



**Netafim Ltd.
UN Global Compact LEAD
Communication on Progress
2012**



Photograph by Ranjeet Patil, from Netafim's *Sustainability in a Snapshot* 2013 photo contest

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About Netafim

Our promise is as simple as it is ambitious – enabling our customers to grow more with less. As the global leader in drip and micro-irrigation solutions for a sustainable future, Netafim advances sustainable productivity. This means achieving better quality crops and higher yields in a cost-efficient manner, while using fewer of the world's limited resources – water, land and energy.

Delivering state-of-the-art technology, international agronomic expertise and capacity-building training, our teams are dedicated to helping our customers achieve their goals by growing more with less.

A global company headquartered in Israel, Netafim operates 16 plants in 12 countries, and maintains 27 subsidiaries and representative offices serving over 110 countries. Our team is comprised of over 3,800 people. In 2012, Netafim manufactured 4 billion meters of dripperlines, enough to circle the world 100 times.

Our diverse and comprehensive solutions for cost-effective irrigation are comprised of products accompanied by technical and agronomical support that includes training and educational programs in agro-technical applications and sustainable productivity.

Our Product Lines

Agriculture: We offer drip irrigation solutions for a broad range of crops, and support growers from the planning phase to crop management and harvest, while overcoming agro-technical challenges and leveraging opportunities.

Landscape: Our products incorporate advanced water management practices and technologies for enhanced landscape irrigation, providing the basis for water conservation and recycling solutions, while improving city and residential landscape planning.

Greenhouses: Our greenhouse specialists offer comprehensive solutions, from planning and greenhouse construction to after-sale agronomic support.

Mining: Our drip irrigation solutions for the extractive industries ensure uniform coverage, minimal clogging and optimal metal recovery in leaching processes for mining applications.

Our Global Presence



Our Vision

As the world's leading irrigation company, we will drive mass adoption of drip irrigation to fight scarcity of water, land and food.

Our Mission

We will make drip the irrigation solution of choice worldwide by increasing awareness and delivering comprehensive solutions that are reliable, simple and affordable.

We will provide our customers with world-class support to ensure outstanding results and peace of mind.

Leveraging our global leadership position, high-quality offering and pioneering spirit, our team commits its agronomic know-how, technological expertise and deep passion to enhance the well-being of our customers.

Our Values

Netafim is in the process of redefining its values, and this is at the stage of management review. The new values are planned to be launched in 2014, in an organization-wide process involving employee participation and feedback.

The current Netafim values are as follows:

Netafim spirit: Netafim continues to maintain a unique spirit of mutual cooperation, dedication, loyalty and support vis-à-vis our employees and clients.

Knowledge sharing: We share with our clients worldwide the knowledge we've accumulated over many decades, as well as our experience, expertise and innovative breakthroughs. Our familiarity with diverse cultures and growing methods, together with our presence in multiple countries, create an optimal infrastructure for continuous growth and development, enabling us to share our knowledge with agronomists across the globe.

Quality commitment: Netafim is committed to the highest standards of performance, efficiency and quality, as well as to uncompromising service and dedication to our clients.

Continuous learning: Our creativity, curiosity, desire for knowledge, and openness to new ideas enable us to change and improve the irrigation market. We implement a "learning organization" culture to help transform hundreds of new ideas into practical solutions, as reflected in our continuous training programs and professional courses for employees, and our willingness to acquire knowledge from clients, suppliers and colleagues.

Environmental protection and quality of life commitment: We are committed to developing water-saving methods and systems. We are full-fledged partners in promoting and increasing global food production for hungry populations. We are an inseparable and integral part of worldwide efforts to protect the environment.



Drip irrigated corn field in Culiacán, Sinaloa, Mexico

CEO Commitment

In 2012, we again upheld and reinforced our commitment to the UN Global Compact and the Ten Principles of Responsible Business, as well as the UN Global Compact LEAD initiative's additional criteria and requirements. We are pleased to confirm our ongoing support for conducting business in a way that positively benefits society and the environment, and as such we are constantly improving our communications and transparency. For example, we published our first full Sustainability Report, based on the Global Reporting Initiative (GRI) framework, in 2012. This Communication on Progress report meets our annual reporting commitment to the UN Global Compact LEAD initiative, and serves as an update of our global sustainability policies and programs.

Our business goals continue to be perfectly aligned with the spirit and practice of participating in the UN Global Compact, and we hereby reaffirm our intention to maintain, increase and intensify our adherence to UNGC goals. We appreciate the United Nations Global Compact's efforts as a truly global initiative to raise the bar for corporate responsibility, and we are proud to be an active member. We regularly speak at UNGC network events, bringing our unique sustainable agriculture experience to the table for the benefit of other UNGC participants. Netafim is the only Israeli company to have endorsed the CEO Water Mandate, and we participate in the Water and Human Rights Workstream.

We are committed to doing everything in our power to ensure compliance with the Ten Principles of the UN Global Compact, the LEAD program, and the CEO Water Mandate, and commit to publicly reporting our progress each year. We will ensure that our stakeholders are aware of this commitment and receive our updates.

Igal Aisenberg

President and CEO

Criterion 1

Mainstreaming GC principles into corporate functions and business units

Our sustainability strategy and programs are directed by Netafim's Chief Sustainability Officer (CSO), who reports to the CEO. The CSO works across the entire organization, aligning sustainability with global business processes, and interfacing with all global heads to ensure that our sustainability principles are embedded in company policies and practices. This also guarantees that the products and solutions offered by our global in-field teams are delivered to growers, dealers and other customers in a way that advances sustainable productivity.

Progress on sustainability issues is regularly reported to Netafim's management team, which agrees the company's sustainability strategy and annual goals. At each Netafim plant, a local HR manager is responsible for embedding sustainability practices and processes, managing sustainability communications, and advancing local programs for engaging employees in the community.

Responsibility for sustainable practices lies with Netafim's entire executive management team. The CSO takes the lead in driving strategy development and implementation throughout the company's business. The CSO is often the "voice" of Netafim's sustainability programs, and represents Netafim at global policy meetings and working groups of organizations with which we are closely engaged.



Netafim South Africa

Criterion 2

Value chain implementation

Our value chain consists of six stages through which we make an impact and generate value for our stakeholders.

Development

We invest many resources in research and development. We employ a team of 50 R&D professionals that constantly works to develop and bring our customers the best, most accessible irrigation solutions to help them grow more, higher quality produce, while using fewer resources. We collaborate with several academic institutions, agricultural organizations and government offices worldwide, to enable knowledge sharing and support the advancement of research in agriculture and sustainable productivity.

Sourcing

We work with a wide range of suppliers of raw materials, products and services in Israel and abroad, with whom we have a long-standing professional relationship. We maintain a collaborative partnership with suppliers, working together on new product development and design improvement. We maintain a monitoring system for supplier performance, and our best-performing suppliers are awarded a certificate.

