ecl

Your Partner for Growth

Sustainable Bandwidth

ECI Telecom

Sustainability Report

2011

About this Report

This is ECI Telecom's first Sustainability Report covering the role that we play in society as a global business, our business activities, and our impacts on people, communities and the environment. The report describes our approach to sustainability and the actions we have taken during 2011 to advance responsible and accountable practices in our business. We intend to publish such a report every year.

Selecting the Report Content

In developing this report, we have considered input from our stakeholders, gathered throughout the year in a wide range of interactions. For more about our stakeholders and our engagement with them, see Part 1 of this report. The selection of content for this report was the result of a comprehensive mapping study of our entire business, several interviews with managers in all parts of the business and a review of material issues in our sector. The final prioritization of issues most material to our business was determined by our management team. The basis for data calculations is noted in the relevant sections of the report.

Feedback

We hope this report will serve to encourage dialogue between ourselves and our stakeholders, especially our customers, suppliers and employees. We welcome your feedback, queries and suggestions on any aspect of our sustainability performance impact and plans. Please write to us at sustainability@ecitele.com to Eynat Rotfeld, CSR Manager, or by telephone: +972-3-926-6507

Reporting Period

Data in this report relates to the 2011 calendar year unless otherwise stated. Relevant information and case studies from the early part of 2012 are also included. We intend to report annually.

Report Scope

The scope of this report is all of ECI's global business operations that are owned by ECI Telecom. External operations at sub-contracted vendors are excluded. In some cases, data is not yet available for some locations - this is noted where relevant.

Reporting Principles

This report has been written in accordance with the principles advised by the Global Reporting Initiative (GRI) G3 Technical Protocol for defining report content. These are: Materiality (the issues most important for our long-term business growth and which are of most importance to stakeholders); Stakeholder Inclusiveness (responding to stakeholders' expectations and interests); Sustainability Context (presenting our performance in the wider contexts of sustainability issues) and Completeness (inclusion of all the information which reflects significant economic impact to enable stakeholders to assess our performance).

Verification

This report has not been verified by an independent third party, as we did not feel this would add value at this time. However, in developing information for this report, external consultants were invited to check all information. They visited our offices and interviewed over 30 managers in one-on-one discussions.

The Global Reporting Initiative (GRI)

This report is written in line with the GRI G3 Framework. The GRI is a not-for-profit multi-stakeholder organization which acts to increase the level of business transparency through use of the GRI framework for voluntary Sustainability Reporting. This report is self-declared as applying the GRI Framework at Application Level B. For more about this, see the GRI Index Section at the end of this report.

The United Nations Global Compact

ECI Telecom adheres to the Ten Principles of the United Nations Global Compact, in line with our participation in this initiative since 2006. Cross-references to our adherence to these principles are provided in this report. This report also serves as our third Communication on Progress.

Credits

This report has been prepared with the support of an external Corporate Responsibility expert, Elaine Cohen, of Beyond Business Ltd (www.b-yond.biz). The full report has been approved by ECI Telecom's Executive Team.

CONTENTS

WELCOME FROM OUR PRESIDENT AND CEO

Today's world is all about bandwidth. Bandwidth gives us the possibility to transform the way we connect, the way we work, the way we do business and the way we contribute to a more sustainable world. As a premier provider of advanced telecommunications networking solutions to carriers and service providers in the world, we see bandwidth as more than just technology. It is a catalyst for the transformation that technology enables. At ECI, we see bandwidth as a symbol for the space to innovate, the liberation from constraining and burdensome lifestyles and work processes, and the freedom to drive progress. Bandwidth – the technology and the symbol – underpins the way we see our role in society and the opportunities for sustainable growth that we create for our customers, our employees, our suppliers, our society and our environment.

On a personal note, I joined ECI in mid-2012, to take up the role of President and CEO, building on experience gained in a thirty-year career in the telecommunications industry. In ECI, I found a business with motivated and committed people, who are highly competent to address our business challenges ahead. I found innovative, cutting-edge technology which will help us to maintain and expand our market presence. I also found an amazing customer list with an impressive base of installed networks, as well as strong interest from customers in sustainable solutions. Our customers want us to provide not only bandwidth, but sustainable bandwidth, and we believe that our commitment to responsible and sustainable operations has been, and will remain, a significant competitive advantage for ECI. The past few years have not been easy for Communications Service Providers and carriers, and this has also reflected in our business. While we stayed lean and focused, we also did not take our eye off the ball in terms of sustainability. Indeed, as our competitive position becomes increasingly challenging, we find that this backbone of sustainability helps us stay resilient.

As a participant in the UN Global Compact for several years, we have published our Communications on Progress in line with the Global Compact request. This year, we are taking a significant step forward and publishing a full Sustainability Report, in line with the globally recognized standard for sustainability reporting, the Global Reporting Initiative, to further demonstrate our commitment to sustainability, transparency and global best practice. As a privately-owned company, we think it is important that our stakeholders know who we are and how we do business. This report describes our sustainability performance in 2011-2012. It showcases major, sustained reductions in environmental impact, a responsible and ethical workplace and a strong sense of community engagement and involvement.

I am certain that ECI has the bandwidth to be our customers' sustainable partner for growth. Furthermore, I am confident that we can face the challenges ahead and make a positive contribution to society, through our technology and the commitment of our people. I invite you to read our first Sustainability Report and engage with us on what we can do to further enhance our role in society and to help both ECI and our customers become more sustainable.

Thank you!

Darryl Edwards
President and CEO

OUR SUSTAINABILITY DASHBOARD

Performance:	Target 2012/2013	2011*	2010*	2009*
Customer Service – overall satisfaction in global survey	›94%	-	-	94%
Supply Chain Audits of Key Suppliers	8	3	N/A	N/A
Female % Employees	25	22		
Female % Managers	20	17		
Lost Time Injury Rate	0.015	0.03	0.24	0.15
Lost Time Day Rate	0.020	0.028	0.096	0.086
Absenteeism Rate	‹2.5%	2.5%	Not measured	Not measured
Volunteer Hours	=	6,500		
E-TASC Score	97%	96%	94.3%	90.3%
CO_2 Emissions (Scope 1&2)	-10%	-15%	+1%	-4%
CO_2 Emissions (Scope 3)	-5%	-12%	Not measured	Not measured
Energy Consumption	-10%	-12%	-1%	-4%
Water Consumption	-5%	-2%	-1%	-11%
Industrial Waste	-5%	-24%	-11%	-51%
Paper Consumption	-5%	=	-17%	-31%

*Comparative data is referenced to prior year's performance.

Founded in 1961, ECI Telecom Ltd, headquartered in Petach Tikva, Israel, is a privately-owned provider of network and access solutions for digital communications networks. We design, develop, manufacture, market and support digital telecommunications solutions for voice, data, video and multimedia services. We serve over 250 customers, mainly wireline and wireless service providers worldwide, through an international sales force, local agents and resellers in over 25 regional sales and service centers and a network of resellers in over 100 70 countries. We employ over 2,600 000 people in over 25 countries.
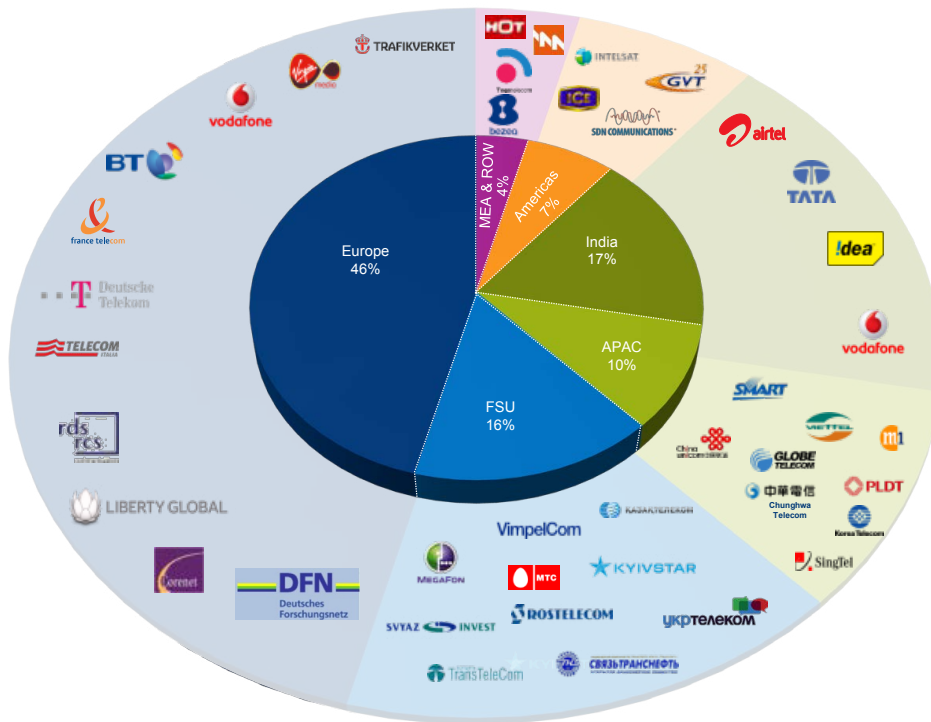
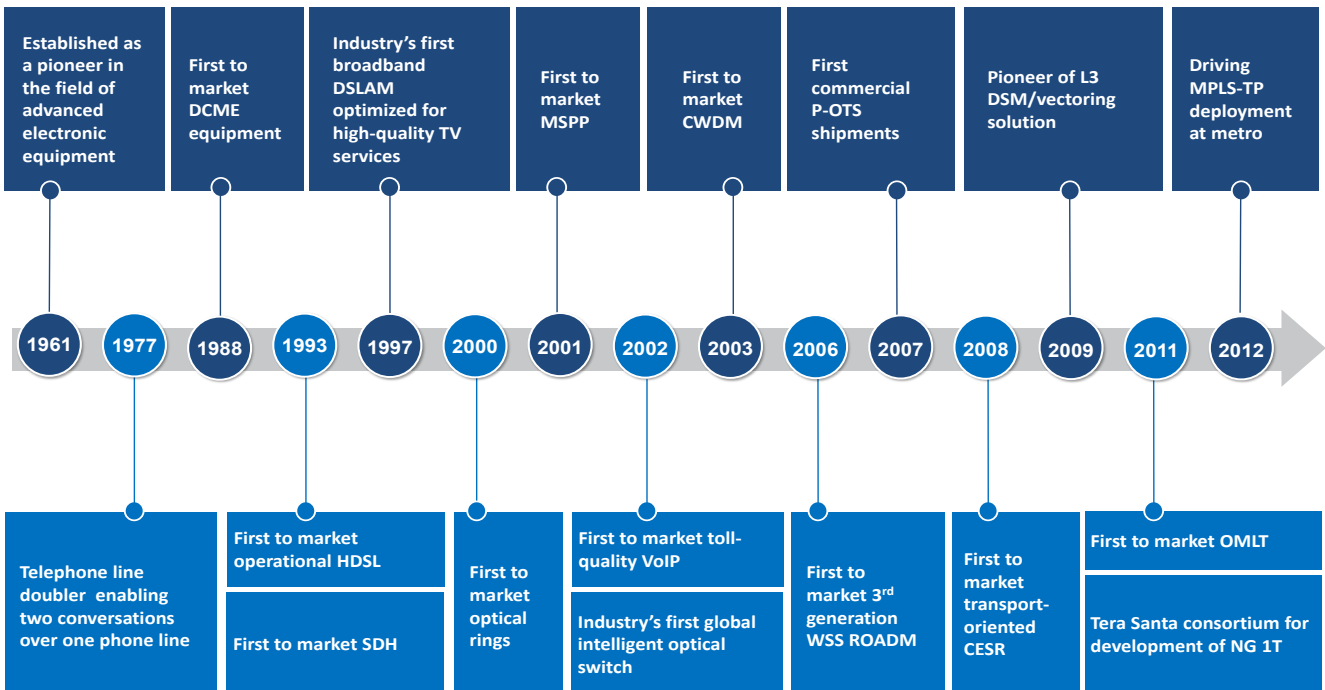We specialize in increasing sustainable bandwidth capabilities for all our customers and their end users .

It is all about bandwidth & effective management of network growth

| Continuous fast growth in cellular arena | Globalization of applications with the cloud | Worldwide data doubles every 18 months | Huge increase in demand for bandwidth |

ECI's Access, Optics & Transport NG solutions address these global trends

OUR HERITAGE

Established as a pioneer in the field of advanced electronic equipment	**First to market DCME equipment**	**Industry's first broadband DSLAM optimized for high-quality TV services**

First to market MSPP

First to market CWDM

First commercial P-OTS shipments

Pioneer of L3 DSM/vectoring solution

Driving MPLS-TP deployment at metro

Timeline: 1961 · 1977 · 1988 · 1993 · 1997 · 2000 · 2001 · 2002 · 2003 · 2006 · 2007 · 2008 · 2009 · 2011 · 2012

Telephone line doubler enabling two conversations over one phone line

First to market operational HDSL

First to market SDH

First to market optical rings

First to market toll-quality VoIP

Industry's first global intelligent optical switch

First to market 3rd generation WSS ROADM

First to market transport-oriented CESR

First to market OMLT

Tera Santa consortium for development of NG 1T

Bringing innovative solutions to our customers over 50 years

OUR GLOBAL PRESENCE

2.3-2.5

Corporate HQ in Israel
Regional HQs in the US, Netherlands, India, Russia and Singapore

Over 25 sales offices in all continents

R&D centers
Israel, China, India

Over 100 partners in all continents

BUSINESS LINES

ECI's platforms, solutions and services are offered under 1Net, a comprehensive framework for addressing our customers' day-to-day and strategic challenges as they migrate to next-generation networks. We offer a holistic approach to enable customers to continue to increase their bandwidth and take advantage of new technologies so that they can offer advanced services to their consumers. At the same time, we enable our customers to migrate to these new technologies in a cost-efficient way with no disruption to legacy services. 1Net is designed with sustainability in mind: cost and energy efficient solutions along with products and services that offer sustainable bandwidth to our customers.

Solutions	Products	Services

Service Provider Solutions
A wide range of network infrastructure solutions to help our customers take advantage of new revenue opportunities.

Energy Sector
Advanced solutions to help energy companies build their next-generation smart grid networks and leverage their infrastructure to become a carrier-of-carriers or full telecom service provider.

Government and Defense Sector
Mission-critical solutions enhancing national security, communications and government operations.

Transportation Sector
Multiservice next-generation networking solutions for transportation operators to simplify and support their day-to-day activities and leverage future opportunities.

Optimized Multi-Layer Transport
Optimized Multi-Layer Transport (OMLT) platforms with true convergence from access to core.

