



Your Partner for Growth

**UNITED NATIONS GLOBAL COMPACT
COMMUNICATION ON PROGRESS**

ECI Telecom Ltd
Your Responsible Partner for Growth

September 2010





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GLOBAL COMPACT COMMUNICATION ON PROGRESS

ECI Telecom Ltd | September 2010

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Statement of support for the principles of the Global Compact of the United Nations

ECI Telecom has moved beyond the traditional role of a telecom vendor, and has become a partner for growth to our customers worldwide, creating value with values and addressing their daily challenges. Our innovative and leading networking infrastructure technologies support network service providers around the globe in delivering benefits for business and for society in an increasingly virtual world. Since our beginnings as a small technology company in 1961, **ECI Telecom** has undergone several transformations. The result is a strong, global, innovative and dynamic business, bringing unique solutions and applications for over 200 clients in around 70 countries. As a privately-owned Company, we believe that business practices based on responsibility, accountability and transparency are essential for our ongoing success in a sustainable world.

Our robust core of values has served over the years as our internal and external compass, guiding the way we do business, the way we act as a people and the way we impact society and the environment. As we continue to develop our business, we challenge ourselves, always within the framework of our longstanding values system based on respect and integrity. In this context, we have elected to broaden our commitment to include the universally accepted principles of responsible business through participation in the United Nations Global Compact, in support of the broader Millenium Development Goals objectives, and to reporting in a transparent way how we demonstrate this commitment.

This, our first Communication on Progress, is the result of a thorough review of our policies, practices and performance in our global activities relating to the ways in which we apply our core values and commitment to social and environmental responsibility. We have organized this first report in line with the UN Global Compact's 10 principles, and, on behalf of **ECI Telecom**, I commit to providing an annual communication to update stakeholders on our progress.

Sincerely
Rafi Maor
CEO and President
September 2010



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ECI Telecom Profile

ECI Telecom is a provider of advanced telecommunications networking solutions to carriers and service providers in the world. Founded in 1961, ECI is privately owned.

ECI has global reach and is headquartered in Israel with R&D centers in Israel, India, China and the USA, and over 35 regional sales and service centers around the world. **ECI's** revenues exceed \$600 Million annually and the Company has enjoyed year-on-year revenue growth for the past several years.





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ECI Leadership

The **CEO of ECI** is Mr. Rafi Maor, who was appointed President and CEO in 2006, after serving as Chief Operating Officer (COO). Mr. Maor has a wealth of experience in the management of global technology companies including Indigo N.V., Hewlett Packard and Israel Aircraft Industries. Mr. Maor is supported by the following Executive team:



Giora Bitan
Chief Financial
Officer



Eyal Shaked
Head of Network
Solutions Division



Aviel Tenenbaum
Head of Global Sales
& Marketing



Hezi Basok
Head of Global
Business Operations



Eran Talmon
Head of Global
Services Division



Adi Bildner
Head of Global
Human Resources



Arnie Taragin
General Counsel



Laura Howard
Chief Marketing
Officer

ECI Telecom employees

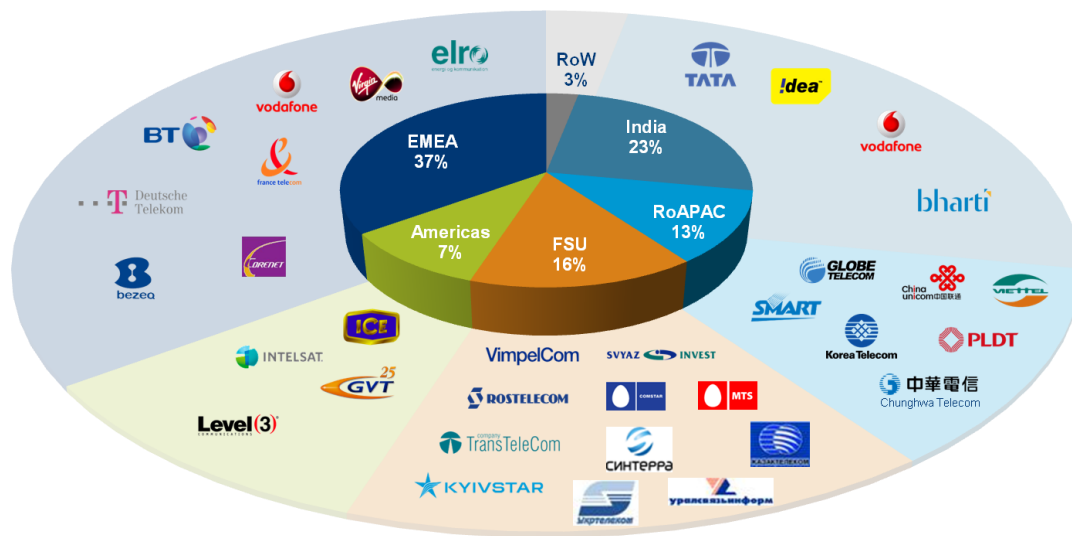
ECI has more than 2,500 employees in 24 offices worldwide.