Manufacturing

We operate 16 plants worldwide that produced 4 billion meters of irrigation dripperlines in 2012. Our manufacturing facilities are located in local markets and supply irrigation equipment, helping us maintain a cost-efficient distribution infrastructure and preventing additional transportation-related carbon emissions.

Logistics and Distribution

Our local manufacturing and assembly capabilities are complemented by a network of Netafim-owner or qualified-dealer distribution facilities in several countries that supply our irrigation products and systems to dealers representing us in various regions.

Customers

We provide our customers with ongoing technical assistance and support. We work with professional, knowledgeable dealers, and invest many hours in training them in the use and application of our systems, while providing technical and agronomic support directly to customers. In this way, we help increase sustainable productivity in our markets.

Community and Consumers

We create economic and social value for local communities through our operations and irrigation systems that help farmers grow more, higher quality produce while using less water and energy. This generates financial value for growers, their families and their communities, and reaches consumers worldwide in the form of better fruits and vegetables, reduced environmental impact from agriculture, and greater water availability for personal consumption.

Criterion 3
Robust commitments, strategies and policies in human rights

We are committed to upholding all laws, regulations and practices designed to protect human rights in all areas in which we operate. We strictly oppose all forms of discrimination, and recruit employees regardless of color, race, gender, nationality, religion, sexual orientation or other personal diversity indicators. We are committed to practices that prevent all forms of sexual discrimination, sexual harassment, child labor and forced labor.

We strive to do business in a fair and ethical manner, observing a strict Code of Business Conduct in all global operations. Our Code of Business Conduct is based on our business values and legal compliance, and applies to all Netafim employees, officers and directors. Our Code of Business Conduct is publicly available on our website at: www.netafim.com/business-conduct-policies

Supporting Human Rights

The Human Right to Water and Sanitation was formally acknowledged and affirmed by the UN General Assembly and Human Rights Council in 2010. As a member of the UN Global Compact’s CEO Water Mandate, we have been active in the Human Rights Working Group, and support developments that require corporations to ensure sustainable water practices. A significant increase in drip irrigation usage in agriculture will more than double water availability for domestic use worldwide. We are committed to promoting the uptake of drip irrigation through training and educating farming communities worldwide and we collaborate with business partners, governments and organizations to provide financial support and assistance for drip irrigation system investments.



Photograph by Iván Contreras, from Netafim’s *Sustainability in a Snapshot* 2013 photo contest

Criterion 4

Effective management systems to integrate human rights principles

Our operations around the world are executed by local, wholly-owned subsidiaries that adopt our global policies and ethical standards, including respecting human rights. In many regions, we work with dealer networks that market, sell and install our irrigation equipment and then continue to service customers. We strive to maintain long-standing relationships with dealers who are familiar with our work methods and ethical policies, and subscribe to maintaining our global standards.

Ethics Training

We developed a comprehensive training and discussion module, including presentation of company-specific ethical dilemmas in 2012. The module was delivered by human resources and business managers at several Netafim subsidiaries. Employees worldwide participate in local training sessions and sign our Code of Business Conduct, signifying their understanding and acceptance.

We are also developing a training program this year to support implementation of corporate culture and values as a supplement to our Code of Business Conduct. This will include a platform in which new employees sign the Code as part of their induction plan. The new program will be delivered to employees in 2014.

Employee Protection from Sexual Harassment

Trained sexual harassment trustees are stationed at each of our sites in Israel to ensure effective sexual harassment education and prevention programs, as well as to serve as a focal point for issues that may arise. We conduct regular sexual harassment prevention training (as required by law in certain locations), which not only raises awareness, but also provides tools for helping managers and employees prevent and handle sexual harassment incidents. Training is conducted by external consultants. 123 employees and managers in Israel participated in 250 training hours in 2012.

In India, Netafim fully complies with the country's new sexual harassment prevention law that came into effect in 2013. Our sexual harassment prevention policy in India has been in place since 2011, preceding the new regulatory requirements. Training on this subject has been integrated into our regular training sessions for our Code of Business Conduct in India, and we are conducting a refresher awareness program in 2013.

Criterion 5

Effective monitoring and evaluation mechanisms of human rights integration

We encourage employees, customers, suppliers, distributors and all other business partners to report violations relating to ethical conduct, legal compliance or potential human rights abuse.

Whistleblower Policy

Netafim's whistleblower policy, which forms part of our Code of Business Conduct, requires all employees to report suspected breaches of the Code's provisions. This includes violations of the law, suspected unethical conduct, and concerns regarding financial statement disclosures, accounting, internal accounting controls, and auditing matters.

Such reports are directed to the Netafim General Counsel or the Chief Resources Officer via mail, email or the company's Intranet portal. All submissions are thoroughly investigated, appropriate action is taken, and a report is filed with Netafim's Board of Directors. We ensure that there is no retaliation against employees who report alleged breaches of the Code of Business Conduct.

Our whistleblower policy is available on our website at:

www.netafim.com/Data/Uploads/WB%20Netafim%20_March%2029%202012.pdf

Five reports of suspected ethical violations, mostly regarding conflicts of interest, were received in 2012. Following in-depth investigations of each incident, appropriate measures were taken, and in three cases, employees were dismissed for unethical conduct.

Criterion 6

Robust commitments, strategies and policies in the area of labor

Our employees are talented individuals who contribute to our innovative spirit, capabilities and market success. We offer equal opportunity to, and encourage the inclusion of, women and men from diverse backgrounds. We aim to provide a stable, safe and sustainable workplace in which the rights and dignity of every one of our employees are respected.

We believe that our employees can always learn and develop, and therefore, we offer personal and professional growth opportunities through training and development programs. We encourage employee engagement, commitment and performance by rewarding employees fairly and in line with their experience, capabilities and contributions to the company. We provide frameworks for employees to participate in voluntary activities that support local communities.

At the end of 2012, we employed 2,994 workers worldwide on a permanent contract basis, and engaged over 1,000 temporary and third-party employees on a seasonal basis, mostly in India and Israel. Our overall permanent employee base has increased each year, by 4% from 2011 to 2012 and by 11% over the previous four years, which is a testimony to the growth of our business throughout the world.

Netafim permanent employees at year end				
Region	2012	2011	2010	2009
India	1,003	907	805	714
Israel	822	831	774	755
Americas	667	643	605	581
Rest of world	502	489	487	631
TOTAL	2,994	2,870	2,671	2,681

Total employees in 2012	
Global permanent employees	2,994
Temporary employees (Israel and India)	303
Third-party employees (Israel and India)	503
Total employees	3,800

Criterion 7:

Effective management systems to integrate labor principles

Human resources management at Netafim is led by a member of the Netafim Executive Management Team, the VP for Resources, and supported by a team of corporate-level HR specialists and managers responsible for supporting business objectives across various regions. Our human resources policies aim to ensure that employee rights are respected and processes are embedded to enable all employees to maximize their potential.