Next-Generation Access
High-performance family of access platforms optimized for any traffic mix across copper or fiber for scalable migration to next-generation networks and applications.

Multiservice Packet Optical
Converged carrier class transport platforms, enabling cost-effective migration to all-IP.

Optical Networking
Hybrid multiservice optical transport platforms for low-risk, low-cost network transition enabling the flexible roll-out of high-capacity services.

Software
Multi-dimensional, multi-layered software to lower the cost of network management .

End-to-End Program Solutions
A one-stop shop, from planning and design to materials, logistics, full implementation, operational support and maintenance.

Maintenance Service Packages
Our network experts provide support to ensure your network is running as fast as possible.

Professional Services
Specific, customized services dedicated to overcoming challenges by increasing business, operational and/or network efficiencies.

Support Center
The Customer Support Center is an advanced, self-service web application that allows our customers to efficiently manage and track service requests.

ECI employees share five basic values:

Respect for the Individual: We treat one another with respect and dignity, appreciating individual, cultural, and national differences. We seek to learn and therefore we listen to one another attentively and compassionately and communicate often and openly. Recognizing that valuable ideas can come from anyone regardless of level or position, we encourage individuals to express their views and use their talent to the fullest. Company policy prohibits discrimination against employees, stockholders, directors, officers, customers or suppliers on account of race, color, age, sex, religion or national origin. All persons are treated with dignity and respect.

Team Spirit: At ECI, our team spirit binds us together, transcending organizational, functional, and geographic boundaries. We work hard towards a common goal and deliver beyond expectations. We cooperate, collaborate, and empower one another in recognition that a global effort translates into exceptional solutions and services.

Innovation: We constantly strive to redefine the standard of excellence in everything we do. We are open to ideas that challenge the convention, seek diversity of views and drive innovation. We encourage both individuals and teams to constantly search for innovative technologies and creative business solutions and recognize their achievements.
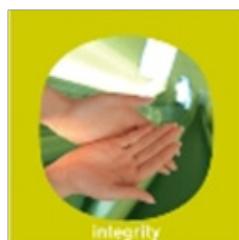
Integrity: We are committed to conduct ourselves in a manner consistent with the highest standards of integrity. We are honest, ethical, and fair in all our activities. We keep our word, deliver on our promises, and acknowledge our mistakes. Our personal and business conduct ensures that ECI is a company worthy of trust.
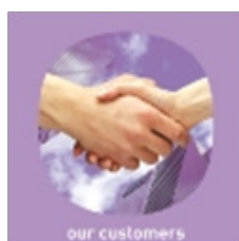
Our Customers: We are dedicated to creating value for our worldwide customers by developing and providing technologically advanced solutions and services. We build lasting relationships with our customers by listening, understanding, and anticipating our customers' needs. We are easy to do business with and always strive to be responsive and professional. ECI customers can trust our commitment to their success.

The driving force behind these values is the **ECI's One Company One Team** organizational pillar. In all activities, we conduct ourselves respectfully to promote these values and lead ECI to long-term, sustainable success and create opportunities for achievement and benefit to our stakeholders.

ECI Value Chain

Technology Development	Suppliers	Supply Chain Network	Customers	End-Users

Technology Development

R&D for technology and product development to meet customers' new bandwidth challenges and enhance their sustainable capabilities.

Suppliers

Partnering with suppliers around the world to source products and services

Supply Chain Network

Manufacture, Logistics and Distribution

Solutions →

Products →

Services →

Customers

Serving wireless and wireline Communications Service Providers around the world.

End-Users

Through our customers, enabling millions of end-users around the world to enjoy enhanced connectivity possibilities and transform the way they live and work.

The most significant sustainability issues for ECI and for the stakeholders in our value chain are:

- **Supporting Customer Competitiveness:** Continued development of technology for advanced sustainable bandwidth solutions providing improved end-user access and experience while helping customers to remain competitive.

- **Environmental Stewardship:** Reducing the environmental impact of our products and services through strictly controlled use of approved and sustainable raw materials and environmentally-conscious product design.

- **Human Rights:** Maintaining a safe, supportive and empowering workplace, both for our own employees and for all employees in our extended supply chain network by ensuring respect for their human rights.

- **Supply Chain Network Relationships:** Ensuring healthy partnerships with our business partners and suppliers to ensure business continuity and customer supply throughout our supply chain network.

- **Ethics and Transparency:** Ensuring a corruption-free workplace and an ethical working culture in all our operations around the world.

We make efforts to understand our stakeholders and be responsive to their needs. Our engagement practices are both formal and informal, and integrated into business planning on a regular basis. Through internal meetings and discussions, we analyse the feedback we receive from our stakeholders to distil the most significant issues that should inform our sustainability plans and programs. Being a Business-to-Business provider, the demands of our customers become key elements of our business planning and our sustainability programs. For example, our decision to increase control in our supply chain by adopting the SA8000 Standard in 2011, and to increase our business transparency by publishing this Sustainability Report, are direct results of listening to our customers. We engage with our primary stakeholders that have the most interaction with and influence on our business, as detailed in the table below

Our Engagement with our Key Stakeholders	
Owners	ECI's owners are represented on our Board of Directors. Through ECI's Executive Management Team, they are involved in development of sustainable performance planning and updated on a regular basis at Board Meetings.
Customers	Our customers drive our business strategy. They are major communications service providers, and many are leaders in sustainable performance and demand similar standards from ECI. We engage daily, weekly and monthly with customers to discuss business developments, product specifications and sustainable performance. We host our customers for discussions and audits of our operations. We reach out to new customers through participation in trade shows, conferences and industry meetings. We ensure that we are abreast of all regulatory requirements that our customers face and respond accordingly.
Employees	Our employees are the source of our success and ability to continue to deliver sustainable solutions. We engage our employees in developing sustainable solutions through strong internal communications programs, annual performance reviews, business updates, community volunteering, and informal conversations at all levels.
Suppliers	We maintain long-term partnership relationships with key suppliers who are critical to our ability to deliver sustainable bandwidth for our customers. Our most strategic suppliers are involved in our product development and implementation teams, and share in the decision-making process on many levels. Other suppliers are encouraged to offer suggestions for improvement and different ways of working in our monthly or quarterly discussions with them.
Government	We engage with government bodies in areas in which we work for the purposes of gaining the relevant authorizations for our business, and also in areas of research and development. Governments look to ECI to uphold the law and all local regulations and also collaborate in partnerships for sustainable development, where ECI possesses the relevant expertise.
Local Communities	We recognize that we have a responsibility to make a difference in the local communities in which we operate through supporting local social and environmental causes and enabling and encouraging our employees to volunteer. We engage with social and environmental community partners as needed to advance joint programs of mutual interest.

The Board of Directors

ECI Telecom Ltd is a private company, headquartered in Petach Tikva, Israel, wholly-owned by ECI Holding whose shares are held by the Swarth Group, a private equity company, and Ashmore Investment Management Ltd, one of the world's leading investment managers. The Board of ECI Telecom is composed of four male members, all of whom are non-executive and non-independent. The Chairman of the Board is Mr. Shaul Shani, head of the Swarth Group.

The Board of Directors maintains one Board Committee, the Remuneration Committee, composed of two members of the Board, whose purpose is to govern the administration of executive compensation and associated benefits and options. Board Members are compensated in accordance with relevant provisions in Israeli law, and with no direct linkage to the performance of the company.

As a private company, in which the Board Members all have substantial proven experience and expertise in business, the communications sector and corporate leadership, ECI does not have formal mechanisms in place for non-shareholders to provide recommendations to the Board of Directors, although employees are able to approach ECI's Executive Management at any time with their suggestions to be relayed to Board Members. The ECI Board of Directors has authorized the ECI Telecom's Code of Conduct, which applies also to Board Members, and conflicts of interest are avoided through periodical checks by the company's General Counsel and reporting of potential conflict by Board Members as required by law. All Board Members are committed to the best interests and performance of ECI as a responsible corporate citizen. The Board evaluates its own effectiveness through detailed scrutiny of ECI's business performance, compliance with regulations and the corporate Code of Conduct and social and environmental impacts on a quarterly and annual basis, against internally-set targets and external commitments made by ECI.

Executive Management in 2012

DARRYL EDWARDS
President and Chief Executive Officer

HEZI BASOK
Head of Global Business Operations

ADI BILDNER
Head of Global Human Resources

GIORA BITAN
Chief Financial Officer

ERAN DARIEL
General Manager, Portfolio Business

SORIN LUPU
Head of Sales and Marketing

EYAL SHAKED
Chief Strategy Officer and Head of R&D

ERAN TALMON
Head of Global Services Division

ARNIE TARAGIN
General Counsel

APPROACH TO SUSTAINABILITY

ECI Sustainability Management

ECI's sustainable bandwidth is managed according to a defined structure in which all key elements of our annual program are represented by nominated managers or experts in specific areas of ECI operations. Through a process of dialogue and sharing of information, we maintain our finger on the pulse of all CSR and sustainability activities at all times.

Our Head of Global Quality Management leads our overall strategy and operational activities with regards to sustainability and sets targets together with the Sustainability Team. We produce a comprehensive internal report on activities for presentation to ECI's Executive Committee twice a year, at which time performance against targets is assessed and future plans are agreed upon.

In addition to the main corporate team, additional teams promote specific topics, and local teams in various operating locations around the world act as focal points for employee education, communication and implementation of responsible business and sustainability strategy.

PART 2: MARKETPLACE BANDWIDTH

"The Internet is reshaping the way individuals live. It brings benefits of higher consumer welfare (through a larger variety of digital goods and services, lower prices, improved information gathering, more distribution channels and so forth). In addition, individuals benefit from a more efficient labor market and, on a broader level, from positive impacts on the environment and in education."
Stryszowski, P. (2012), "The Impact of Internet in OECD Countries", OECD Digital Economy Papers, No. 200, OECD Publishing.

Through our customers – major global and local service providers – we envision the real value of our contribution, which affects the lives of end users and consumersevery day, in the home, the city, schools and educational establishments, hospitals and healthcare networks, transportation systems, banking and financial systems and practically every aspect of life which benefts from technology, internet connectivity and sustainable bandwidth. The global, instant nature of today's world and information flows demand communications networks with more extensive capabilities than ever before. The availability of a high speed, high quality, reliable and power-efficient broadband network is no longer a luxury, it is a basic tool for today's business and life. We work to provide our customers with the best platforms for connectivity that enable them to compete, thrive and to deliver true economic and social value.

DESIGNING THE NEXT GENERATION MARKETPLACE

At ECI, our focus, given our approach to sustainability, is both on ensuring the most advanced marketplace technologies are available and accessible today, as well as developing the technologies of tomorrow. We work hard to bring next generation solutions to our customers, and often we do so in partnership with the Office of the Chief Scientist of the Ministry of Industry, Trade & Labor in Israel. In fact, ECI is the company in Israel that receives the highest level of grants from the Chief Scientist each year, reaching several million US dollars annually during the last twenty years, as a result of our expertise in advanced communications technologies which are judged to be a priority development area for the Office of the Chief Scientist.

In the past year, we received two types of grants from the Office of the Chief Scientist:

First, a grant which supports our R&D Center in the South of Israel in the city of Omer. Our leading edge center, now in its fourth year, is located in a peripheral development town. Our Omer center supports over 200 highly qualified engineers, many of whom are local residents and makes a significant contribution to the development of the local economy.

Second, we receive grants to support the development of specific cutting-edge technologies, often working in collaboration with other partners. One such program is called the Magnet Program, promoted by the Office of the Chief Scientist of the Ministry of Industry, Trade & Labor, which sponsors innovative generic industry-oriented technologies to strengthen the country's technological expertise and enhance competitiveness. The program supports the creation of generic R&D consortia, involving industry, universities and technical colleges over a period of three to five years. The objective is to generate generic infrastructure technologies which can then be used as a basis

for further development. ECI participates in three such consortia in the area of fiber-optics for highly efficient data-transfer, smart grid technology and internet-based video technology. This type of activity is critical to next-generation product development as these areas of R&D are too broad for one company alone to undertake. The most effective approaches are through collaboration, and ECI is proud to be able to contribute its vast expertise to create new sustainable technologies. While there are business benefits in the long term for ECI arising from the opportunity to work on leading–edge technologies, we also feel that our contribution represents a form of public service which will add considerable value in the development of telecommunications.

1NET

The philosophy behind ECI's 1Net offering is entirely consistent with sustainablilty principles. Our core approach is integration and convergence for maximum capability and optimal efficiency. We help customers build on existing networks, rather than create waste through discarding former platforms, wherever and whenever possible. Within our 1Net framework, we operate in a synergistic way, seamlessly enabling customers to take advantage of new technology while maximising retention and re-use of existing infrastructure.

This is why we refer to 1Net not as a specific product or platform, but as a commitment to help our customers address day-to-day and strategic networking challenges as they grow and develop. 1Net is our shorthand for sustainable bandwidth. That's what we provide for our customers helping them to achieve affordable, scalable multiservice access for millions of end-users around the world.

## OMLT   EN6

A demonstration of our commitment to sustainable design to meet the needs of ever-more-demanding customers is the development of our new family of Optimized Multi-Layer Transport (OMLT) platforms, launched in 2011. This new offering represents breakthrough thinking and design, in a category all of its own. OMLT is a highly unique and innovative concept to bring the right network ingredients for increased capacity, flexibility and reliability for advanced data traffic services. Our vision for the OMLT is to help service providers realize all the costs savings that full integration can bring. OMLT can transmit 100 Gbit/s on a single wavelength, and is the most advanced application in this field yet.
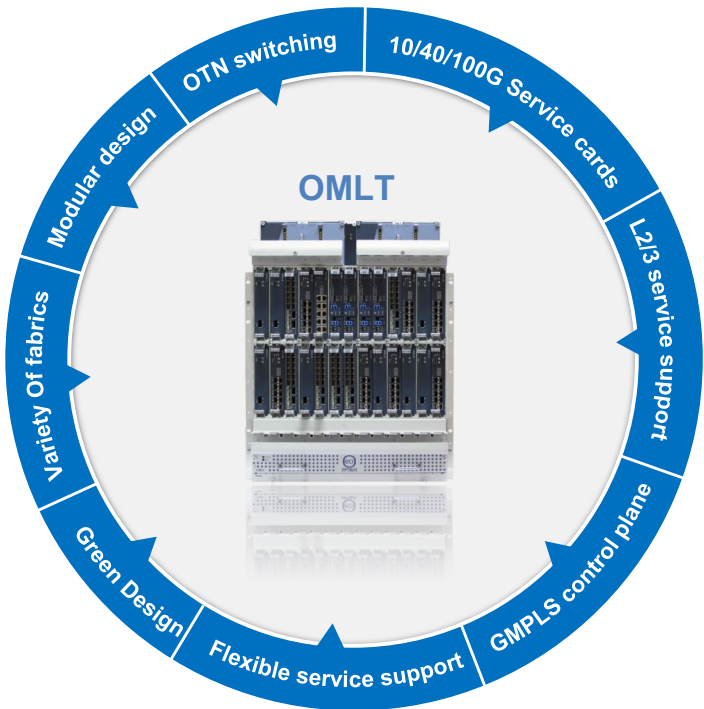
The OMLT combines the best of network architecture currently available and creates a bridge for more powerful functionality.

