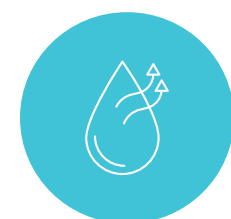
2022-2023

2.3

Total Water Used
Liters

2022-2023

31,634   37,680
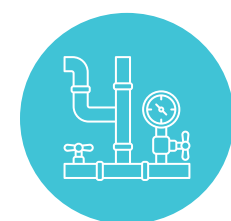
*data collected every two years

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Improved our production infrastructure for reduced water consumption and treatment

Upgraded our systems for adding moisture: in 2022, we switched to ultrasonic humidification systems, which resulted in reduced consumption of RO (reverse osmosis) water.

Replaced old solvent drainage pipes with new pipes.

We installed two new RO water circulation systems at workstations where there is high consumption of RO water.

Installed flow meters on hoods in the clean room that consume large amounts of UPW (ultrapure water) and DI (deionized) water, to identify in real-time any incidents of misuse or forgetting to turn the hood off.

Recycling of gold deposits.

In 2022, we issued personal uniforms for employees in the FAB. Previously, there were common uniforms used by all, which led to increased washings of uniforms. With the new personal uniforms, we have reduced the number of overall washings, while maintaining hygiene standards.

Improved our nitrogen infrastructure

In 2023, our water withdrawal and usage increased due to two main reasons: 1) increased volume of production and 2) the introduction of three new machines into the production process which required a significant water usage for their initial calibration.

Installed new nitrogen cabinets for greater accuracy regarding the amount of nitrogen required to maintain detectors in a controlled environment controlled, resulting in ~15% reduction in nitrogen use.

Installed pipes to use the excess gas from a liquid nitrogen storage tank liquid for consumption in the nitrogen cabinets.
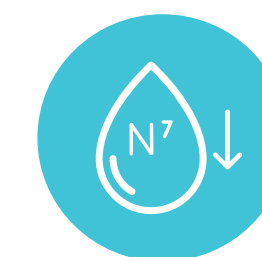
Implemented efficient and economical stations for pouring liquid nitrogen into containers for the purpose of testing detectors, resulting in the reduction in the use of liquid nitrogen.

FIRST TO SEE

ALWAYS BY YOUR SIDE

ALWAYS WHAT YOU NEED

ALWAYS A STEP AHEAD

Product Stewardship

Some of our products are used by our customers in applications intended to mitigate or improve environmental impacts. These include:

Detection of methane and gas leaks in the oil and gas industries

SCD's cooled and uncooled detectors have been successfully integrated into thermal cameras used for detecting gas leakage which the human eye can't see. If gas leakage isn't discovered early, companies could face not only financial losses, but also negative environmental impact and personnel safety issues.

Helping to minimize fire and wildfire damage

Infrared detectors are used for the early detection of wildfires from space. In addition, detectors are used for monitoring and locating fire hotspots to prevent huge wildfires from spreading and severely damaging the environment. Our infrared detectors are also used by firefighters to help see through the smoke and potentially identify people trapped in a fire.

Reduction of use of natural resources and pesticides in agriculture

Infrared detectors are used in agriculture to identify the quantities of water used, concentration of pesticides, and identification of diseases in plants. This detection can lead to reduced use of water and fertilizers in the agriculture sector.

Waste sorting and recycling

Multispectral cameras based on Infrared detectors are widely used in the recycling industry to sort different types of materials, such as plastic and glass. These cameras are able to determine the composition of the materials by their light absorption spectrum.

Water pollution monitoring

Infrared detectors are utilized to monitor and locate debris in the ocean, helping to locate plastic waste that can endanger marine wildlife.

Supply Chain

At SCD, we believe in conducting business in a socially responsible manner and we are committed to promoting our core values with respect to human and personal rights, labor, environmental, and anti-corruption practices. We expect our suppliers and partners to act according to these values, as well.

Our procurement department is focused on engaging and working with suppliers who are aligned with our core values and share SCD's approach to strive for responsible and ethical conduct at all times. We recognize the importance of managing a fair, ethical, and professional supply chain. SCD's Responsible Procurement Policy outlines the company's methods of dealing with our suppliers with full transparency, awareness of potential conflicts of interest, and commitment to environmental protection. The Suppliers Code of Conduct sets SCD's expectations from its suppliers and aligns with the standards SCD sets for its own employees and business associates. The policy is available on the SCD website.

The Responsible Procurement Policy covers details on:

Compliance with Laws	Employment Practices	Conflict of Interest
Environment, Health, and Safety	Quality	Right to Audit
Human Rights	Anti-Corruption	Information Protection and Privacy
Global Trade Compliance	Ethics Program Expectations	

Diverse procurement

As part of our ESG efforts, we encourage procurement from local companies when possible. We also promote social and environmental aspects, and carry out procurement from diverse suppliers, such as social businesses, small and medium-sized suppliers, and businesses committed to high environmental performance.

In recognition of the company's positive impact through procurement, we implement the following approaches when possible:

- "Green" procurement: During the procurement process for machinery, maintenance, and electrical products (such as lighting), there are recommended environmental criteria to be evaluated that reduce negative environmental impacts. In 2023, 13% of our procurement was "green" procurement.

- Social and diverse suppliers: SCD seeks to purchase from suppliers with socially responsible missions and companies that employ employees with special needs, as well as from small local businesses.

Human Rights

We expect our suppliers to treat people with respect and dignity, encourage diversity, remain receptive to diverse opinions, promote equal opportunity for all, condemn, fight and prevent discrimination of any type and foster an inclusive and ethical culture.

Our suppliers must ensure that illegal child labor is not used in the performance of work. Our suppliers must adhere to regulations prohibiting human trafficking and comply with all applicable local laws in the country or countries in which they operate. Suppliers must refrain from violating the rights of others and address any adverse human rights impacts of their operations.

Payment

The company ensures timed payments to suppliers and sub-contractors in recognition of the great importance of forwarding timely payments.

Partnership approach

Representatives of the Procurement Division meet and communicate with representatives of key suppliers in order to create an ongoing dialogue regarding the satisfaction of SCD and the supplier from the joint work.

Fair procurement

SCD chooses its suppliers following a fair evaluation process and based on common standards, quality, value of services, and legal and ethical standing. We operate with integrity and fairness during all of our communications with suppliers. Our guidelines include transparent and pre-agreed terms and conditions, as well as equal opportunity in terms of procurement requirements from suppliers.

Observance of labor laws

Suppliers are required to adhere to all labor laws and regulations. Our suppliers are required to provide their employees a safe, supportive, and positive work environment at all times and at any location.

As part of our efforts to increase enforcement of labor laws applicable to SCD, the company hired an accounting firm on its behalf that conducts periodic wage audits for sub-contractor employees in relevant fields.

Compliance

We are constantly striving to comply with all applicable laws and regulations in all markets in which we operate. Procurement employees participate in training that includes compliance aspects, such as anti-corruption and export control. We have a zero-tolerance policy for corruption, and prohibit anyone conducting business on our behalf, including suppliers, to engage in any form of activity which includes or promotes corruption.

9
2022

13
2023

Number of supplier audits completed

About this Report

This is the first annual ESG report of SCD. SCD has reported in accordance with the Global Reporting Initiative (GRI) Standards for the period January 1, 2023– December 31, 2023. Thd data provided is for IL site only. For any comments and questions about this report please visit our website at SCD.co.il

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