Diversity and Equal Opportunity Employment

Maintaining operations in 27 countries, we place great importance on local workforce empowerment, with the objective to support growth by hiring locally. We embrace every employee, and value differences in gender, nationality, religion, age, sexual orientation, physical ability, and all other aspects.

Women at Netafim

Netafim is an equal opportunity employer, and welcomes both women and men in all roles. Traditionally, the agricultural business has been male-dominated, which is reflected in our current employee base. In Israel, where nearly one-third of our employees are located, women represent 23% of the workforce. Most of them are employed in technical and administrative positions, with some engaged in manufacturing or in-field roles.

Netafim employees 2011-2012 by gender							
	2012				2011		
Region	Men	Women	% Women		Men	Women	% Women
India	963	40	4%		889	18	2%
Israel	630	192	23%		655	176	21%
Americas	530	137	21%		511	132	21%
Rest of world	393	109	22%		389	100	20%
TOTAL	2,516	478	16%		2,444	426	15%

In Netafim India, the overwhelming majority of jobs require either physically challenging work (in production), or field work, including traveling alone to remote locations (for sales). Traditionally, these positions are less appealing to women, and therefore, the percentage of women in our Indian operations is low (4%), although the number of women employees more than doubled compared to 2011. Most women in Netafim India are employed in administrative positions within the HR, IT and accounting departments. However, since Netafim is an equal opportunity employer, we welcome applications from women for any available jobs, and make efforts to encourage their recruitment.

Employee Reward and Recognition

We reward employees fairly, equitably and competitively in accordance with local market conditions in the countries in which we operate. All employees receive a base salary equal to or higher than the legal minimum wage in all countries of operation. Local remuneration levels are

determined in each subsidiary, and are in line with local employment laws, market norms and personal skills and performance.

In addition to salary, typical benefit packages for permanent employees include elements both required by law and that go beyond minimum legal provisions, such as pension plans, health insurance, paid vacation, and maternity and sick leave. Additional benefits are offered by each country in accordance with market standards and local norms. These may include an annual bonus, an annual clothing budget, gifts for birthdays and other family celebrations, free or subsidized meals, and special savings funds.

Freedom of Association

We support the right of employees to freedom of association and collective bargaining. In practice, all Netafim employees are hired on personal contracts, and are not represented by employee associations. Our respect for employee rights, access to management, and employee involvement in business decisions means that Netafim employees typically have not felt the need to form or join an association to protect their rights.

Child and Forced Labor

We oppose all forms of child and forced labor. No children under the age of 15 are employed in any of our operations around the globe. All employees join and remain at Netafim on their own free will, and sign an agreed-upon employment contract prior to starting employment.

Listening and Responding to our Employees in Israel

We carried out organizational changes in 2012 due to the majority acquisition of our company by a respected investment fund. This led to changes in our kibbutz-ownership structure, which, in turn, affected employees – especially those who had been part of the former ownership structure as kibbutz members – in various ways. This, together with an employee survey conducted for the first time ever at Netafim, indicated that we needed to invest in more intensive communications to keep employees updated and offer them support during this period.

Our HR team in Israel initiated meetings with employees, including a series of roundtables with the CEO. Following these consultations, an Employee Satisfaction Improvement Plan was developed in Netafim Israel comprising six main action channels:

- **Creating a new vision, mission and values statement:** This process engaged employees in discussions about our company's purpose and contribution, and helped align them with a new expression of shared culture and objectives.
- **Improving welfare programs:** New social initiatives were created to offer support to employees and their families. These include extended health insurance, lectures, day trips, and activities for employees' children.
- **Ensuring management presence:** Emphasis was given to maintaining a strong management presence in remote working locations to maintain a strong connection with employees and understand their views and concerns.
- **Engaging mid-level management:** A focused program to engage mid-level managers was developed to ensure that their needs are effectively addressed.
- **Communicating internally:** New dedicated communication channels were established to ensure that employees always remain informed. These include roundtables and regular

communications materials such as newsletters and informative emails. A new full time internal communications position was established to ensure effective communications between management and employees and between company departments.

- **Enhancing key processes:** New and existing employee processes, such as a new performance evaluation process, were reviewed and enhanced to improve organizational effectiveness.

Employee Training and Development

We aim to provide our employees with training that will help improve their capabilities and skills in current and future roles. Development programs at Netafim include management training and development, as well as professional and personal skills training.

Employee Health and Safety

We are committed to maintaining a safe and healthy work environment for all employees. All employees are offered annual health checkups, while noise, hazardous materials, air quality and radiation surveys are performed regularly. Our prime focus is on accident and injury prevention. As such, we maintain strict compliance with occupational health and safety regulations and international standards, and offer comprehensive training in safety procedures for employees when they join the company and throughout their employment. In Israel, Netafim adheres to the Standard SII 18001:2007 (Standards Institution of Israel) Israeli Occupational Health and Safety standard at all plants.

Netafim employees, especially those working in manufacturing facilities, participate in several health and safety training modules each year. New employees receive safety training as part of their corporate orientation. In 2012, we conducted 35 modules totaling over 20,000 training hours, including fire safety, refresher courses for employees in high-risk roles, first-aid training, and safety procedures at workstations.

We maintain a Corporate Safety Committee comprised of trained safety officers, managers and employees. The Committee meets several times a year to review practices and approve annual safety plans and progress. All Netafim factories maintain a local Safety Officer who is responsible for reviewing safety incidents and approving corrective action, monitoring local practices, and ensuring implementation of training plans.

Currently, we have workplace safety data from our operations in Israel and India, where 57% of our global workforce is located. We will report safety data for the rest of our global operations in our upcoming Sustainability Report to be published in 2014.

Lost-Time Injuries	2012	
	Number	Rate
Israel	49	5.59
India	3	1.52

Lost Workdays	2012	
	Number	Rate
Israel	458	52.22
India	15	7.58

Lost-time injury and lost-workday rates are calculated per 200,000 working hours.

Sadly, we experienced one fatality in 2012: an employee at our Magal plant in Israel was killed during a short bicycle ride from the factory to the dining room located at the kibbutz adjacent to the plant. We fully investigated this incident and communicated the need for extra vigilance to our employees.

Communicating with Employees

We aim to update all employees on global developments in sustainable agriculture, our business strategy and performance, and organizational processes and procedures. We communicate with our employees through several channels:

- **Roundtables:** We launched a series of roundtable meetings with our CEO across all Israeli operations in 2012 as well as with Business Unit management worldwide. The CEO visits each of our three plants in Israel, and the headquarters every two or three months, meeting with at least 40 employees during each visit. Another series of roundtables is conducted by our VP of Operations so that employees can meet with at least one senior manager each month. About 70% of employees had participated in at least one roundtable meeting as of July 2013.
- **Intranet portal:** We maintain several Intranet portals enabling employees to access information about the business and knowledge-sharing documents that help support individuals in their jobs. We created two new portals in 2013 – agronomic, and engineering and projects
- **Employee newsletters:** Newsletters are published quarterly and summarize relevant news and global updates for employees. Newsletters are also issued at local country level.
- **Management Forum:** This is comprised of all of Netafim's Global Business Unit Managers, and convenes twice a year in Israel, in addition to phone conferences every quarter, with some 30 managers attending each forum.
- **Global Leadership Conference (GLC):** This is a forum of all business units and subsidiary managers. The GLC meets once a year, and ensures that best practices are shared and important programs are rolled out uniformly globally.