Today's Network Architecture

Packet Switching and Routing Layer

Optical Transport Layer
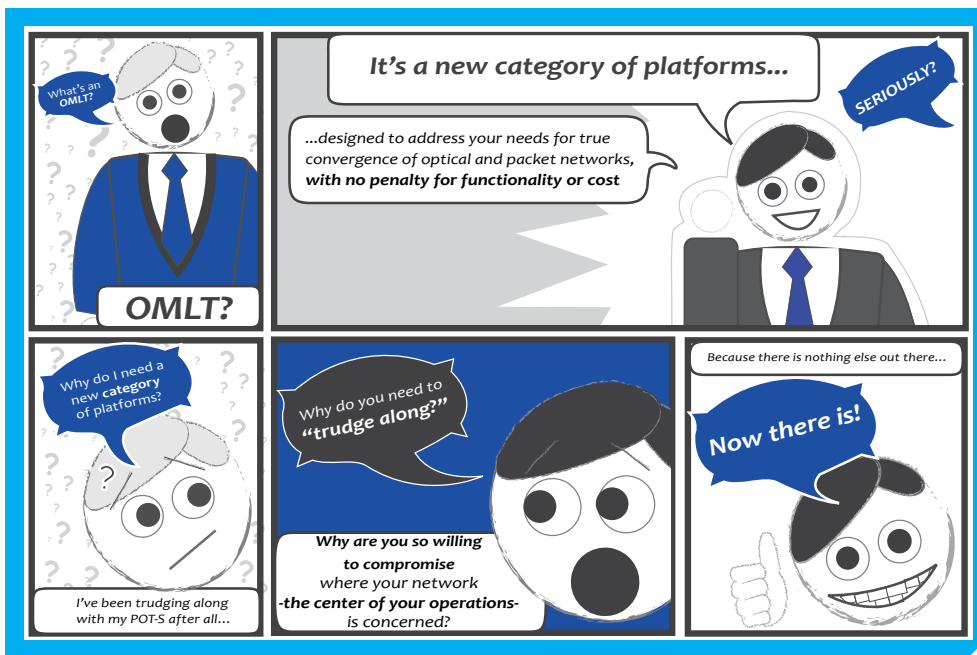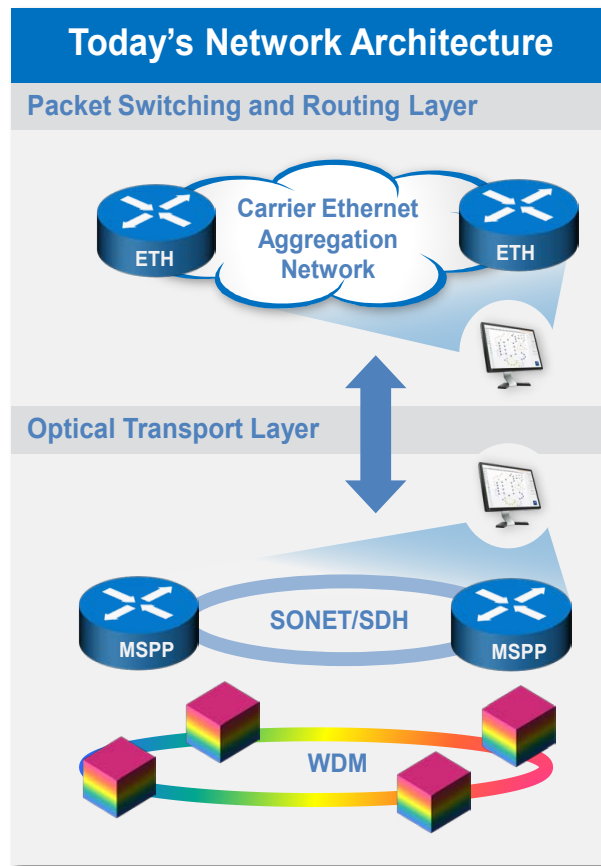
OMLT requires lower capital expenditure as it reduces hardware requirements significantly. We calculate that customers can save 38% of space for storing of harware cabinets, and realize a power reduction of more than 60%.

A more detailed explanation of the OMLT technology is available on our our website: www.ecitele.com/Pages/OMLT.aspx
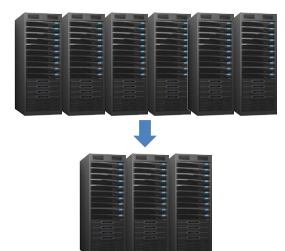
ECI ensures that all operations are performed to the highest quality standards and processes. All quality management in our development processes is maintained in-house to ensure that full integration of quality across several departments is achieved. We maintain a comprehensive Quality Manual that outlines our Quality Management System and which is available for customers and published in all our offers for new projects.

We are one of only six Israeli companies to have received recognition from the Standards Institution of Israel (SII), Israel's official standards organization, for successful accreditation of seven leading quality standards. As such, we were awarded the Diamond Mark for 2012. This award is made to companies that demonstrate business excellence and quality leadership.

ECI operations and laboratories are certified as compliant to the following standards:

- **ISO 9001 for Quality Management Systems:** ISO 9001 is the International Organization for Standardization (ISO) standard for quality management system requirements. The scope of registration includes design, development (hardware and software), production control, sales and service of telecommunication systems, with no exclusions of any of the standard's requirements

- **TL 9000 for Quality Management Systems for the Telecom Industry:** TL is an expansion of the ISO 9001 quality standard for the telecom industry. It was developed by the "Quality Excellence for Suppliers of Telecommunications Forum", known as the QuEST Forum, by adopting the complete ISO 9001 standard as is, and by defining additional and specific requirements for the telecom industry. The scope of registration includes hardware, software and service and under the scope of design, development (hardware and software), production control, sales and service

- **OHSAS 18001 for Occupational Health and Safety Assessment Series:** The OHSAS 18001 (Occupational Health and Safety Assessment Series) standard sets guidelines for occupational health and safety systems. The scope of registration includes design, development (hardware and software), production control and service of telecommunication systems.

- **ISO 14001 for Environmental Management Systems:** ISO 14001 is a standard for environmental management systems defining requirements and guidelines for use. The scope of registration includes design, development (hardware and software), production control and service of telecommunication systems.

- **ISO 27001 for Information Security Management Systems:** The ISO 27001 Information Security Management System (ISMS) International Standard adopts a process approach for establishing, implementing, operating, monitoring, reviewing, maintaining and improving an organization's ISMS. The scope of registration includes information technology – security techniques – production control and services of telecommunication systems.

- **ISO 17025 – Laboratories Certification:** ISO 17025 is a standard that sets general requirements for the compliance of testing and qualification laboratories

- **BS 25999 for Business Continuity Management Systems:** BS 25999 is a released standard of the British Standards Institution (BSI), comprising of two parts and setting requirements from Business Continuity Management Systems. The first part is dealing with Code of Practice and the second with Specifications of the requirements. The scope of registration includes design, development (hardware and software), production control, sales and service of telecommunication systems, with no exclusions of any of the standard's requirements..

- **SA 8000 for Social Accountability Management Systems:** SA 8000 is a Social Accountability international standard, which sets the requirements concerning human and employees' rights. Based on the UN Universal Declaration of Human Rights, the Convention on the Rights of the Child, and various conventions contained within the International Labor Organization (ILO), the SA 8000 covers the following areas of accountability: child labor, forced labor, health and safety, freedom of association and right to collective bargaining, discrimination, discipline, working hours, compensation and management systems.

With so many quality certifications, we are regularly audited by both the Standards Institute and by our customers. During 2011, there were no significant corrective actions required in any of our processes.

Our insistence on quality gives our customers the confidence that system availability using ECI solutions will be optimal and reliable at all times. We regularly perform reliability analyses for our customers to assist with network management and forecasting.

An additional commitment to quality at ECI is personified by Dov Peri, ECI's Global Supply Chain Quality Manager, who is also the elected Chairman (2012-2013) of the Israeli Society for Quality (ISQ), which has over 1,500 members in Israel. Through his work, Dov reaches thousands of quality professionals in hundreds of organizations to advance the role of quality in all aspects of business, and he has been instrumental in advancing supply chain quality standards in Israel together with the Standards Institution of Israel.

We demonstrate our absolute commitment to our customers by listening to their needs and investing our resources to develop the best solutions, while ensuring they are up-to-date with the latest and most advanced network technologies. In addition to our regular business meetings and reviews with our customers, and our work with them to install our networks and provide the relevant service support, we also make the time to consult with our customers regarding their satisfaction with the quality of our services and solutions.

We maintain four types of customer service interventions that enable us to hear the voice of our customers:

Event-Driven Surveys: This program was launched in 2011 to ensure that we solicit feedback from our customers after every major event, including provision of a service or delivery of a new program.

Customer Queries Handling: We receive around 40,000 customer queries related to our services and solutions every year. All queries are addressed and followed through until customers receive a satisfactory response.

Customer Focus Metrics: We maintain a set of service and product metrics for all our key accounts and regularly monitor our service and products against these metrics and strive to improve the results.

Satisfaction Surveys: We survey our customers online from time to time. The most recent survey was issued to a range of global customers in early 2012 and offered them the opportunity to provide us with comprehensive feedback about any aspect of our products and service, as well as to clarify their expectations of ECI, especially with regard to the way ECI helps support their current and future business objectives. The survey contained over 60 questions and was available in several languages for ease of use of customers in different countries. We will report on the key insights arising from this survey in our 2013 report.

The prior Customer Satisfaction Survey, conducted in 2009, yielded the following results:

- 94% of customers stated that they were satisfied with ECI's service overall.

- 96% of customers confirmed that they were satisfied with ECI solutions and product functionality.

- 99% of customers confirmed that they were satisfied with ECI's service and responsiveness.

Recognition from customers: In 2011, we were proud to receive the Best Partners Award from Bharti Airtel Limited, a leading global telecommunications company with operations in 19 countries across Asia and Africa and over 200 million customers. This is our second award from this highly respected company. We first received the Bharti Airtel Valued Partner Award in 2007.

Our suppliers are key partners in our Supply chain Network and our performance relies not only on a sophisticated system but also on their commitment to our service and sustainability objectives. We work with our strategic suppliers on a partnership basis, and involve them in planning and decision-making as part of our total network systems approach.

PERFORMANCE, COLLABORATION, TRUST

As a supplier to ECI, it is important to us at Flextronics to share a common agenda and work towards the same goals. We consider ourselves a strategic partner to ECI and see our factory as part of ECI's extended network for the achievement of business objectives. We work in full collaboration with ECI teams to provide added value and ensure the satisfaction of ECI customers. At Flextronics, we are focused on meeting customer needs while ensuring top quality, on-time delivery and using the most advanced technology. We are committed to our responsibility to create a safe and healthy working environment, we work together with ECI to achieve annual Environmental, Health and Safety (EHS) objectives, and measure our performance on a monthly basis. As part of a global company, we also report our performance to the Environmental Metrics Center of Flextronics' global business. This includes water consumption, electricity, fuel, carbon emissions and more. We strive to maintain an attractive workplace for our employees, observe all laws and avoid discrimination, forced labor, child labor and all forms of harassment and maintain high standards of health and safety. We invest in training our employees in our Code of Ethics, maintain an open dialogue with our employees in monthly meetings with our Plant Manager, encourage employee suggestions and inform employees about our corporate responsibility activities. We provide fair and competitive benefits for employees.

Our relationship with ECI is based on performance, collaboration and trust. We believe this is the best basis for success. ECI challenges us to improve our performance in product manufacturing which stretches our capabilities, through the annual audit program which reviews all aspects of our activity, through monthly forums for reviewing performance and setting new goals and through ongoing dialogue. In the same way, on a reciprocal basis, we also challenge ECI to take advantage of our vast technology experience in the development of new products, and use our established processes to assist ECI in delivering improved performance at all levels."
Avichai Ramot, Flextronics Plant Manager

Supplier Commitment to Ethical Conduct: A Supplier Social Accountability Declaration, in line with the provisions of the Social Accountability Standard SA8000, was developed in 2010 as a basis for engaging strategic suppliers in commitments to maintaining an ethical and responsible workplace. In 2011, key suppliers were approached and invited to participate in the Supplier Declaration. Several of them responded positively and some have already committed to this framework, which is now included in all new supplier contracts. We further engaged with suppliers on this subject at a series of meetings in which ethical supply chain matters were discussed and expectations clarified.

Vendor Rating System: In 2011, in order to further advance our social and environmental practices throughout our Supply Chain Network, we instituted a new Vendor Rating System, which includes audits of key suppliers with regard to labor, safety, ethical conduct and environmental practices.

We also completed 8 supplier audits (3 in 2011 and 5 in the first half of 2012) and performed repeat audits of two suppliers who were identified as high risk. The main issues that caused the high risk assessment, and which have been addressed, were excessive overtime hours and some safety issues such as lack of working sprinklers. We continue to expand our audit program and plan to fully audit all key suppliers in the next two years.

CLIMATE CHANGE

"Humans and wild animals face new challenges for survival because of climate change. More frequent and intense drought, storms, heat waves, rising sea levels, melting glaciers and warming oceans can directly harm animals, destroy the places they live, and wreak havoc on people's livelihoods and communities." (www.worldwildlife.org)

Climate change is one of the most significant challenges facing business today as governments and companies around the world are grappling with ways to reduce carbon emissions into the atmosphere and mitigate the acceleration of climate change. While the Information and Communications Technology (ICT) sector is not generally cited as a sector which offers the most significant potential for carbon emissions reductions, it is still an important part of the solution. Advanced communication technologies can enable business in other industries to perform with greater energy efficiency, thus reducing global carbon emissions. The Global eSustainability Initiative's (GeSI) "Smart 2020 Report" study published in 2008 made it clear that the ICT sector, while generating only 2% of global carbon emissions, has the potential to affect up to 15% of emissions.

With this in mind, we subscribe to a precautionary approach to climate change and accept our share in the responsibility to work towards a low-carbon economy in two ways: continuously improving our offering to the market, thus enabling our customers to take advantage of cutting-edge low-carbon solutions, and managing the direct impacts of our own operations to reduce ECI's environmental impact.