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ECI global business locations

ECI has over 200 active customers in over 70 countries, including most of the world's major and most advanced telecommunications providers, as can be seen from the chart below (only a small selection of total customers listed):



ECI works to service all customers through the Company's local sales forces and local partners.



ECI's products, solutions and services are offered under 1Net, a comprehensive framework for optimized transition to next-generation networks. 1Net is our customers' **Path for Growth**. **1Net** addresses our customers' challenges and needs as they transition to next-generation networks, mitigating risks and optimizing migration.



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ECI offers a full range of support and maintenance services including full project implementation, maintenance and support services, network planning, design and diagnostics, and turnkey solutions for end-to-end networks combining third party solutions.

ECI Quality

ECI ensures that all operations are performed to the highest quality standards and processes. ECI operations are certified compliant according to the following standards:

- ISO 14001 (Environmental Management),
- OHSAS 18001 (Safety and Health Management)
- ISO 27001 (Information Security)
- TL 9000 (Quality Management)
- ISO 9001 (Quality Management)
- ISO 17025 (Quality Management - Testing and Calibration Laboratories)

ECI Business Approach

The following is at the core of ECI's business approach, which is upheld by the Company's leadership and communicated to employees.

Conducting our business according to the principles of social responsibility

- Increasing our commitment to:
 - Conducting our business with highest levels of business ethics
 - Being involved and making a positive impact on the communities and societies where we live and work
 - Supporting equal rights and diversity norms, being a fair employer
 - Conducting our business in ways that protect and preserve the environment



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ECI Values

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. The 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.



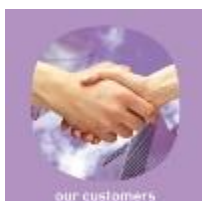
Team Spirit: At ECI, our team spirit binds us together, transcending organizational, functional, and geographic boundaries. We work hard towards a common goal and deliver beyond expectations. We cooperate, collaborate, and empower one another in recognition that a global effort translates into exceptional 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 our employees conduct themselves respectfully to promote these values and lead the Company to long-term, sustainable success and create opportunities for self-achievement and enjoyment.



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ECI Communication and Transparency

Corporate Communications

ECI aims to deliver maximum transparency compatible with its status as a privately owned Company.

ECI's external website contains significant information about the Company on the "About ECI" page, including Company history, corporate values, Company Leadership Team, key policies relating to Quality, Environment and Safety, and **ECI's** community involvement programs. For details, see: <http://www.ecitele.com/AboutECI/Pages/default.aspx>

In addition, **ECI** often receives requests from market research analysts and clients about the Company's compliance with a wide range of regulations and voluntary standards, especially relating to power consumption of our products. **ECI** is happy to provide such information as requested.

The Company often communicates with its customers, through direct mailing, mass e-blasts, subscription campaigns (in which customers opt-in to receive company's updates), and a customer newsletter, issued roughly 6 times a year. The Company also has a dedicated portal for business partners.

ECI encourages having fun! With Social Media

ECI embraces open communications and new technology and encourages employees to make use of Web 2.0 and social media, as another channel in which the Company can engage both employees and customers in open discussions. **ECI** believes this is an important element in developing overall transparency and increasing involvement of all stakeholders. **ECI's** Social Media Policy, designed and written as a guide for employees participating in different social media activities, is available for all employees on the Company intranet. The Policy, periodically updated, is available in English and will be soon available in five languages, to ensure maximum accessibility for all employees around the world. The following are the first two pages of the English language version of the policy.



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Social Media Policy

The purpose of this document is to help you, our employees and contractors, navigate through all new online media forums, known as social media, in accordance with applicable laws and ECI's business interests.