Photograph by Joël Lapique, from Netafim's Sustainability in a Snapshot 2013 photo contest

**Criterion 8:
Effective monitoring and evaluation mechanisms of labor principle integration**

Performance Evaluation

All Netafim employees participate in an annual performance evaluation that includes a review of last year's performance versus targets, and setting objectives for next year.

We modified our performance evaluation process in 2013 in order to create a global format that better reflects the link between performance and reward, and which places a stronger emphasis on individual and organizational objectives. Furthermore, we added monitoring capabilities so that results are entered into a single database and can be collated at the corporate level, providing a high-level picture of the organization's capabilities at any given time – rewarding outstanding employees while building development plans for weaker performers. This process is structured in a way that CEO objectives are cascaded top-down.

90% of our employees participated in the performance evaluation process in 2012.

Employee Satisfaction Survey

We conducted our first global employee satisfaction survey in 2012, in which 84% of our employees worldwide participated. The survey measured employee attitudes toward Netafim, their roles and their managers.

The highest positive score among employees (78.4%) was willingness to recommend Netafim as a workplace to their friends, an indicator of high employee engagement. Based on the results, opportunities for improvement included familiarity with internal procedures and internal communications. In response, measures are being taken to address these issues, which have been included for the first time in annual managerial work plans. An example of a direct response to employee feedback was the establishment of a new internal communications position. The results of the survey were communicated to all managers and in 2013, every manager undertook an objective to build a working plan according to survey results. We are aiming to conduct this survey every 2 years in order to gain insights which will help us improve employee satisfaction, motivation and engagement.



Photograph by Barakha Singh, from Netafim's Sustainability in a Snapshot 2013 photo contest

Criterion 9

Commitments, strategies and policies in the area of environmental stewardship

Environmental stewardship is core to Netafim's business offering, and is constantly at the forefront of our priorities in all our activities, from product development and design through application of Netafim products, to life cycle impacts. Our drip irrigation systems positively impact the environment in many ways, including optimization of arable land use, reduction of energy consumption, water conservation, and lower agrochemical consumption, all of which positively contribute to climate change. We believe that our prime contribution is improving global sustainability by promoting awareness and the use of precision irrigation systems for sustainable productivity, thereby enabling farmers worldwide to grow more with less.

We also strive to minimize direct environmental impacts by exhibiting a precautionary approach to manufacturing, logistics and support operations management, and to the direct consumption of materials in product manufacturing and distribution.

Environmental Policy

We aim to bring about proactive, sustained improvement in our environmental performance, and to minimize negative environmental impacts caused by our products and operations. At the same time, we comply with environmental legislation and applicable regulations in every country in which we operate. We strive to quantify our environmental impacts and be accountable for them by emphasizing environmentally-positive product design, minimizing resource consumption in all manufacturing and supply chain operations, reusing and recycling materials, and carrying out responsible waste management. We partner with key stakeholders to ensure that our environmental impacts are addressed at each stage of the supply process for the benefit of our customers, society as a whole, and future generations.



Photograph by Maryagui Aguilar, from Netafim's Sustainability in a Snapshot 2013 photo contest

Criterion 10

Effective management systems to integrate environmental principles

Responsibility for environmental management at Netafim is led by our CEO and supported by a company-wide commitment to improve and mitigate environmental impact throughout our operations.

In Israel, where most of our manufacturing takes place, environmental activities are managed through a dedicated position in each of our three factories, which together form the Environment and Quality Forum. An Environmental, Health and safety (EHS) manager is responsible for aligning processes and work plans between the plants.

The EHS manager and site team meet weekly to discuss issues and progress on corrective actions and regulatory updates. In addition, the Environment and Quality Forum meets six times a year to discuss and review issues, exchange ideas and share knowledge. An annual management report is provided to senior management.

We conduct environmental risk assessments of the direct impacts of our production operations. These include conservation and rehabilitation of nature and biodiversity, air, water and soil pollution prevention, noise and odor prevention, greenhouse gas reduction, natural resource reduction, and water use and waste management reduction (sewage and hazardous waste and detergents). In addition, the EHS team maintains our ISO 14001 and ISO 18000 certifications in our three Israeli factories. Such compliance includes two annual audits performed by external auditors, as well as preparatory internal audits.

We currently track data in our Israeli operations, and are working toward collating global data for future reporting. We will present global environmental performance data in our upcoming Sustainability Report to be published in 2014.

Reducing Energy Consumption

Netafim's only source of energy for its manufacturing operations is purchased electricity, which is used for powering all manufacturing and office-based operations. Electricity is sourced from the national electricity grid in all countries in which we operate. Netafim does not produce its own electricity.

Efforts to reduce energy consumption in our operations include modifications such as lighting retrofits to energy-saving T5 bulbs, energy-efficient air conditioners, the raising of chilling-water temperature by 2 degrees, and structural modification for improving energy efficiency.

New equipment purchases are also aligned with energy-efficiency objectives, such as air compressors that automatically maintain and adjust the pressure needed for production. This automated capability enables constant steady pressure that saves energy compared to the former compressors, which consume higher levels of energy in stop-start activities.

Indirect energy consumption Purchased electricity (kWh)		
	2012	2011
Hatzerim	23,120,439	23,800,000
Magal	17,206,416	16,452,000
Yiftach	8,120,025	7,989,304
Tel Aviv (HQ)	418,370	375,450
TOTAL	48,865,250	48,616,754

Our absolute energy consumption level increased by 1% due to increased production levels in 2012. However, in terms of energy intensity – electricity consumed per ton of processed raw materials – our performance improved at all sites, resulting in an overall 6% improvement in 2012.

Energy intensity (manufacturing) Electricity consumed per ton of raw material (kWh/ton)			
	2012	2011	% change
Hatzerim	1,210	1,322	-8%
Magal	1,165	1,235	-6%
Yiftach	1,758	1,830	-4%
Total	1,270	1,352	-6%

Reducing Water Consumption

Water in Netafim locations is primarily used for manufacturing processes, cooling and hygiene. All water is provided by national grids in the locations in which we operate.

We employ several measures to reduce water consumption both in our factories and offices. For example, all factories maintain a water tank in which water used for chilling is continuously recycled at a rate of 8m³ per hour per production line, thereby avoiding the supply of hundreds of cubic meters of new water every hour.

We used 49,886m³ of water in our Israeli operations in 2012 compared to 40,602 m³ in 2011, a 22% increase due to increased production levels.