Management Commitment and Communications

ECI's management is committed to environmental protection and reviews our management system and environmental performance every quarter. Our environmental policy and practices are explained and discussed as part of the general training given to all employees, and are widely communicated throughout the company. We report all key environmental metrics internally every six months to our Executive Management.

ECI's Environmental Management Policy and System

ECI is driven to provide customers worldwide with network telecom infrastructure that will enable them to address current and future business challenges, and in doing so, consider environmental impact through the use of environmentally-friendly technology and technology-driven infrastructures. ECI is committed to achieving high standards of environmental quality and has established, implemented, and maintained environmental and health & safety systems in line with the highest global standards available.

Specifically, ECI is committed to:

• Conserving natural resources and reducing the environmental burden of energy, waste generation and emissions to the air, water, and soil.

• Reducing risks and removing environmental hazards through systematic identification, assessment and control and by encouraging employee awareness, individual commitment, and proactive involvement.

• Developing, manufacturing, marketing, and servicing products that are safe for their intended use, environmentally friendly, and can be reused, recycled, or safely disposed of.

• Continuously improving environmental, health & safety (EHS) management systems and performance.

## Environmental Risk Assessments

ECI regularly carries out environmental risk assessments as part of its overall corporate risk review. All environmental risk possibilities are reviewed at least annually and often more frequently. Risk assessments are referred to ECI's Executive Management for review, and action programs to address these issues are developed and implemented.

Environmental Transparency in our Supply chain

ECI maintains a commitment to the transparency of data, both internally and externally. We realize it is important for ECI customers to know how we are performing on social and environmental issues. Some customers request this data through E-TASC.

E-TASC (Electronic Tool for Accountable Supply Chains) is a web-based electronic tracking system for environment, labor, health, safety and ethics-related practices. The system requires quarterly input of all relevant data, and it collates results to form a scorecard which identifies high to low risk issues. The E-TASC questionnaire consists of data received both from ECI's headquarters and from its worldwide facilities.

E-TASC has been in use at ECI since March 2008 and our clients are able to view our progress online since then. Our average, score across all categories shows extremely low risk, with an overall average result of 96% in 2011, representing the fourth successive year in which we have improved our performance and resulting E-TASC score.

ECI Telecom: E-TASC Scores
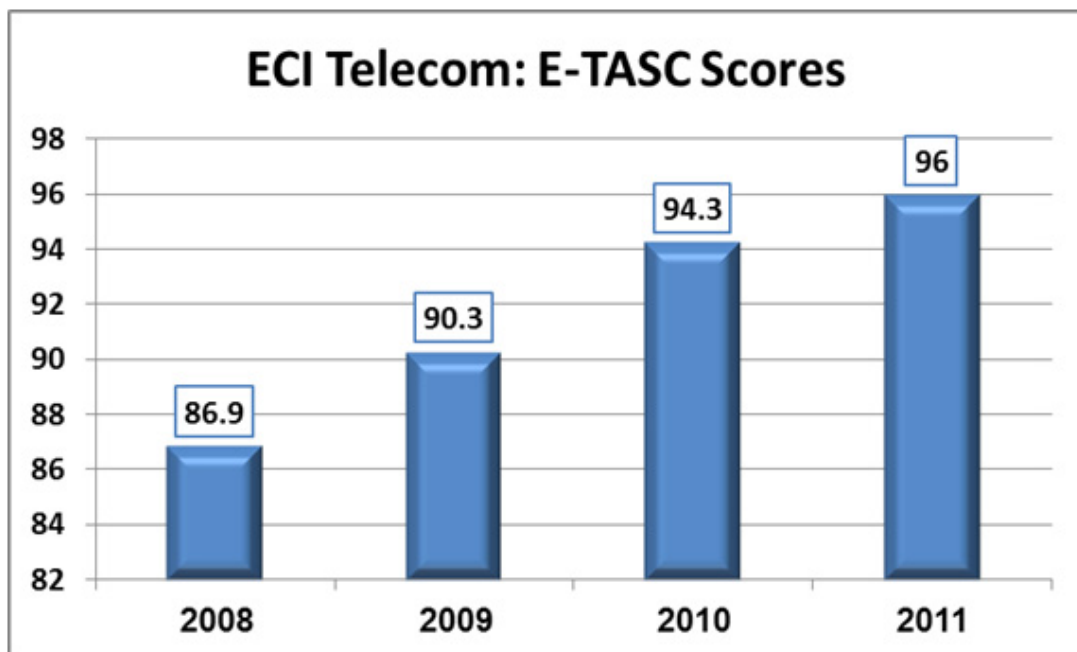
ECI External Environmental Standards

The standards and regulations we adhere to reflect ECI's precautionary approach and responsible environmental practice. This the ISO 14001 (Environmental Management) quality standard previously mentioned. We maintain ISO 14001 certification in all of our production, logistics, administrative and service operations as a matter of policy, since 1998. All sites in Israel are formally certified, as are all of ECI's outsourced manufacturing operations. As with all ISO Standards, each site is regularly audited and corrective actions are taken when necessary.

ECI complies with all relevant regulations and directives and ECI suppliers are required to adhere to these standards and directives as a minimum condition of eligibility to supply ECI.

REACH (Registration, Evaluation, Authorization and Restriction of Chemicals)

REACH is a European Union regulation concerning the Registration, Evaluation, Authorization and restriction of Chemicals. It came into force on June 1st, 2007 and applies to substances manufactured or imported into the EU in quantities of 1 ton per year or more.

RoHS (Restriction of Hazardous Substances)

RoHS prohibits the use of lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBBs) and polybrominated diphenyl ethers (PBDEs) in electrical and electronic products. This directive took effect in the European Union in 2006. ECI complies with this directive on 100% of our products, even those that target other geographies where such regulation is not in force.

WEEE (Waste Electrical and Electronic Equipment)

The European Union's WEEE directive refers to the recycling properties of electrical and electronic products, and it requires manufacturers to assume the costs of collection, treatment, recycling and recovery of all waste from all their manufactured or marketed electrical and electronic equipment. ECI complies with this directive on 100% of our products, even those that target other geographies where such regulation is not in force.

| EN16 | EN17 | EN18 |

Our Carbon Footprint Performance

We make every effort to reduce our carbon emissions, by exercising strict controls and promoting efficiency in our energy and fuel consumption. Between 2008 and 2011, we

19%
Carbon Emissions reduction 2008-2011 (Scope 1&2)

have reduced our total direct emissions from fuel consumption (Scope 1) and indirect emissions from electricity consumption (Scope 2) by almost 19% in absolute numbers. In 2010, we also started to measure Scope 3 - emissions from business flights and from our key suppliers. In 2011 we were able to achieve reductions in all sources of carbon emissions totaling a 15.45% reduction versus 2010 of our Scope 1, 2 and 3 emissions. We continue to work hard to drive our carbon emissions down and target a further absolute reduction in 2012 of 10%.

Carbon Emissions by Source, 2011

13% — 62% — 25%

- Scope 1 Emissions (Fuel)
- Scope 2 Emissions (Electricity)
- Scope 3 Emissions (Flights and Key Suppliers)
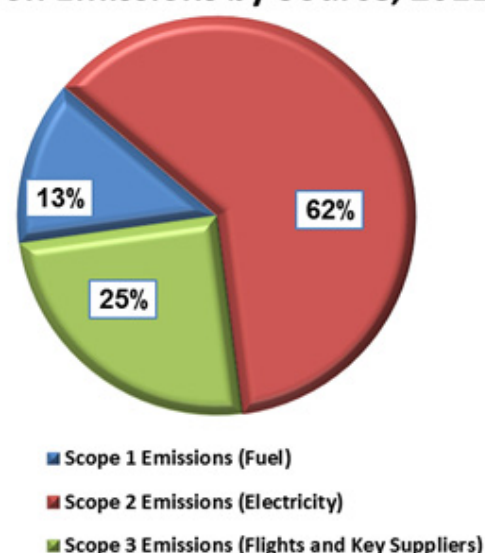
Carbon Emissions (Tons CO2)	2011	2010	2009	2008
Scope 1 Emissions (Fuel)	3,749	4,304	4,253	4,420
Scope 2 Emissions (Electricity)	17,341	20,996	20,728	21,583
Total Scope 1 and 2 Emisions	**21,090**	**25,300**	**24,981**	**26,003**
Scope 3 Emissions (Flights and Key Suppliers)	6,971	7,895		
Total Emissions All Scopes	**28,061**	**33,195**	**24,981**	**26,003**
Percentage Change 2011 vs 2010 (Scope 1, 2 & 3)	-15.45%			
Percentage Change 2008 - 2011 (Scope 1 & 2 only)	-18.89%			

Note: Carbon emissions shown here are for Israel operations only, covering 55% of our total global operations by employee headcount. Emissions for additional ECI locations will be included in future reports. Calculations for flights are based on 75g CO2 per 1km flying time Electricity is calculated using the Israeli Carbon Factor 0.000773 ton/Kwh for non-renewable energy in 2011, prior years used the corresponding factors.

Carbon Intensity

When relative to buildings and people, our carbon performance is even more positive, showing an improvement of 24% tons carbon emissions per employee and a 34% reduction in tons carbon emissions per square meter office space.

Carbon Intensity 2008- 2011
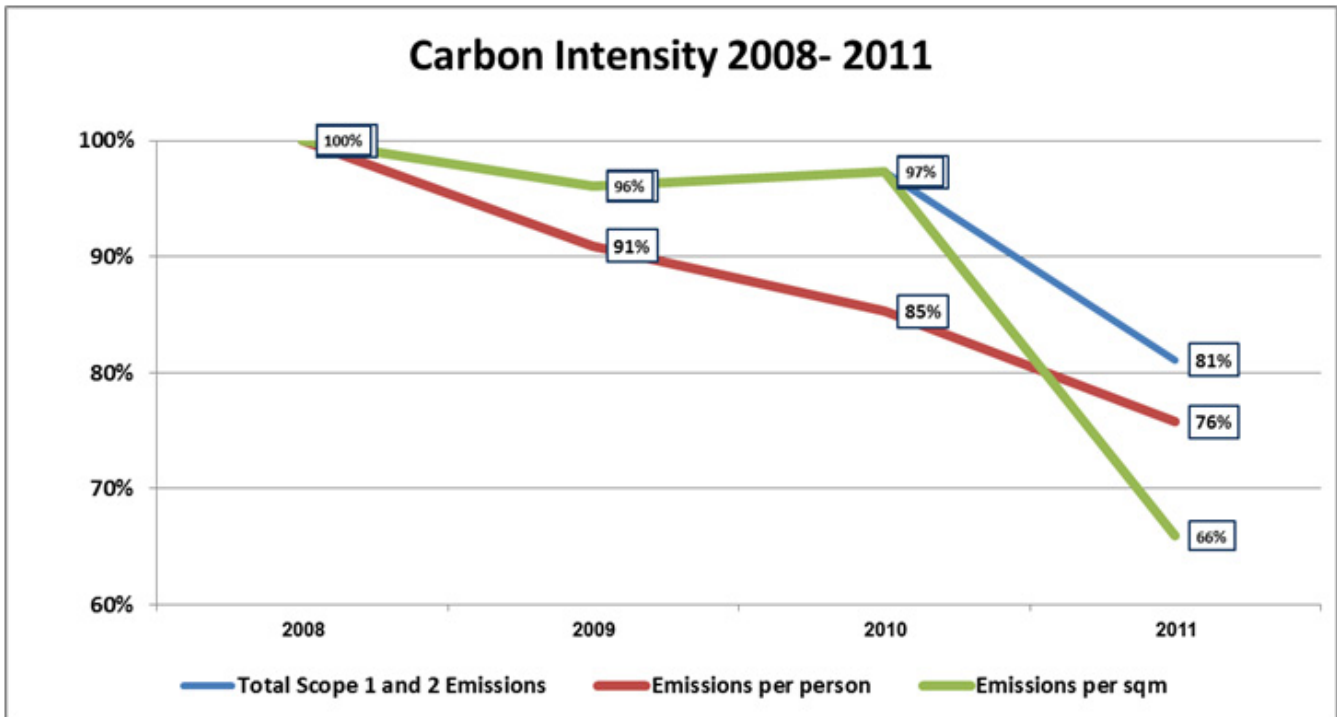
Carbon Intensity (tons)	2011	2010	2009	2008
Total Scope 1 and 2 Emissions	21,090	25,300	24,981	26,003
Emissions per person	14.06	15.83	16.88	18.56
Emissions per sqm	0.43	0.63	0.62	0.65

Reporting to the Carbon Disclosure Project: In 2011, we opted to report to the global Carbon Disclosure Project (CDP) for the first time and included data from 2008 relating to our Carbon Emissions under Scopes 1, 2 and 3. The Carbon Disclosure Project (CDP) is an independent not-for-profit organization working to drive greenhouse gas emissions reduction and sustainable water use by business and cities through a global system for measuring, disclosing and managing environmental information. Our report is available in the Carbon Disclosure Project Database. To view, please visit: www.cdproject.net

In 2012, we received feedback from FirstCarbon Solutions, the CDP Supply Chain scoring partner, who benchmarked ECI's CDP submission against more than 2400 other supply chain submissions from companies in 2012. Overall, ECI received a disclosure score of 56, which is higher than the average supply chain score achieved by all companies, which was 48. In our emissions reporting we achieved a near-perfect score of 97.

We act to conserve energy and reduce consumption in all our operations as we believe that a low-consumption approach is both more cost-effective for our business and creates fewer negative impacts on the environment. We track, monitor, measure and manage our energy consumption and report on our performance transparently. Our main sources of energy consumption for our office-based and transportation activities are fuel for vehicles (Scope 1) and Purchased Electricity (Scope 2). All our purchased electricity is drawn from the National Grid infrastructures in the countries in which we operate.
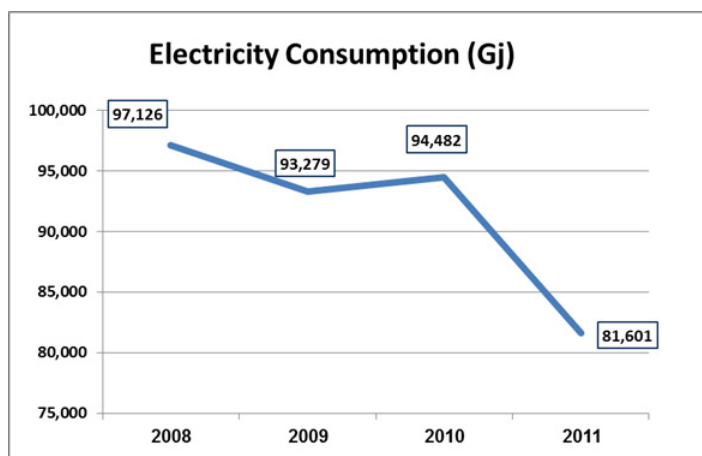
SCOPE 1:

Our fuel consumption has decreased by 16% between 2008 and 2011, the result of consistent efforts to reduce the number of vehicles used in our operations, a move to smaller and more fuel-efficient vehicles, a reduction in the numbers of separate journeys made through car sharing and shuttling to work, training drivers in fuel-efficient driving and avoiding travel through use of phone and conferencing facilities. In 2011, we recorded an average km/liter rate of 9.49.