Reducing Carbon Emissions from Manufacturing

Currently, we calculate carbon emitted from electricity consumption only at our Israeli manufacturing plants. We will present carbon emission data from our global operations in our Sustainability Report to be published in 2014.

Carbon emissions from electricity in tons (manufacturing)		
	2012	2011
Hatzerim	16,947	17,445
Magal	12,612	12,059
Yiftach	5,952	5,856
Total	35,511	35,360

Our absolute carbon emissions increased in 2012 due to increased production. However, in terms of emission efficiency – carbon emissions per ton of raw material – we achieved a 7% reduction in 2012.

Carbon emission intensity (manufacturing) Carbon emissions per ton of raw material			
	2012	2011	% change
Hatzerim	0.89	0.97	-8%
Magal	0.85	0.90	-6%
Yiftach	1.29	1.34	-4%
Total	0.92	0.99	-7%

Reducing Raw Materials Usage

The main raw material used in our factories is polyethylene for manufacturing dripperlines. We used over 80,000 tons of polyethylene globally in 2012. In addition, we use small quantities of packaging materials (carton board) and plastic shrink-wrap, as well as paper for labeling and delivery documentation.

We reduce the volume of input raw materials by focusing on polyethylene in two ways:

1. All plastic waste from production lines is rerouted back into production, resulting in near-zero raw material loss at all Netafim plants worldwide.
2. By design, we reduce dripperline wall thickness specifications while retaining compatibility with the high performance specification of our irrigation systems.

We reused over 10,000 tons of recycled polyethylene in our global production in 2012 from production scrap as well as material recycled from used dripperlines that were collected from customers.

Increasing Packaging and Transportation Efficiency

We embarked on a new initiative in 2012 to improve the packaging efficiency of one of our leading products, the Streamline™ dripper, which is responsible for 25% of our logistics transportation requirements. We increased packaging and shipping efficiency by reducing the buffer space above packed drippers in each box from 5cm to 1cm, thereby increasing the number of drippers in each box by 28%, and decreasing the number of pallets shipped by 14%. This program is now being implemented globally, and further opportunities to modify other product packaging in a similar way are under review.

Additionally, in order to reduce packaging waste in our Israeli operations, we extensively reuse carton packages for internal use. About 500 carton boxes are reused every day, each undergoing eight cycles before being discarded.

Recycling Dripperlines

We have developed processes to retrieve used dripperlines and either recycle them back into production or redeploy them for use in other industries. Netafim maintains partnerships with local recycling operations in many of the countries in which we operate to retrieve dripperlines

and route acceptable quality products for recycling or resale. The countries that have made the greatest progress in dripperline recycling are the U.S., Israel and Australia.

Recycling Dripperlines in the U.S.: Netafim USA is a pioneer in dripperline recycling, and has been offering this service to customers for several years. Netafim collects waste plastic tubing from farmers' fields in California, and recycles plastics for use in dripperline products for mining and landscape applications. To raise awareness among farmers and to encourage them to use this service, Netafim USA actively reaches out to farmers by participating in trade shows throughout California, and by advertising on local radio stations and in agricultural trade publications. Netafim USA offers cash incentives and vouchers toward the purchase of new Netafim dripperlines for participating customers. Some 200 growers participate in the collection and recycling program. In 2012, almost 1,400 tons were collected, of which 67% were recycled into new dripperlines and 33% were routed for reuse in other industries.

Recoiling Dripperlines in Australia: Based on customer feedback several years ago, Netafim Australia identified the need to collect and recycle dripperlines. Since then, the subsidiary has been working to improve the efficiency of this process. Most recently, Netafim Australia acquired three new machines to be used by customers for recoiling used dripperlines. The machines enable easier retrieval and lighter, tighter packaging to ensure optimized transportation of used dripperlines. Some 340 tons of plastic tubing from customers, of which 76% were recycled into new dripperlines, were collected in 2012.

Recoiling dripperlines by Netafim Australia



Criterion 11:**Effective monitoring and evaluation mechanisms for environmental stewardship**

In order to manage and control our environmental impacts, we establish goals, targets and timetables for environmental performance improvement, which are supported by performance measure indicators and reporting processes. These are determined and managed locally by each manufacturing operation.

We will report on performance versus targets in our Sustainability Report to be published in 2014.

Criterion 12**Commitments, strategies and policies in the area of anti-corruption**

Our commitment to fight corruption and advance anti-corruption practices is embedded in our Code of Business Conduct, and is rooted in the values upon which Netafim was founded. We work to implement this approach throughout our operations worldwide – in our internal dealings among employees and managers and in our external dealings with partners, suppliers and customers.

We observe local anti-corruption laws and regulations such as the UK Anti-Bribery Act and the U.S. Foreign Corrupt Practices Act (FCPA). We ensure that all employees are updated and thoroughly trained regarding their responsibilities to uphold anti-corruption practices.

Criterion 13:**Effective management systems to integrate the anti-corruption principle**

Netafim's Code of Business Conduct rests on a strong platform of both values and legal compliance. It applies to all Netafim directors, officers and employees without exception, and is related to all activities, whether internally with colleagues, or externally with customers, suppliers, partners, shareholders and other Netafim stakeholders.

Our Code of Business Conduct includes a strict policy regarding improper payments and gift receipt/giving.

Improper Payments

Our reputation for honesty and integrity must not be put at risk by offering illegal payments to any public or non-governmental organization official. Netafim does not allow bribes or improper payments.

Gifts and Gratuities

We maintain and strengthen our credibility and integrity by refusing to accept gifts or entertainment from business partners, and not offering similar favors to customers, suppliers or other third parties. All our business decisions are based on merit alone, and no conflict of interest or granting of benefits exists in relationships between employees and external parties with whom they maintain business relationships.

Criterion 14:

Effective monitoring and evaluation mechanisms for the integration of anti-corruption

Our Code of Business Conduct includes a strict requirement of all employees to report suspected breaches of the Code's provisions. Instructions for preparing a report regarding violations or a suspected breach of the Code are provided to all employees, appropriate training is offered, and reminders are occasionally issued. Anonymous complaints are also received and treated with equal importance. All reports are directed to the Netafim General Counsel via mail, email or Intranet portal. All submissions are thoroughly investigated, and appropriate action is taken and subsequently reported to Netafim's Board of Directors. We ensure that no reprisals are taken against employees who report alleged breaches of the Code of Business Conduct.

Internal Auditing

A new in-house internal auditor position was created in 2012 as part of our efforts to improve risk management, compliance, control, and governance process effectiveness. Our in-house auditor collaborates with Netafim's third-party internal auditor to provide insight and recommendations and to improve business processes.



Photograph by Moran Ben-Ami, from Netafim's Sustainability in a Snapshot 2013 photo contest

Criterion 15:

Core business contributions to UN goals and issues

Our promise is to advance sustainable productivity through our technologies, systems and services that we provide to customers worldwide. Delivering on this promise obliges us to take a broader view and go beyond direct contact with farmers. It means addressing the global, regional and local infrastructures that support the awareness, understanding, capability and economic viability of implementing drip irrigation systems to grow more with less for basic crops cultivated in high volumes or for high-value cash crops.

Products that Help Grow More with Less

Drip has been proven to be an effective irrigation method for most crops, leading to greater and higher quality yields, while requiring less water and energy compared to other irrigation methods. At the forefront of the drip irrigation technology, we are passionate about advancing the "drip revolution" – mass adoption of drip irrigation – by making it available and accessible to customers everywhere.

Our drip irrigation solutions can help alleviate many of the global challenges we face today, including food security, land contamination, and the climate burden of carbon emissions. These challenges impact governments, businesses and individuals in both developed and developing countries. In this realm, our drip irrigation systems offer the following benefits:

- Improved water conservation through low-flow rate dripper systems that enable water recycling and crop management technology, leading to better planning and automation of irrigation schedules.
- Reduced fertilizer use and minimal soil contamination.
- Lower energy requirements due to the use of gravity-based systems, thereby contributing to a reduction in energy consumption and greenhouse gas emissions.
- Increased yields with reduced dependency on rainfall, thereby enabling better and more consistent food supply and alleviating poverty among smallholders. Farmers using our systems achieve a 50%-100% increase in income and up to a 40% reduction in production costs, turning economic stress into sustainable opportunities.
- Easier implementation of agriculture in arid regions due to lower water requirements, which contribute to halting the desertification process that threatens to reduce habitable land and to change habitats in desert-adjacent areas.

Family Drip System™

Smallholder farmers face fundamental challenges in their efforts to increase yields and improve crop quality. This is a common issue in emerging markets, where farmers work with very small land areas and maintain inadequate financial resources to invest in farming technologies. It is estimated that 80% of the food produced in emerging economies comes from smallholder family farms. As such, supporting smallholders is a critical way to advance both food security and economic development in these regions.

Key obstacles that farmers routinely face include uneven distribution of water and nutrients, wasted water due to runoff and evaporation, and intensive labor requirements. Their water supply is typically limited or located beyond reasonable proximity and is often poor in quality. Netafim developed the Family Drip System (FDS™) to respond to these needs. FDS™ is a gravity-based drip irrigation system enabling drip irrigation of crops with existing resources, while not requiring a pump or electricity. Since FDS™ operators do not need prior technical knowledge, it represents a unique and accessible irrigation solution.

In addition, given the affordable purchase cost of FDS™, farmers can return their investment within the first year and continue to enjoy significant additional economic benefits.



Farmers in Brazil receiving the easy-to-install FDS kit



Enjoying higher quality yields in Brazil

**Criterion 16:
Strategic social investments and philanthropy**

Community involvement has been a core element of our corporate identity from the company’s outset. Leveraging our global reach, we continue to be involved in our communities with the help of our partners and employees.

Through our core business – advancing precision irrigation and sustainable productivity – we strive to support community empowerment and economic development. Drip irrigation products provide a basis for improving livelihoods and enabling communities to do more with less. By donating our products and providing training to local communities, Netafim makes a contribution to the quality of life and sustainability in communities worldwide.

Global community investment 2012 (U.S.\$)	
Financial donations	57,436
Product donations (cost value)	58,540
Total	115,976

Employee volunteering 2012 (Israel)	
Number of employee volunteers	598
Volunteering time (hours)	8,500



Photograph by Pandurang Bansode, from Netafim’s *Sustainability in a Snapshot 2013* photo contest

Supporting Agricultural Development in Kenya

Netafim donated 15 Family Drip System kits in 2012 to the Furrows in the Desert agricultural development project in Kenya, which aims to alleviate hunger and poverty in the country's arid Turkana district. The region is characterized by very low precipitation and infertile soil, and therefore, cultivation is impossible without proper irrigation and agricultural expertise. FDS™ requires neither electricity nor technical knowledge for operation and effectively irrigates crops even with a limited water supply. As such, the solution saves lives among Turkana district residents.

Furrows in the Desert was initiated by the Spanish Missionary Community of Saint Paul the Apostle (MCSPA), which recruited two research institutions from Israel – Central & Northern Arava R&D and The Arava Center for Sustainable Development. These institutes research and support the agricultural development of Israel's Arava region, which is renowned for its sophisticated farming techniques in challenging climatic conditions. MCSPA also engaged a third organization, Brit Olam, which operates community-based development programs to reduce poverty and vulnerability in developing countries. Furrows in the Desert aims to promote food security in the Turkana region by providing local communities with knowledge and tools to cultivate the land and grow their own food. This is achieved by a training program managed by the four organizations and implemented by Israeli volunteers who have specific expertise in desert farming.

During the six-month program, participants live on a training farm where they learn everything needed to start and maintain their own farm, utilizing the agronomic and agricultural knowledge they acquired. At the end of the program, each participant receives tools, seeds, pesticides and an FDS™ kit with which they can start their own farm. The new farmers receive plots in different areas with water sources prepared in advance by the MCSPA.

In order to transfer know-how and increase the circle of impact, each farmer hires two people to work on the farm, and passes down his knowledge to them. After six months on the farm, the employees can move on to work their own plot. The trainer-volunteers continue to supervise participants with weekly visits to their farms.

Since the project began in July 2012, 65 people have been trained and started their own farms. These farmers now grow tomatoes, melons, okra and legumes, and generate good yields relative to the area's harsh agricultural conditions. Residents now enjoy improved nutrition, which includes a variety of minerals and vitamins, and no longer solely rely on food from aid organizations.

Supporting an Organic Farm

Netafim donated equipment and employee volunteering time in 2013 to help build an organic farm in Beit Zayit, a small community near Jerusalem that provides a framework for youth dropouts. A private initiative of education and agricultural professionals, the farm was designed as a social enterprise. In addition to generating income to support its employees, the program provides underprivileged youth with a framework in which they can work, earn money and acquire skills to help them integrate into the job market.



Netafim volunteers install a drip irrigation system at Beit Zayit

Over 40 Netafim employees helped build the farm during two days of volunteering in which they prepared the land, created furrows, built a fence, installed drip systems and planted seedlings. We continue to support the farm by consulting on agricultural and irrigation aspects. Netafim has donated irrigation equipment worth over \$1,200 and invested over 600 employee volunteering hours to date. The farm began operating in July 2013, and currently employs 12 teenagers, supplying organic fresh vegetables and fruit to about 60 customers.



Netafim volunteers at Beit Zayit

Teaching Sustainable Agriculture

Netafim's Magal factory hosted 165 fourth graders from five schools in a neighboring city during the 2012-2013 school year. Our employees developed an experiential program in which children learned about sustainable agriculture and irrigation by conducting experiments and playing games. The program took place in Magal's greenhouse, and included games to help children learn about machines and systems for greenhouse operations, the effect of temperature on different vegetation types, and variations in soil and plant root types.