Fuel consumption (Gj)

Year	Value
2008	85,856
2009	83,214
2010	84,865
2011	72,019
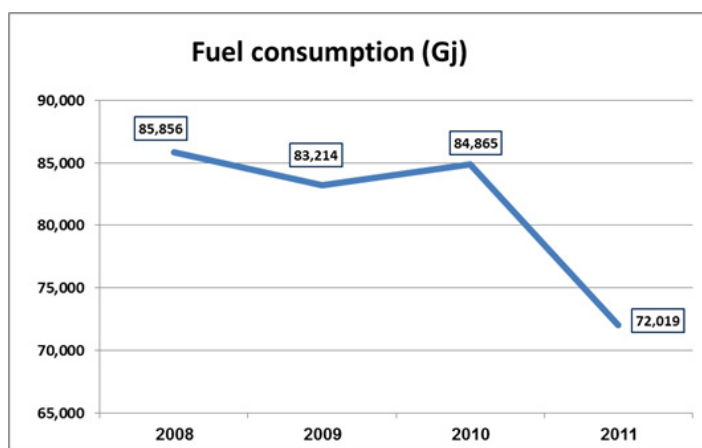
SCOPE 2:

Our consumption of purchased electricity has decreased by 16% between 2008 and 2011, the result of consistent efforts to green our offices and avoid all potential waste of electric power. This includes automatic light and air-conditioning shut-off at low-occupancy office times such as towards the end of the workday and during lunch breaks; use of presence sensors in meetings and rest-rooms; replacement of air conditioning unit with more energy-efficient units; replacement of lighting with T5 fluorescent lighting and a highly visible ongoing employee awareness campaign for smart energy-saving practices using computer equipment, appliance chargers and other electrical equipment.

Electricity Consumption (Gj)

Year	Value
2008	97,126
2009	93,279
2010	94,482
2011	81,601

Total Scope 1 and Scope 2 Energy Consumption:

Overall, our total direct and indirect energy consumption in 2011 has decreased by 16%, using 2008 as a baseline.

| Total Energy Consumption (Gj)			
2008	2009	2010	2011
182,982	176,494	179,347	153,620
100%	96%	98%	84%

All energy consumption data reflects operations in Israel only which accounts for 55% of our business by employee headcount. Data relating to additional ECI locations will be included in future reports.

WATER   EN8

Our consumption of water is mainly for cleaning and hygiene purposes in our offices and irrigation of plants and garden areas in and around our offices. All of our water is drawn from the national grid in Israel and other countries in which we operate, and we do not have an impact on any other water sources. Similarly, all our water discharge is through the national utilities facilities and we do not influence the way water is handled.

We make every effort to reduce water consumption and have achieved a 14% reduction in consumption between 2008 and 2011.

Water Consumption (m3)
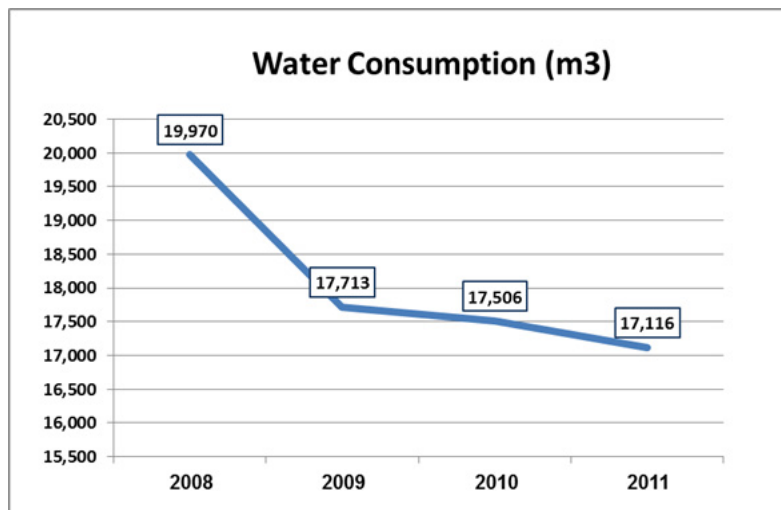
This has been achieved through extensive use of water-savers on all taps in kitchens and bathrooms and use of half-flush tanks in restrooms in all ECI offices. We also use condensation water from our air-conditioning systems for irrigation of gardens, though we do not measure these quantities precisely.

Water consumption data reflects operations in Israel only which accounts for 55% of our business by employee headcount. Data relating to additional ECI locations will be included in future reports.

Our waste is generated by regular office activities and work in our laboratories and distribution operations, and we do our utmost to minimize waste in all our operations. Our industrial waste includes mainly electronics, metal, plastic and paper and cardboard. We also produce a small amount of organic waste in our dining facilities which we do not measure. During the past four years, our waste levels decreased by 46%.

Industrial Waste (Tons)

| Year	2008	2009	2010	2011
Tons	65	47	42	35
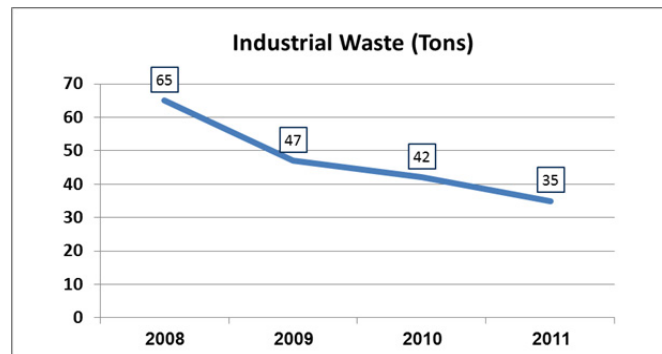
This has been achieved by gradual elimination of industrial waste and longer replacement periods for electronic equipment.

Much of our waste is recycled, including most electronic waste. Older computers are transferred to schools and community organizations for reuse. All our paper waste is recycled. We do not measure the quantities of electronic waste precisely, as the quantities are not significant.

Data on waste reflects operations in Israel only which account for 55% of our business by employee headcount. We intend to include data relating to additional ECI locations in future reports.

PAPER

We have focused on driving down the use of paper in our offices by educating employees on alternatives to printing and by providing technology which supports avoidance of printing though a range of online options. We have moved most printing to central printers which are automatically programmed for double-side printing. Most of our customer marketing materials are not printed anymore and available to our clients as downloads from our website. When we display at exhibitions, we use a highly sophisticated touch-screen display to showcase our technology with the option of downloading relevant customer brochures or documentation. In this way, we both reduce our own paper consumption and also assist customers in being more environmentally conscious. Our efforts have resulted in a reduction of paper consumption of 43% in four years at ECI.

Paper Consumption (Tons)

Year	2008	2009	2010	2011
Tons	35	24	20	20
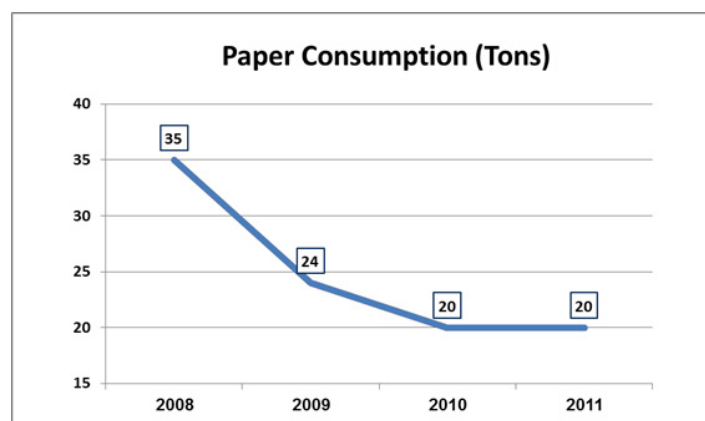
A large part of our paper consumption reduction is driven by our reduced use of photocopies. In four years, we have cut the amount of office photocopying by 33%.

Photocopy Usage (thousands)
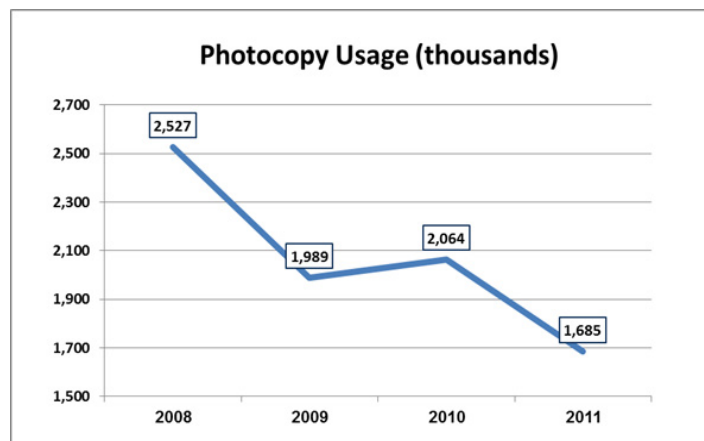
DESIGN FOR ENVIRONMENT

EN6

ECI's products are designed to enable our customers to meet their network objectives for maximum system availability, while reducing their impact on the environment. We design solutions that offer an inherently positive environmental profile such as multiservice and multi-functional platforms which save both space and power for our customers. We produce innovative solutions to common power problems, such as more effective fans and more intelligent products. 1Net, which is ECI's comprehensive network framework, provides a highly cost-effective and environmentally-friendly proposition to help our customers migrate their networks to the next-generation while saving money and resources.

Our Design for Environment (D4E) approach is part of our sustainability focus and is driven by two main considerations: introducing energy saving considerations into the product development process, and selecting materials which are both compliant with global regulations and are also the most energy efficient for our purposes. All our Preliminary Design Review (PDR) processes include D4E elements, both in terms of the hardware we develop and in terms of the way we foresee the energy-efficient use of our systems by our customers. All our Marketing Requirements Documents (MRD) include environmental specifications.

One example of environmental efficiency is ECI's point-and-click and end-to-end management and service provisioning. This enables remote servicing of networks and avoiding the need to send technicians to the field to provision services or to resolve any issues that arise. This eliminates travel, thus contributing to lowering our environmental footprint.

Another example of our focus on power savings is the increase in switching capacity in certain products. Overall, on average, we have improved the switching capacity of our products three-fold during the last ten years, while power consumption requirements for this purpose have only increased by 33%.

SUPPLY CHAIN EFFICIENCIES

At ECI, we have adopted a Supply Chain Network approach, believing that our supply chain is not a linear sequence of activities, but a constant, interactive multiplicity of connections which must be optimized at any given time in order to achieve maximum efficiency in logistics and physical product management, as well as world-class customer service. Our approach enables us to identify the optimal supply routes from a range of options and select the ones which offer the best solutions. It is this approach which has enabled us, for example, to reduce our supply lead-time from an average of over 5 weeks from order to delivery in 2010 to less than 4 weeks in 2012, due to sophisticated inventory management. We strive even to achieve even higher levels of responsiveness, and our target lead-time is 3.8 weeks from order to delivery.

We have also managed to achieve a significant consolidation of shipments within our supply chain network. We have a supply list of over 9,000 different components of which 3,000 are typically active at any given time. In the past, we would make shipments around our network on an "as-needed" basis. In 2011, we started a new approach of consolidated shipments on a weekly basis which has significantly increased our transport efficiency by product and reduced our packaging use. We continue to avoid intermediate shipments through direct shipping between different points in our global network and our customer locations. By the end of 2011, we had achieved a level of only 2% of shipments that required double-handling.

During 2012, we started developing a new logistics efficiency program which will optimize our results even further by applying specially developed logarithms to match each shipment with its most environmentally-efficient solution, which will enable us to further reduce our environmental impact, especially our Scope 3 (external indirect) carbon emissions.

From Air to Ocean

In 2010, we used only air transportation for all our international shipments. During 2011, we gradually made the move to provide shipments using ocean freight, while maintaining customer service commitments and avoiding any negative customer impact. By the end of 2011, 42% (by weight) of our global shipments were shipped via ocean freight, and this figure continued to increase during 2012. As the average CO_2 emissions per ton of product shipped by air are accepted to be up to fifty times higher than the same ton shipped via ocean to the same distance (source: World Shipping Council), this change provides a substantial reduction in our freight carbon footprint.

SOCIAL BANDWIDTH

"Companies must take the lead in bringing business and society back together."
Michael E. Porter and Mark R. Kramer in Harvard Business Review, January 2011.

ECI's approach to sustainability recognizes our role in society and our responsibility to align our business objectives with the needs of our stakeholders and society at large. This includes maintaining a value-based, respectful, equal opportunity, safe and empowering working environment, in which our employees can flourish in line with our business development and growth. In addition, we play an important role in society through our economic contribution in all the countries in which we operate and through our community investment programs, which include donations to social and environmental causes and opportunities for our employees to volunteer to support local community empowerment initiatives. In this section, we describe our policies and practices of our responsible workplace, our economic contribution and community involvement programs.

EMPLOYEES   LA1

Our Employees

Our employees numbered 2,671 at the end of 2011, remaining at a stable level versus our 2,623 employees at end 2010. The majority of our employees are based in Israel, while others are located in over 25 countries throughout the world.