Focus is placed on teaching children about how drip irrigation works and its benefits. Netafim volunteers also helped the children create a handmade drip system from a plastic bottle. Over 30 volunteers invested 200 hours in creating and preparing the program, and in teaching and guiding the children on their visit to the Netafim Greenhouse Park at Magal. The program provided children with a unique experience through which they learned more about nature and agriculture outside the classroom.

 משאבת ונטורי	 טפטפת מווסתת - PCJ	 טפטפת אינטגרלית - לא מווסתת Streamline	 וסת קווי
 מחבר שן	 אל נגר שלוחה	 ממטיר - ג'ורנט טורבו	 ממטיר - מנהנט
 מחבר לצינור טפטוף	 ממטיר סופר - נט	 אל נגר	 ספינט
 משקולת לטפטפת עצמי	 סופית "משקביים"	 קולנט	 משקולת לעמדה תלויה

Netafim "Irrigation Bingo" – one of the games in the program



Schoolchildren make homemade drip systems

Criterion 17: Advocacy and public engagement

We are committed to sharing our knowledge and expertise in water conservation, access to water, and agricultural efficiency as part of the global dialogue for advancing sustainable development. As such, we actively engage with governments, academic institutions, environmental organizations and other businesses in a range of collaborative initiatives at local, regional and global levels.

We participate in global conferences on water and food sustainability, and are active in several UN frameworks including the UNGC LEAD platform and CEO Water Mandate. We engage with these inter-connected platforms in various ways by participating in multi-stakeholder projects and working groups including the Sustainable Agriculture Business Principles Core Advisory Group of the UNGC program. We are also involved in three primary areas of dialogue and policy advancement relating to water and human rights, corporate water disclosure and engagement and collective action.

We were awarded in 2013 the prestigious Stockholm Industry Water Award (SIWA) in honor of our contribution to sustainable water management. The award was granted by the Stockholm International Water Institute (SIWI), in collaboration with the Royal Swedish Academy of Engineering Sciences and the World Business Council for Sustainable Development. SIWA recognizes improved performance in production processes, new products and management, as well as innovative approaches in water and wastewater technologies, which together help improve the world's water situation.



Criterion 18: Partnerships and collective action

In our efforts to make drip irrigation accessible to farmers around the world and to encourage mass adoption, we collaborate with business partners, governments and organizations. In this way, we bring drip irrigation to all corners of the globe, educating farmers about the many benefits of this method.

Improving Livelihoods in India

The power of drip irrigation to transform economies and enhance lives and social well-being can be demonstrated in nearly every part of the world in which we operate. Drip technology supports farmers from the smallest of smallholders to the largest of complex agricultural corporations. In India, we are pleased to combine support for individual farmers with a long-term, multi-partner strategic corporate program that will make sustainable productivity a reality in this important emerging economy.

In 2012, we became a strategic partner of the Direct Farm program, an initiative launched in 2008 by Bharti-Walmart, a joint venture of Bharti Enterprises, one of India's leading business groups, and Walmart, the world's largest retailer. The Direct Farm program aims to support sustainable productivity by helping farmers adopt modern farming technologies and improved agricultural methods. Enhancing cost-efficient productivity, the program also provides guaranteed financial outcomes through a product buy-back of the majority of each participating farmer's produce. Overall, the program aims to assist up to 50,000 small-to-medium-sized farmers in India.

As the exclusive drip irrigation partner in the Direct Farm program, our role is to introduce drip to Bharti-Walmart's growers and encourage their interest in this transformative technology. We present irrigation systems and practices in three Bharti-Walmart demonstration centers in northern and central India, and offer farmers the possibility of seeing irrigation "in action" in the field. In our first year of participating in the program, we presented drip irrigation to over 3,000 farmers who visited our agronomists and engineers at the demonstration centers. We have recorded a sharp rise in interest in drip and the start of a new level of uptake. We engage at an individual level with each farmer, identifying the most relevant technology and relevant practice for each, and providing targeted advice for optimum results. Overall, farmers who adopt new agricultural technologies are expected to achieve a 20% increase in productivity and income.

Through the Direct Farm program and our partnership with Bharti-Walmart, we fulfill our promise of helping the world grow more with less, while expanding drip irrigation accessibility and improving the livelihoods of farmers and communities across India.

Project Figaro

Flexible and precise irrigation platform to
improve farm scale water productivity



Project Figaro is a collaborative research project of 17 partners headed by Netafim and supported by a EU R&D program. The objective of Project Figaro is to develop a cost-effective precision irrigation management platform that will enable a significant reduction in the use of fresh water for agriculture in Europe.

The new platform will be based on uManage™, Netafim's latest crop management technology offering, which allows farmers to control and manage their crops using field-based sensors that transmit real-time data from the field. As a result, users can make immediate decisions in order to regulate the water and crop nutrient flow rates in response to changing external conditions.

Project Figaro further extends the scope of automation by enabling uManage not only to activate irrigation changes based on in-field data, but also to support decision making by using real-time data acquisition capabilities, forecasting tools, data interpretation and evaluation mechanisms. Providing farmers with full irrigation scheduling support, the project enables them to make a more calculated and informed decision while saving on resources.

In addition to these technical features, Project Figaro aims to design a platform that is flexible, cost-effective and user-friendly, with minimal maintenance requirements, to encourage user acceptance and uptake. The four-year project includes field trials in plots throughout Europe and Israel, through which the platform's capabilities will be tested in real time under different climates and conditions and then improved to reach maximum results. Demonstrations will be held in the project's fourth year to allow for dialogue and feedback from end users and other agricultural community members. We are currently in the project's initial stages, which includes preparation of a detailed design specification of the development process, and outlining the system's features, objectives and financial feasibility.

Project Figaro helps unleash knowledge and technical capabilities acquired through many years of research in academic institutes and in the commercial market, and makes them available to growers. These solutions will support good decision making regarding irrigation and fertilization scheduling, thereby helping growers make more sustainable use of natural resources and adapt agricultural practice to climate change necessities.

For more on Project Figaro, please visit www.figaro-irrigation.net.

Enabling Sustainable Potato Chips

Netafim was involved in a drip irrigation trial initiated by PepsiCo and Netafim's UK technical partner, Eden Irrigation Consultancy, in 2011-2012. The trial took place in four potato farms, covering over 76 hectares, in different regions throughout the UK, and compared results of crops irrigated by drip to those irrigated by sprinklers and other methods.

These trials are part of PepsiCo's commitment to help growers "grow more crop per drop", whereby the company encourages suppliers to adopt more sustainable agriculture and irrigation methods. The potatoes grown in these fields are to be used in the manufacture of Walkers Potato Crisps, a PepsiCo brand.