ECI Employees by Region in 2011
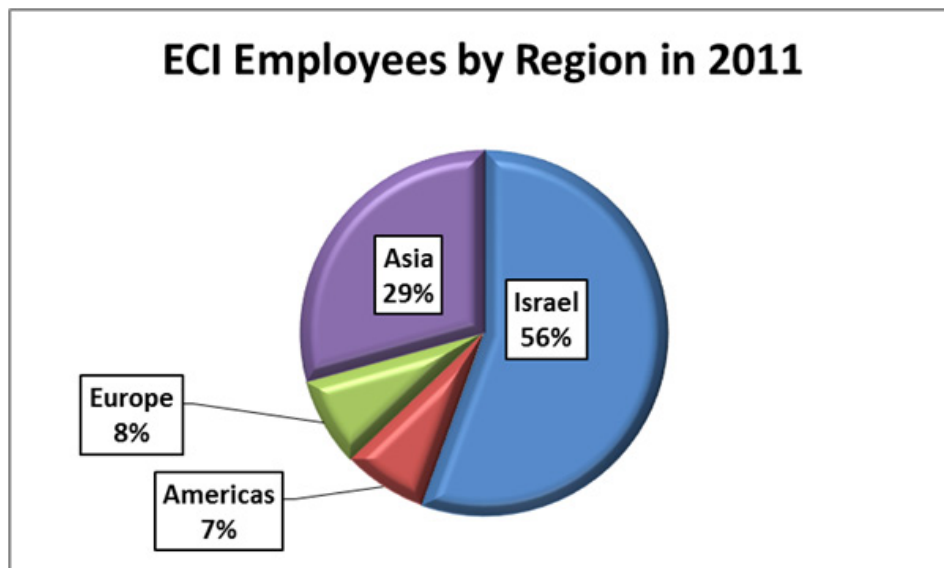
Managers and Employees by Gender	Male	Female	Total Employees	% Female
Managers	338	70	408	17
Employees	1,745	518	2,263	23
Total	2,083	588	2,671	22

Employees by Age Group	Male	Female	Total Employees in Age Group	% of Total Employees
Below 30 years	418	123	541	20
Between 30 and 50 years	1,298	392	1,690	63
Over 50 years	367	73	440	16
Total	2,083	588	2,671	100

Responsible Workplace

We uphold our employees' right to a responsible workplace and ensure that employees are updated regarding all aspects of their terms and conditions of employment. All new employees sign an employment contract which provides all details of employee entitlements and working hours and conditions prior to commencing their employment. When starting their work at ECI, employees are provided with a full orientation program which includes an overview of our organization and business, health and safety measures, compensation and benefits, ethical behavior and any other information which can assist new hires in getting on board quickly. We are committed to upholding our employees' privacy and maintain a strict information security policy regarding employees' personal information which we do not share with any third party unless required to do so by law. We respect employee rights to equal opportunity, non-discrimination and freedom of association and try to encourage our employees to be proactive in realizing all opportunities within the ECI workplace. We do not employ children in any of our operations around the world, and we forbid any form of compulsory or forced labor in line with International Labor Conventions.

Compensation and Benefits

Our policy regarding compensation and benefits is designed to ensure employees receive a remuneration package which is competitive relative to local markets of operation and attractive enough to retain employees for the long-term, while enabling them to maintain a decent standard of living. We generally pay salaries which are higher than the minimum wage where relevant in all countries of operation. In addition to salaries, employees receive additional benefits such as life insurance, medical insurance, annual paid leave and a social allowance which is used to support different activities such as health, sports and education. Non-salary benefits are determined by local country of employment, while applying local laws and norms. In addition, our compensation policy applies equally to men and women at ECI, and we insist on equal pay for equal work. In our management population in 2011, the ratio between the average male salary and the average female salary was 1:1.

Inclusion and Diversity

ECI upholds a strict global policy of equal opportunity, diversity and inclusion which is reflected in our Corporate Code of Ethics. All employees, whatever their background, race, nationality, gender, color and all other indicators of diversity are welcome to join ECI around the world and enjoy equal opportunity in all aspects of their employment with the Company.

We make every effort during our hiring processes to reach out to a diverse range of candidates. We have invested efforts in recent years to increase the focus on women hires and women's advancement. Also, in 2011, we made special efforts to improve our accessibility for disabled employees, and conducted a special risk assessment related to facilities for disabled employees with special needs in our office facilities. Several improvements to our facilities were made, in addition to those already in place, to increase accessibility, including signage for disabled restrooms and more.

Hiring for Diversity: We are continually looking for creative and innovative ways to reach diverse candidates who do not naturally reach our recruitment channels or progress beyond the screening stage. We collaborate with not-for-profit associations which support the recruitment of diverse groups, such as Israeli Arabs, which are under-represented in the ICT sector in Israel, and we have conducted training for all our Human Resources staff in diversity skills during the recruitment process. In addition, in 2012, we introduced management interview training for managers involved in hiring, with an emphasis on sensitivities on matters of diversity. Our HR staff travel to diverse communities to give talks about ECI as a great company to work for. One example is meeting with Druze and Circassian communities in the North of Israel. We use social media for recruitment to gain the broadest access to all individuals, including a new collaboration with Jobs 4 Mom website (www.jobs4mom.co.il), to encourage women to apply to ECI.

In 2011, we participated in a project sponsored by the President of Israel and a coalition of companies and NGOs to advance the integration of Arab employees into the Israeli high-tech industry. Mohammed Masri, one of our recruits, was featured in the local media confirming that his job search had taken years, due to the difficulties faced by Israeli Arabs in finding good job opportunities in a market in which they are the minority. ECI offered Mohammed his first professional development opportunity.

Employment in the Periphery: In 2010, we opened a new Development Center in the south of Israel, in a development town called Omer, in the Negev Desert. This Development Center was set up with the assistance of the Government's Office of the Chief Scientist, who provides support to encourage business development in Israel's periphery. The Development Center now employs 200 people, 60% of whom live locally. The opportunities at this Development Center for entry level engineers and technology developers are tremendous and through collaboration with the local university and employment offices, we are able to contribute to the social and economic development of the area and improve the quality of life for its residents.

Employee Performance and Development

LA11 LA12

Annual Appraisal: Our policy is that all employees should participate in a formal annual performance appraisal which seeks to evaluate their contribution and identify areas in which ECI can support their further personal and professional development. In 2011, 90% of employees participated in such a performance appraisal.

Career Development: We offer personal and professional career development programs for our employees which are structured to meet the needs of different ECI employee groups. They include a Managerial Career Ladder (MCL), which offers a track for advancement through positions with greater managerial responsibility and a Professional Career Ladder (PCL), which offers professional employees promotion through positions requiring greater professional skills and knowledge. The PCL is tailored specifically to employees in technical, finance, legal and similar positions, which do not involve people management but are mission critical in terms of leadership of business development and support.

We also have a basic Career Ladder, CL, which enables employees to advance to a level when they can be considered for MCL or PCL. During the past two years, we have perfected a Core Competencies Model which is the basis for assessment of performance, training and development and building potential for career advancement.

In 2011, following work done in previous years to support managers via the MCL route, we rolled out a workshop to all `PCL candidates to familiarize them with ECI's Professional Core Competencies and provide development tools.

KNOWLEDGE BASE · INNOVATION · INTERPERSONAL COMMUNICATION & INFLUENCE · ACCOUNTABILITY & IMPACT · LEADING OTHERS · CUSTOMER CENTRIC

Out of a population of around 600 professional employees, over 250 attended two-day PCL workshops by mid-2012. The initial workshops are two days long, and led by ECI's HR and Business Managers, who themselves participate in training in order to deliver the workshops. Using in-house trainers is both cost-effective and also serves to improve management communication skills, networking and relationship building in the company and ensure a common language. Following the initial workshop, PCL candidates continue with tailored programs in their organic teams or in local country units. We expect that during 2012/2013, all PCL employees will attend workshops and gain new tools to develop their professional competencies.

Striving for Excellence: Over four years ago, ECI developed the Global Excellence Program to provide a platform for recognition of outstanding contribution and performance which exemplify ECI's target core competencies. Employees are nominated for an Excellence Award by their colleagues, team members and managers and a final selection is made by the ECI Executive Leadership. Excellence Awards are made to 2% of employees, 2% of managers and to cross-functional teams. In addition to gaining recognition at a special Award Ceremony, award recipients receive a gift of value from ECI.

## A Healthy and Safe Workplace   LA7

ECI is committed to upholding the right of all employees and visitors to ECI locations to a healthy and safe working environment. ECI operations have policies, practices and processes in place to ensure compliance to all laws, regulations and accepted industry standards. Management of safety performance is regularly reviewed by senior management. ECI is compliant with all legal requirements in every respect, and in many cases, exceeds minimum requirements.

ECI is certified to the OHSAS 18001 standard and is regularly audited to ensure fulfilment of its requirements. Internal and external safety audits and job safety analyses are frequently performed and corrective action is taken where appropriate. During 2011, five internal audits and one external audit (by the Standards Institute of Israel) were conducted, covering 298 individual inspection points. Sixty nine individual corrective actions were noted and most of these were addressed in 2011-2012.

After some years of increasing accident rates, including 2010 in which some non-typical accidents occurred during team building days when using external service providers, accidents at ECI have reduced and reached the lowest level to date in 2011. New procedures have been established to ensure team building days are conducted with due care in the future and we continue to reinforce a culture of safety in all our operations. Our target is to reduce this to an accident frequency rate of no more than 0.015 in 2012 and to reduce lost-days rate to no more than 0.027 annually.

Accident Frequency Rate (per 100,000 employees)
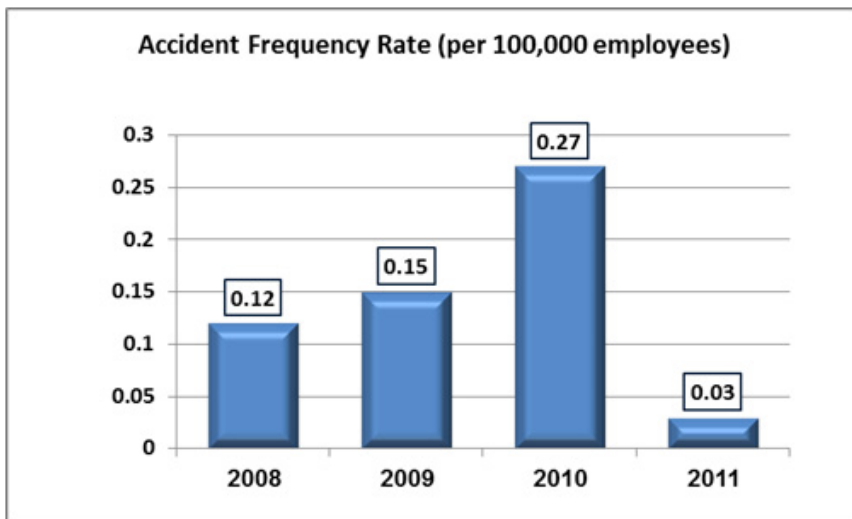
This data includes all lost-time accidents in ECI in Israel. In 2011, there were two minor lost-time accidents, versus 2010, when there were 15. Our global safety data still needs to be. In 2011, most global locations reported zero lost-time accidents. The exceptions were China and Russia, which reported two minor lost-time accidents each.

Lost Days Rate (per 100,000 employees)

Our total absenteeism rate for 2011 in Israel was 2.5%.

Safety Certification in Singapore:

In order to comply with Singapore's Ministry of Manpower regulations on safety and also improve and enhance our practices and reputation as a safe workplace, ECI in Singapore embarked on a journey to obtain bizSAFE certification. We nominated two "risk management champions" who attended bizSAFE programs and were in charge of developing the local Safety Risk Management Implementation Plan and conduct full risk assessments in our facilities. Our Risk Management Champions also conducted training for employees on risk assessment and crisis readiness and fire safety evacuation. By the end of 2011, we earned the bizSafe Level 3 Certification, which goes beyond minimum requirements and includes the assessment of a Ministry of Manpower approved auditor. In addition to improving our safety as an organization for our employees, this recognized certification is increasingly becoming a requirement of our customers and therefore enables us to compete more effectively in certain tenders.

Special Attention to Employee Well-Being in China: In ECI's China offices, we wanted to help our employees deal with the effects of stress at work and in their personal life. We felt it was important to take early measures to provide support, as an expression of our caring working environment, as pressures of daily life become increasingly burdensome, as an expression of our caring working environment. In 2011, ECI China initiated an Employee Assistance Project (EAP), which includes lectures on stress, dealing with pressure, emotional management and skills to live a happier life. In addition, we offer all employees the opportunity to accept regular individual psychological counseling, in full confidentiality, and fully funded by ECI. More than 50 employees attended the lectures and over 20 employees started a process of individual therapy.

Discussing the Employee Assistance Project in China

Assuring Employee Security

HR8

ECI has an uncompromising approach to security and takes all possible steps to ensure employee security both on company premises and while working abroad. This is especially important as ECI employees occasionally travel to high-risk areas which may pose threats to personal security. We work with security providers all over the world to secure our global offices, and in Israel, we employ approximately 35 trained security guards who are outsourced to us by local security services providers. We work in collaboration with security service providers to ensure that security personnel at our sites understand our working environment, security needs and procedures. All new security guards are interviewed and approved by ECI Security Department. ECI's Security Department provides them with training, including multiple security incident simulations, and assigns them work duties in line with their experience and the relative risk involved in different positions. In addition, our contracts with security service providers contain a commitment that they will uphold the law and provide all legally required compensation and benefits to security personnel outsourced to ECI.

Security training also includes an explanation of ECI's Code of Ethics and more detailed guidelines for ethical behavior. As of 2012, a new procedure was adopted which requires security guards to read and confirm their understanding and acceptance of ECI's Code of Ethics. There has been no significant security incident during 2011 in which any ECI employee was harmed in any way.

Protecting employees abroad: When ECI employees travel abroad on business, they must refer to ECI Security Department for clearance. In cases of travel to high-risk destinations, ECI's Security Department assumes responsibility for all travel arrangements and monitors employee travel at all times during the trip. When ECI teams present at conferences and exhibitions, ECI makes a complete security inspection prior to the arrival of the staff.