The easy-to-install system used in the trial includes Netafim's FlatNet™ pipe, which requires minimal time and manpower to install and maintain, and DripNet PC™, a low-flow, 0.6 liter per hour dripper. Low-flow irrigation increases crop quality and yields while saving on energy and water costs. The dripper's self-cleaning feature reduces labor time and allows for continuous, uninterrupted irrigation. The system is supported by a Netafim crop management technology (CMT), enabling automated control and measuring of water and fertilizers, as well as irrigation scheduling.

The trial's results demonstrated the sustainability value of drip irrigation compared to other irrigation methods. Plots irrigated by drip yielded more potatoes that were also more consistent in quality and size, with less energy, water and fertilizers. The trials increased crop yield by 7% and used 36% less water per ton in 2011, while increasing crop yield by 5% and using 49% less water per ton in 2012.

Criterion 19

CEO commitment and leadership

Our commitment to sustainability begins with our CEO, who sets the direction and tone of Netafim's culture and work toward our vision. Day-to-day responsibility for sustainable practices lies with the entire Netafim Executive Management Team, and is overseen by our Chief Sustainability Officer.

As part of our commitment to sustainability efforts, we engage in several international platforms aimed at promoting sustainable business practices. We are active in several UN frameworks including the UNGC LEAD platform and the CEO Water Mandate, and engage with these interconnected platforms in various ways by participating in multi-stakeholder projects and working groups.

In honor of our contribution to sustainable irrigation and farming practices, we were awarded the prestigious Stockholm Industry Water Award in 2013.

Criterion 20:

Board adoption and oversight

Our core business, supporting sustainable agriculture through drip irrigation, is inherently focused on sustainability, and sustainable approaches correlate with every aspect of our business. Therefore, all business activity reviews made by our Board of Directors are connected to our sustainability performance and enable the Board to provide direction and guidance.

The Board of Directors receives regular updates on sustainability strategy and performance, and oversees alignment with business strategy and objectives.

Criterion 21

Stakeholder engagement

Our business is based on providing customers with sustainable irrigation solutions by leveraging knowledge acquired from years of research as well as collaboration with different partners, including academic institutes, governments and end users. Our stakeholders are important contributors to our success, and therefore, we strive to engage them in dialogue on a regular basis in various ways.

Our stakeholders consist of the following groups:

Customers: Farmers, growers and irrigation managers are at the heart of our business, as Netafim solutions are tailored to meet the needs of each customer. We hold customer meetings, conferences, workshops, training and education programs, and engage in field trials to ensure ongoing productive dialogue. Among the key concerns raised by our customers are resource conservation, crop yield and quality, customer service, cost-effective solutions, dripperline recycling, and innovative solutions. We constantly work toward improved performance of our products, while increasing accessibility and cost effectiveness throughout their life cycle.

Employees: Our employees are an inseparable part of our success, and are the source of our innovative spirit and commitment to excellence. The main issues raised by our employees involve professional development, fair compensation and benefits, a safe and healthy workplace, and participation in an organization that positively contributes to society and the environment. We maintain dialogue with our employees through global meetings, department meetings, performance discussions, and online internal communications.

Suppliers: Our suppliers support our overall product offering through the supply of raw materials and finished products. Open dialogue takes place at frequent meetings with key suppliers in which we discuss concerns and ideas such as product innovation, performance improvement, and long-term relationships. Working together with our suppliers, we seek to improve performance, efficiency, reliability, and value to customers by providing top-quality solutions.

Business and academic partners: We work closely with other agricultural services and product providers, as well as many academic and research institutions, to advance innovation and agricultural capabilities for sustainable productivity under various conditions. We address issues raised by our partners, such as shared learning, improved impact and sustainable productivity development, through ongoing dialogue and collaboration.

Shareholders: Our shareholders look to receive a positive return on their investment in Netafim. They also demand good governance practices and efforts to improve sustainable innovation, and increasing our presence in developed and emerging markets. We address these requirements in our reports to the Board of Directors where our shareholders are represented.

Regulators: Regulators require that we comply with legislation in the countries in which we operate. Our corporate legal department and locally based legal counsel remain informed of new laws and regulations, helping us remain compliant.

Environmental groups: Environmental groups are interested in how we support sustainable agriculture through viable options for growing more with less, while ensuring minimum negative environmental impact. Some of the key concerns of these groups include resource conservation, recycling, biodiversity protection, and carbon emission minimization. We respond to these issues by improving product performance, delivering better solutions to our customers and improving the direct environmental impacts of our own operations.

Community: Community groups are interested in the increase of access to water as a basic right for all, and in food security. Another expectation relates to our role in advancing the sustainable development of communities and providing employment opportunities. We engage with our communities through training, education and capacity-building programs. In addition, we participate in dialogue and policy development on global sustainability issues through our active participation in global organizations such as the UN Global Compact and the CEO Water Mandate.

About this Report

This report to the UN Global Compact follows the 21 reporting criteria of the UNGC LEAD framework, and lays out our approach, policies and performance progress in the areas of human rights, ethics, society and environment. All data relates to the 2012 calendar year unless otherwise stated.

In this report, we have focused primarily on data from our operations in Israel and India, while providing information on policies and examples of practice from our global operations. Complete data for our global operations will be included in our Sustainability Report to be published in 2014.

More information, including our 2011 Sustainability Report, can be found on Netafim's corporate global website, www.netafim.com, and the websites of Netafim local companies (accessible from the Netafim global site).

Contact Details

This Communication on Progress will not be printed in hard copy. It will be made available to all through the UN Global Compact website and Netafim corporate website. Netafim employees worldwide will be informed of this communication, which will serve as a basis for further dialogue and development of sustainability practices.

Netafim Ltd.

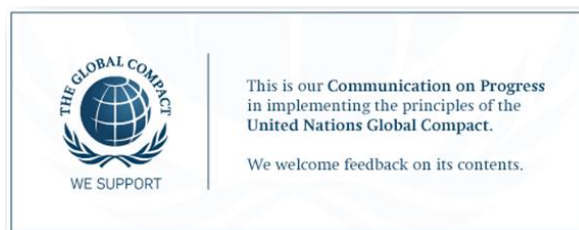
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Netafim welcomes feedback and suggestions regarding this Communication on Progress.

Thank you!



This Communication on Progress has been prepared with the support of an external specialist in CSR/sustainability strategy, reporting and communications that confirms that all content is an honest and accurate representation of Netafim's adherence to UNGC principles. Beyond Business Ltd., www.b-yond.biz

Sustainability in a Snapshot

In April 2013, we launched the ***Sustainability in a Snapshot*** photo contest as part of our ongoing initiatives to promote sustainability awareness among employees and stakeholders. The contest was launched to support the 43rd annual International Earth Day.

The contest involved uploading original sustainability-themed photos to Netafim's' Facebook page. The photographer of the snapshot that yielded the most Facebook "LIKES" won a tablet computer.

The winning snapshot

Netafim *Sustainability in a Snapshot* 2013 photo contest

by Niwat Pomyen



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**UN Global Compact LEAD
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2012

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