ECI Security Portal: All employees have access to a detailed security portal which provides basic security guidance as well as up-to-date information about countries and cities around the world and potential security risks. The portal is widely used and employees often ask questions while planning their travels.
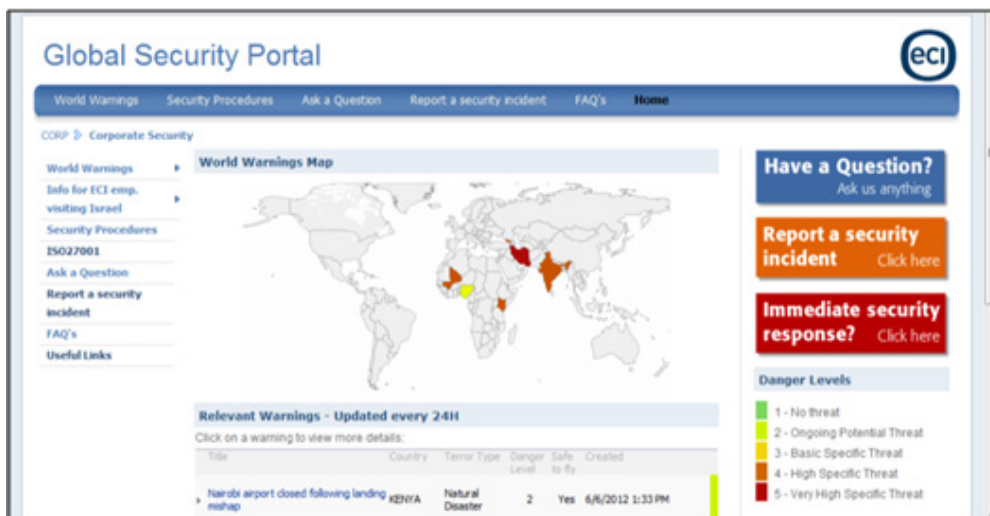
Caring for Employees in Difficult Times

In 2011, we took the very difficult decision to close our facility in Pittsburgh, U.S., a local development site with just over 100 employees, due to changes in product demand. Despite the risks involved of disruption to business continuity during the closure process, we decided to advise our Pittsburgh employees of the closure as far in advance as possible, and more than the legal minimum notice period. We did this to provide employees with improved flexibility to plan their future while still in employment, with enough time to consider all options and take advantages of opportunities as they arose. We maintained a very intensive level of personal communications with all employees throughout the closure period, taking care to keep them informed of their rights, options and business decisions affecting them. In some cases, we retained employees longer than strictly needed for business purposes in order to give them time to address personal issues and look for alternate work. We retained a budget to provide social events for employees, to ease the tensions during this period, and offered outplacement options to employees as needed. By the time the site was due to close in 2012, most employees had found jobs in their profession and business continuity had not been affected.

"This was a painful process and not an easy one from any perspective. ECI behaved in a fair and humane way, even at some short-term cost to the business. It was clear that we would be supportive and I was very proud of this during my involvement in this process." Talia Barell, HR Manager, NSD and Engineering Division

Learning from History

In 2011, ECI sponsored and subsidized a trip for over 60 ECI Israeli employees to visit Poland and some of the important sites of the Holocaust period, including the Auschwitz concentration camp where millions of people tragically lost their lives, most of them Jews. This kind of trip has vast historical and emotional significance, as a large proportion of the Israeli population lost family members during the Holocaust, a loss which has had long-lasting effects down generations. Most of the employees who travelled would have been unable to undertake such a trip independently. By helping ECI employees to make this visit, ECI contributed to a sense of solidarity and renewal. This is also a reinforcement of our commitment as a company headquartered in Israel to ensure awareness of the extreme effects of discrimination, and encourage employees to be tolerant and supportive of all people, irrespective of their religion, background and other aspects of diversity. Employees who made the trip confirmed they were deeply moved by the experience.

An important part of our role in creating sustainable bandwidth for society is the investment we make as a business in our society to strengthen the fabric of communities and improve individuals' chances of realizing their life goals, in many different ways.

ECI's Community Investment Policy

The focus of ECI's Community Investment Policy is to inspire individuals or groups to use their potential to change their personal circumstances and help disadvantaged groups to understand and exercise their social rights. Around the world, ECI employees at different locations are attentive to local needs and align their contributions in a tailored way.

ECI employees and their families are encouraged and empowered to volunteer in their communities. Activities are held near ECI locations to strengthen the ties between the company and the local community. The range of activities is diverse enough so that every employee can select what best suits his or her interest, availability, capabilities and degree of commitment. We take care to enable employees to volunteer during paid working hours in line with our volunteering policy and we recognize volunteers for the contribution they make.

Overall, in 2011, our employee volunteering hours amounted to approximately 6,500 hours globally. In some locations, hours are not recorded in detail so we expect this figure to be higher in practice.

Pivotal Leadership

For fifteen years, the "YEDID" Association ("YEDID" means "friend" in Hebrew) has helped over 290,000 Israelis understand and exercise their social rights. With 16 centers throughout Israel assisting over 18,000 client cases each year, it is our clients who give us real-time insights into the problems faced by people living in Israel: affordable housing, food insecurity and ensuring gainful employment. The role of business in society is a key aspect of business leadership. A successful company contributes to a more stable society and also connects employees to the community they work and live in. As a provider of telecoms infrastructure and solutions, ECI is in a pivotal position to make a difference to people around the world. Along with great rewards for successful business, we expect innovative companies to have social impact and involvement in the communities they work in. By generously supporting the local YEDID's Citizen Rights Center, ECI demonstrates active citizenship that goes beyond the traditional role of a telecom vendor. The critical issue of community empowerment with which ECI has chosen to be uniquely identified makes ECI the first company in Israel to focus on this area. We feel that we have a true partner for growth in ECI." **Sari Rivkin, Executive director of YEDID**

Community Activities in Israel

ECI partners with a range of not-for-profit organizations in Israel to deliver the most effective social investment programs, taking into account true community needs, and executing programs in the most appropriate way possible. Our activities include advancing civil rights, community empowerment for employment, and education and support for youth advancement.

Advancing Community Empowerment

ECI has been actively involved in establishing a Citizen Rights Center in Petach Tikva in partnership with Yedid, a not-for-profit organization which strives to empower individuals and communities of the less fortunate sectors of society and among new immigrants in Israel. The Citizen Rights Center now responds to over 150 inquiries each month and initiates projects to empower the community, which include workshops on managing a family budget and workshops on "the power of money" for schoolchildren. ECI volunteers are active in receiving and forwarding queries to the Center and also in delivering these courses to the local population. For more information, see: www.yedid.org.il/english

Mentoring Young Entrepreneurs

ECI employees mentor students in the development of business programs in support of the "The Young Entrepreneurs Organization", which runs a "Young Entrepreneurs Doing Business" program. It encourages young people to get to know more about business entrepreneurship and develop skills in a practical way, including the setting up of a mini-company. For more information, see: www.ja.org

Helping Kids Get Better Grades

Each year, we adopt a class of fourth grade children from the Kommemiyut School, situated near our head offices, and invite them to ECI headquarters for weekly reading sessions. The children visit our offices each week and are paired with ECI volunteers who spend an hour reading, talking and sharing their insights with the children. These sessions and the positive relationships which develop, provide the children with role models and inspiration to become better students, and motivate them to improve. Officials from the Kommemiyut School confirm that pupils who attend the weekly reading sessions achieve significant improvement in their grades throughout the year. In addition, ECI volunteers provide weekly assistance in Mathematics, English and Hebrew studies to sixth grade schoolchildren, to support their transition to Junior High School in the following academic year.

ECI volunteers with Kommemiyut School pupils

Making Technology Inspiring

ECI volunteers provide lessons in technological subjects at a youth village in Petach Tikva, near ECI's head offices. This activity is in partnership with the Different Lesson Association, which matches managers in companies with the needs of youth in education, to provide inspiration and practical help. For more information, see: www.shiuracher.org.

A visit of Youth Village residents to ECI Headquarters

Making Reading a Positive Experience

The Sifriyat Pijama ("Pajama library") Project offers Israeli kindergarten children an opportunity to enrich their experience at kindergarten and develop a love for reading, knowledge and imagination. Books are donated to kindergartens, and ECI volunteers take time to read to the children and engage them in a fun discussion about what they have read. For more information, see www.pjisrael.org (in Hebrew).

An ECI volunteer makes reading a positive experience

Helping to Reduce Food Waste and Food Insecurity

ECI Israeli employees join forces with the not-for-profit organization Leket Israel, a food rescue and distribution organization which engages in harvesting fruit and vegetable crops which would otherwise go to waste, and salvaging food waste from restaurant and catering operations for distribution to those in need. Teams of ECI employees participate, harvesting tons of nutritious food in agricultural fields, with produce being donated to the needy. For more information, see: www.leket.org.

Community Activities in Russia

In a small town called Kasimov, 300 kilometers from Moscow, there is a foster home where 50 orphaned and abandoned children live. The resources of the foster home are limited to the most basic essentials needed to sustain life. ECI employees in our Moscow office wanted to help improve the quality of life for these children by providing clothes, toys and other items that would provide the children with fun and enjoyment. The children prepared a wish list for the holiday season and ECI employees prepared gifts to match their specific requests and had Santa Claus deliver them.

Community Activities in India

In 2011, a new Cultural Committee team was formed to advance community service and awareness among employees, and during the year, employees volunteered to support two main programs: a blood donation camp and a children's orphanage.

Donating Blood

In 2011, ECI in Mumbai organized a voluntary Blood Donation Camp in collaboration with Tata Memorial Hospital, one of the leading local hospitals for cancer treatment. The Blood Donation Camp was held in ECI's cafeteria, to ensure maximum participation of employees in in a convenient way with minimal work and life disruption. There was a tremendous response from employees with almost 80% volunteering to donate blood and confirming their willingness to do the same again next year.

Collecting Toys for Orphaned Children

In celebration of Independence Day in August 2011, we held a two-week drive to raise clothes, books, toys and more for orphaned children in Mumbai. Every single ECI employee made a contribution.

Visiting Orphaned Children

In Bangalore, ECI employees visited the Angels Orphanage to spend time playing with the children, and distributed chocolates, toys and school materials and some groceries which had been purchased from funds donated by ECI Bangalore employees.

Employees donating blood in Mumbai office

HUMAN RIGHTS, ETHICS, ANTI-CORRUPTION

Respecting human rights at ECI is a core value. Our business activities touch the lives of people around the globe in many ways, and we take care to conduct our business responsibly according to the highest ethical standards, which encompass respect for all human beings, acknowledgement of their rights. We do everything within our power to uphold such rights.

ECI maintains five core expressions of our commitment as a company and as individuals to human rights:

- Our core values

- Our corporate code of ethics

- Our participation in the United Nations Global Compact

- Our platinum performance in the Israel Maala Social Responsibility ranking

- Our standards, policies and procedures related to corporate responsibility

Out Human Rights Policy Statement is now available to be downloaded from our website: http://www.ecitele.com/abouteci/AboutECIDocs/ECI_Human_Rights_Statement_2012.pdf

Core Values

ECI maintains five core values which support the embedding of an ethical culture. These core values include both "integrity" and "respect for individuals". We ensure that these values are reflected in the way we do business at all levels and in all locations.

Our Corporate Code of Ethics

Our Code of Ethics defines how ECI employees comply with all laws and regulations in the countries in which we do business, with uncompromising ethical standards of behavior. All employees confirm to abide by ECI's Code of Ethics when joining the Company and receive detailed training about its content and requirements through a specially created online module which requires a confirmation of understanding and agreement upon completion.

ECI's Code of Ethics is available in seven languages for easy accessibility and comprehension of all employees: German, Chinese, Russian, French, Spanish, English, and Hebrew. It is available to all employees on the corporate internal website, and on ECI's external website in English for all stakeholders.

There are several options freely available for employees to advise the Company's officers on any matter relating to breaches of the Corporate Code of Ethics. ECI makes every effort to investigate all issues reported, including those reported anonymously, and encourages employees to speak out without fear of reprisal.

An Ethics Council, established in 2010 to oversee our ethical performance, continues to meet regularly to ensure communications and training in ethical principles, and deal with ethical issues as they arise.

Our Participation in the United Nations Global Compact   4.13

ECI confirmed participation in the United Nations Global Compact in 2002, and from 2010, has published an annual Communication on Progress, detailing the ways in which ECI upholds the Global Compact Principles. ECI's previous Communications on Progress can be viewed on ECI's website (www.ecitele.com/abouteci/CorpResp/Pages/Corporate-Governance.aspx) or on the UN Global Compact website (www.unglobalcompact.org). The present report is our third Communication on Progress, which, for the first time, is not a standalone document, but included in a full GRI-based Sustainability Report.

Our Platinum Award in the Maala Social Responsibility Ranking

In support of our commitment to ethical practices and to ensure our conduct aligns with best practices among leading companies, ECI participates in the Maala Social Responsibility Ranking in Israel.

Maala is a not-for-profit organization promoting corporate social responsibility in Israel. It compiles an annual ranking based on self-declared performance of companies in five areas: ethics, responsible workplace, community investment, governance and environmental protection. Large, public and private companies representing over 50% of the business product in Israel participate in this ranking. ECI has participated since 2004, and from 2008, has been rated at the highest level, Platinum. For further details, please visit www.maala.org.il.

Our Standards, Policies and Procedures

Employee Rights: We respect the rights of our employees in all aspects of their employment with ECI, including, but not limited to, terms, conditions and hours of work, a safe working environment, competitive compensation and benefits, equal opportunity and freedom from discrimination and harassment, personal and professional development and open and collaborative communications. These aspects of our corporate approach are encompassed in ECI's Human Resources Policies, and practices are regularly reviewed and monitored.

Child Labor: We respect and support the rights of all children, and we are committed to preventing harm and actively safeguarding their interests. We do not employ children in any part of our business.

Forced Labor: We do not engage in any practice which could be construed as forced labor. All ECI employees are employed within the provisions of the law and employment contracts which are entered into of employees' own free will.

Freedom of Association: We respect the rights of employees to freedom of association and collective bargaining. We aim to maintain collaborative, open and positive relationship with employees and address issues relating to their rights in a positive manner.

Non-Discrimination: We maintain a policy of equal opportunity and enjoy a high level of diversity among our workforce around the world. Recruitment and human resources policies are designed to nurture non-discriminatory practices for new and current employees in all matters relating to their employment with ECI.

Human Rights in our Supply Chain: We work with suppliers in our supply chain to ensure they are aware of ECI's standards relating to human rights and encourage them to adopt similar standards.

Consumer Rights: As a business-to-business operation, we do not sell directly to consumers. However, we are conscious of laws and regulations which affect end users and work tirelessly to ensure our solutions are safe and comply with the highest standards of practice as demanded by our customers.

Adherence to External Standards: ECI adopts a range of external quality and safety standards which support the protection of human rights. These include (International Standards Organization (ISO) Standards and OHSAS (Occupational Health) standards.

Adopting SA8000: ECI adopted this standard in 2011, following a self-assessment and risk audit of all ECI operations with regard to human rights and supply chain activities. We felt this standard would fill a gap in our overall quality and risk management systems by helping us identify the detailed aspects of our supply chain at risk for human rights abuses. To ensure certification, we trained staff members in the provisions of SA8000 and, following an initial audit, made several additional changes to our own operations, such as improved signage and facilities for people with disabilities, and stronger engagement with our suppliers as has been mentioned elsewhere in this report.

ACB (Anti-Corruption & Bribery): During 2011, we conducted a full anti-corruption risk analysis and mitigation assessment in 100% of our operations and created a plan of action to implement findings during 2012.

S02

Long-Term Business

"In a world in which there is increasing social networking and dissemination of knowledge and information, it's unlikely that business can survive in the long term without ensuring a high level of ethical conduct. Organizations which exist solely to provide a return for shareholders ignore the place of other stakeholders. In the long term, no company is immune from social uprisings, consumer boycotts or online talkbacks which damage their reputation. In a world in which businesses often confront different crises, organizations are looking for some stable ground that will enable them to survive and become stronger in this complex, competitive environment.

In our increasingly global world, a crisis in one place is a piece in a domino game which creates other disasters and crises, elsewhere or even globally. The illusion that we can behave individually, without dependence on others and without having an impact on the business, social and physical environment, is now irrelevant.

It is this type of thinking which has driven us in recent years toward financial and social losses whose effects are still being felt.

Organizations which were led in an ethical way have survived these crises and developed an organizational strength of character and have succeeded in retaining good employees and customers. Companies increasingly understand this approach. Long-term thinking, ethical frameworks, authentic leadership and a commitment to what is best for all stakeholders is the way forward for healthy, strong and successful business."

Ronit Kurtz, MA, Organizational Consultant, Lecturer at Tel Aviv University in Organizational Development

COMPLIANCE

We observe and respect the relevant laws and regulations applicable to our business. In our head offices, we maintain an in-house legal department staffed by seven lawyers who handle legal risks, supplemented by specialist expertise where needed. We have found that working with an in-house team ensures that compliance and legal risks are often identified very early on in any new project or process and that integration of business objectives and legal considerations is more effective. In general, at ECI, we prefer to be ahead of regulation and an in-house flexible team enables us to prepare in advance and be ready for any new requirements.

Our regular system of internal and third party audits ensures that we are always in compliance with laws and regulations. In 2011, our operations were subject to 11 internal and external audits. Minor corrective actions resulting from these audits have been addressed. S08

GRI INDEX

The Global Reporting Initiative (GRI) is a not-for-profit multi-stakeholder organization which acts to increase the level of business transparency through sustainability reporting among companies throughout the world. The main tool for assimilating sustainability reporting is the GRI reporting framework, which contains detailed guidelines for reporting on sustainability impact and provides a consistent structure that thousands of companies around the world can use to disclose their approach and performance related to sustainability. Over 6,000 sustainability reports were published in 2011 by companies all over the world, many of them using the GRI framework. For more information, please see: www.globalreporting.org.

We self-declare this report as applying the GRI Framework at application level B. The different application levels of the GRI framework relate to the level of transparency of disclosures in the sustainability report.

"The publication of a first Corporate Responsibility Report has special significance for the management of corporate responsibility in any company; the process of preparing the report enables a new kind of focus on working processes within the organization and helps identify new opportunities for action. Similarly, the publication of the report is a bold step in increasing transparency, engaging employees, suppliers and customers in the activities of the company and its objectives for improvement.
The global and local economic challenges of the current times are not easy for businesses and this new age of public debate on socio-economic issues has also been evident in Israel during the last year. ECI's decision to publish a report specifically at this time is evidence of a willingness to take on these challenges." **Momo Mahadav, CEO, Maala Business for Social Responsibility, Israel**

G3 indicator	Description	Report	Page No.	Comment
1.1	Statement from the most senior decision-maker	Fully	4	
1.2	Description of key impacts, risks, and opportunities.	Fully	4,10	
2.1	Name of the organization.	Fully	6	
2.2	Primary brands, products, and/or services.	Fully	6,8	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, joint ventures.	Fully	7	
2.4	Location of organization›s headquarters.	Fully	7	
2.5	Number of countries where the organization operates, and names of countries with major operations or specifically relevant to the sustainability issues covered in the report.	Fully	7	
2.6	Nature of ownership and legal form.	Fully	6	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	6	
2.8	Scale of the reporting organization.	Fully	6	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	This page	There were no significant changes during the reporting period.
2.10	Awards received in the reporting period.	Fully	19	
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Fully	2	
3.2	Date of most recent previous report (if any).	Fully	This page	This is ECI's first Sustainability Report.
3.3	Reporting cycle (annual, biennial, etc.)	Fully	2	
3.4	Contact point for questions regarding the report or its contents.	Fully	2	
3.5	Process for defining report content.	Fully	2	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	2	
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Fully	2	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Fully	2	This is ECI's first Sustainability Report.
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Fully	This page	Data measurement methods are included in the body of the text, alongside the relevant data tables.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement e.g., mergers / acquisitions, change of base years/periods, nature of business, measurement methods).	Not applicable	This page	This is ECI's first Sustainability Report.

3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Not applicable	This page	This is ECI's first Sustainability Report.
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	This page	
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	2	
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Fully	12	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully		The Chairman of the Board is not an executive officer.
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Fully	12	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	12	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization›s performance (including social and environmental performance).	Fully	12	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	12	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization›s strategy on economic, environmental, and social topics.	This Page		While there are no formal procedures in place, ECI Directors are industry experts with many years of experience of business leadership, which includes aspects of sustainability management.
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Fully	9	
4.9	Procedures of the highest governance body for overseeing the organization›s identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	This Page		The Board of Directors is updated periodically by the ECI Management Team on adherence to the Code of Conduct and all other matters relevant to our sustainability performance and activities.
4.10	Processes for evaluating the highest governance body›s own performance, particularly with respect to economic, environmental, and social performance.	Fully	12	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Fully	22	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Fully	17	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	Fully	41,42	

4.14	List of stakeholder groups engaged by the organization.	Fully	11	
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	11	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	11	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Fully	10	

GRI INDEX: MANAGEMENT APPROACH DISCLOSURES

	Categories and Aspects	Report	Page	Comment
ECDMA	Economic goals, policy, plans and procedures.			
	Economic Performance	Fully	8	
	Economic Impacts	Fully	8,10	
	Market Presence	Fully	6	
ENDMA	Environment goals, policy, plans, procedures.			
	Materials	Fully	23	
	Energy	Fully	25	
	Water	Fully	26	
	Biodiversity	Fully	This Page	While ECI Telecom believes in the importance of protecting biodiversity, none of our sites has a material impact on areas of high biodiversity value. Therefore, we do not have a strategy for managing biodiversity.
	Emissions, Effluents, and Waste	Fully	23-25,27	
	Products and Services	Fully	15-16	
	Compliance	Fully	17	
	Transport	Fully	25-26,29	
	Overall	Fully	21-22	
LADMA	Labor Practices goals, policy, plans, procedures.			
	Employment	Fully	30	
	Labor/Management Relations	Fully	35	
	Occupational Health and Safety	Fully	33	
	Training and Education	Fully	32-33	
	Diversity and Equal Opportunity	Fully	31-32	
HRDMA	Human Rights goals, policy, plans, procedures.			
	Procurement Practices	Fully	20	
	Non-discrimination	Fully	9, 31-32	
	Freedom of Association and Collective Bargaining	Fully	42,18	
	Abolition of Child Labor	Fully	18,20,31	
	Prevention of Forced and Compulsory Labor	Fully	18,20,41	
	Complaints and Grievance Practices	Fully	42	
	Security Practices	Fully	35	
	Indigenous Rights	N/A	-	We do not have any impact on indigenous rights.

	Society goals, policy, plans, procedures.			
SODMA	Community	Fully	37	
	Corruption	Fully	41-42,10	
	Public Policy	Fully	This Page	ECI does not influence public policy.
	Anti-Competitive Behavior	Fully	42	
	Compliance	Fully	50	
PRDMA	Product Responsibility goals, policy, plans, procedures.			
	Customer health and safety	Fully	4,9-11, 17-18	
	Product and service labelling	Fully	This Page	We comply with all product and service labelling requirements.
	Marketing communications	Fully	28	
	Customer privacy	Fully	This Page	We uphold customer privacy in all matters.
	Compliance	Fully	23	

GRI INDEX: PERFORMANCE INDICATORS

	Indicator	Report	Page	Comment
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Not reported	-	
EC2	Financial implications and other risks and opportunities for the organization›s activities due to climate change.	Not reported	-	
EC3	Coverage of the organization›s defined benefit plan obligations.	Not reported		
EC4	Significant financial assistance received from government.	Fully	14, 32	
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Partially	31	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Not reported	-	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Partially	6, 13	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Fully	This page	ECI has not made any infrastructure investments for public benefit
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Not reported		

EN1	Materials used by weight or volume.	Not reported	-	
EN2	Percentage of materials used that are recycled input materials.	Not reported	-	
EN3	Direct energy consumption by primary energy source.	Fully	27-28	
EN4	Indirect energy consumption by primary source.	Fully	25	
EN5	Energy saved due to conservation and efficiency improvements.	Fully	25	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Fully	15-16, 28	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Fully	29	
EN8	Total water withdrawal by source.	Fully	29	
EN9	Water sources significantly affected by withdrawal of water.	Fully	This page	No water sources are affected by ECI›s operations. All water is drawn from national water authorities in ECI operating locations.
EN10	Percentage and total volume of water recycled and reused.	Fully	This page	ECI does not use recycled water. All water is sourced from the National Water Grid in ECI operating locations.
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Fully	This page	None of ECI's sites are in areas of high biodiversity value.
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Fully	This page	ECI's products have no direct effects on biodiversity.
EN13	Habitats protected or restored.	Fully	This page	ECI has not engaged in restoring or protecting habitats.
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Fully	This page	None of ECI's sites are in areas of high biodiversity value. Therefore ECI does not have a strategy for managing biodiversity.
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Fully	This page	None of ECI's sites are in areas of high biodiversity value and no species are at risk from ECI's operations.
EN16	Total direct and indirect greenhouse gas emissions by weight.	Fully	23-24	
EN17	Other relevant indirect greenhouse gas emissions by weight.	Fully	23-24	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Fully	25, 29	
EN19	Emissions of ozone-depleting substances by weight.	Fully	This page	ECI does not generate emissions of ozone depleting substances.
EN20	NOx, SOx, and other significant air emissions by type and weight.	Fully	This page	ECI does not generate significant NOx SOx and other air emissions.
EN21	Total water discharge by quality and destination.	Not Reported	-	
EN22	Total weight of waste by type and disposal method.	Fully	27	

EN23	Total number and volume of significant spills.	Fully	This page	There have been no significant spills in ECI's operations.
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Fully	This page	ECI does not ship hazardous waste across borders. All hazardous waste is treated locally.
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization›s discharges of water and runoff.	Fully	This page	No water bodies are affected by ECI's operations.
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Fully	28	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not Reported	-	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	This page	ECI has paid no fines or non-monetary sanctions for non-compliance with environmental laws and regulations.
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Fully	26,29	
EN30	Total environmental protection expenditures and investments by type.	Not Reported		
LA1	Total workforce by employment type, employment contract, and region.	Fully	30	
LA2	Total number and rate of employee turnover by age group, gender, and region.	Not reported		
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Fully	31	
LA4	Percentage of employees covered by collective bargaining agreements.	Fully	This page	A small number of ECI employees are covered by collective bargaining agreement – around 20 in 2011.
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Fully	This page	ECI always provides notice periods as a minimum, required by law, usually one month, often longer.
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Fully	This page	100% of the workforce is covered by ECI›s health and safety committees which include managers and employees.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Fully	5, 33-34	
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Not Reported		
LA9	Health and safety topics covered in formal agreements with trade unions.	Fully	This page	ECI employees are not members of employee associations and this does not therefore apply.
LA10	Average hours of training per year per employee by employee category.	Not Reported		

LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Fully	32	
LA12	Percentage of employees receiving regular performance and career development reviews.	Fully	32	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Not Reported		
LA14	Ratio of basic salary of men to women by employee category.	Fully	31	
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Fully	This page	ECI has not made any such relevant agreements during the reporting period.
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Fully	20	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Not reported	0	
HR4	Total number of incidents of discrimination and actions taken	Fully	This page	There were no incidents of discrimination at ECI during the reporting period.
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Fully	This page	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Fully	This page	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	Fully	This page	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Fully	35	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Fully	This page	There have been no incidents.
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Not reported		
SO2	Percentage and total number of business units analysed for risks related to corruption.	Fully	42	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Not reported		
SO4	Actions taken in response to incidents of corruption.	Fully	This page	There were no incidents of corruption.
SO5	Public policy positions and participation in public policy development and lobbying.	Not reported		
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Fully	This page	No political contributions were made by ECI anywhere in the world.

SO7	Legal actions for anti-competitive behavior.	Fully	This page	ECI has not been the subject of any legal action for non-competitive behavior.
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	This page	ECI has paid no fines or non-monetary sanctions for non-compliance with laws and regulations.
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not reported		
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Fully	This page	There were no incidents of corruption of non-compliance with codes regarding health and safety.
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	Not reported		
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	Fully	This page	There were no incidents of corruption of non-compliance regarding product labelling.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Fully	5,19	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Not reported	-	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Fully	This page	There were no incidents of corruption of non-compliance regarding advertising and marketing communications.
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Fully	This page	There were no complaints regarding customer privacy breaches.
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	This page	ECI has not been the subject of fines for non-compliance relating to the use of products.

RECONFIRMING OUR COMMITMENT

This is our third Communication on Progress, which, for the first time, is presented as part of a more comprehensive Sustainability Report, and not as a standalone document, and reflects our policies, practices, and performance and the ways in which we apply our core values and commitment to social and environmental responsibility. On behalf of ECI's Directors, Executive Management Team and employees around the world, I commit to continuing our support for the ten universally accepted principles of responsible business though participation in the United Nations Global Compact, in support of the broader Millennium Development Goals objectives, and to provide an annual communication to update stakeholders on our progress.

Darryl Edwards, President and CEO

UN GLOBAL COMPACT INDEX AND GRI CROSS REFERENCE TABLE

	Global Compact Principles	GRI Indicators
Principle 1:	Businesses should support and respect the protection of internationally proclaimed human rights.	HR1, HR2, HR3, HR4
Principle 2:	Businesses should make sure that they are not complicit in human rights abuses.	HR2, HR3
Principle 3:	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	HR5, LA3, LA4
Principle 4:	Businesses should support the elimination of all forms of forced and compulsory labor.	HR7
Principle 5:	Businesses should support the effective abolition of child labor.	HR6
Principle 6:	Businesses should support the elimination of discrimination in respect of employment and occupation.	HR4,LA10, LA11
Principle 7:	Businesses should support a precautionary approach to environmental challenges.	3.13, EN1, EN2, EN3, EN4, EN5, EN6, EN7
Principle 8:	Businesses should undertake initiatives to promote greater environmental responsibility.	1.1, EN8, EN9, EN10, EN11, EN12, EN13, EN14, EN15, EN16
Principle 9:	Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN17
Principle 10:	Businesses should work against corruption in all its forms, including extortion and bribery.	SO2

For more information about the United Nations Global compact, see: www.unglobalcompact.org

THE GLOBAL COMPACT
WE SUPPORT

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact**.

We welcome feedback on its contents.