These guidelines apply to all ECI employees and contractors that:

- Have an official social media role sanctioned by the Company, or
Identify themselves online as an ECI employee or contractor

If you do not associate yourself with ECI in any way when using social media, you are free to do as you wish, provided that you do not violate ECI's Corporate Code of Ethics.

These guidelines are not meant to discourage or restrict the use of social media, but rather to provide some important recommendations for engagement.



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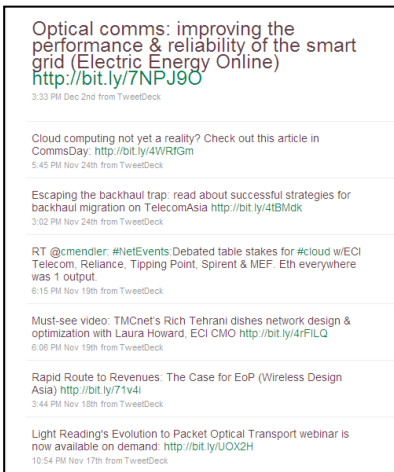
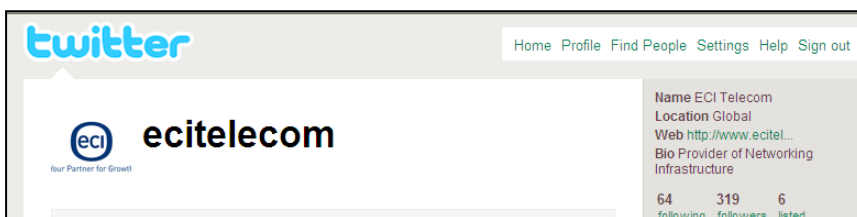
What to do

- Know and follow the ECI Corporate Code of Ethics.
Comply with all copyright, privacy protection, defamation, fair use, financial disclosure and other applicable laws.
Notify the Social Media team via email if you are authoring any blogs or other commentary that relates to ECI Telecom.
Be clear that you are acting on your own behalf and not that of the Company.
Make sure what you say, write, show or otherwise make public is factually correct.
Pass along any pertinent information that you may come across in the blogosphere regarding ECI or its competitors to the Competitive Intelligence department and/or the Social Media team.



ECI maintains a range of Social Media accounts including:

Twitter: www.twitter.com/ecitelecom





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Facebook: www.facebook.com/ECITelecom

The screenshot shows the ECITelecom Facebook page. The profile picture and cover photo both feature the ECI logo and the tagline "Your Partner for Growth". The page has navigation tabs for Wall, Info, Twitter, YouTube, Events, and Photos. Below the navigation is a "Just Fans" section with a "Become a Fan" button. The main content area displays three posts:

- Post 1:** ECITelecom Optical communications for improving the performance & reliability of the smart grid (Electric Energy Online) <http://bit.ly/7NPJ90>. Includes a link to an article titled "Optical Communications for Improving the Performance and Reliability of the Smart Grid - Marcelo Blatt" with a bit.ly link. The post is dated December 3 at 3:23pm.
- Post 2:** ECITelecom Cloud computing not yet a reality? Check out this article in CommsDay: <http://bit.ly/4WRfGm>. Includes a link to an article titled "Cloud computing not yet a reality, says event panel | CommsDay" with a bit.ly link. The post is dated November 24 at 5:45pm.
- Post 3:** ECITelecom Escaping the backhaul trap: read about successful strategies for backhaul migration on TelecomAsia <http://bit.ly/4tBMdk>. Includes a link to an article on telecomasia.net with a bit.ly link. The post is dated November 24 at 3:01pm.

At the bottom of the screenshot, a video post is partially visible, titled "Must-see video: TMCnet's Rich Tehrani dishes network design and optimization with Laura Howard, ECI Telecom CMO" with a bit.ly link. A notification below it says "Lauren Chen likes this."

On the left sidebar, there is a "Fans" section showing 6 of 204 fans, with profile pictures of Alon Bassman, Kate Shopper, Asaf Azarsky, Steven Blunt, Adi Bildner, and Ranjeet Singh. An "Information" section shows the company was founded in 1961.

ECI also maintains an active presence on other networks such as YouTube, Flickr and LinkedIn. Several employees maintain personal accounts and are active in supporting the dialogue between ECI, its employees and all external stakeholders.

In accordance with the Company's social media policy, these employees identify themselves as ECI employees for the sake of transparency when writing about the company and our market.

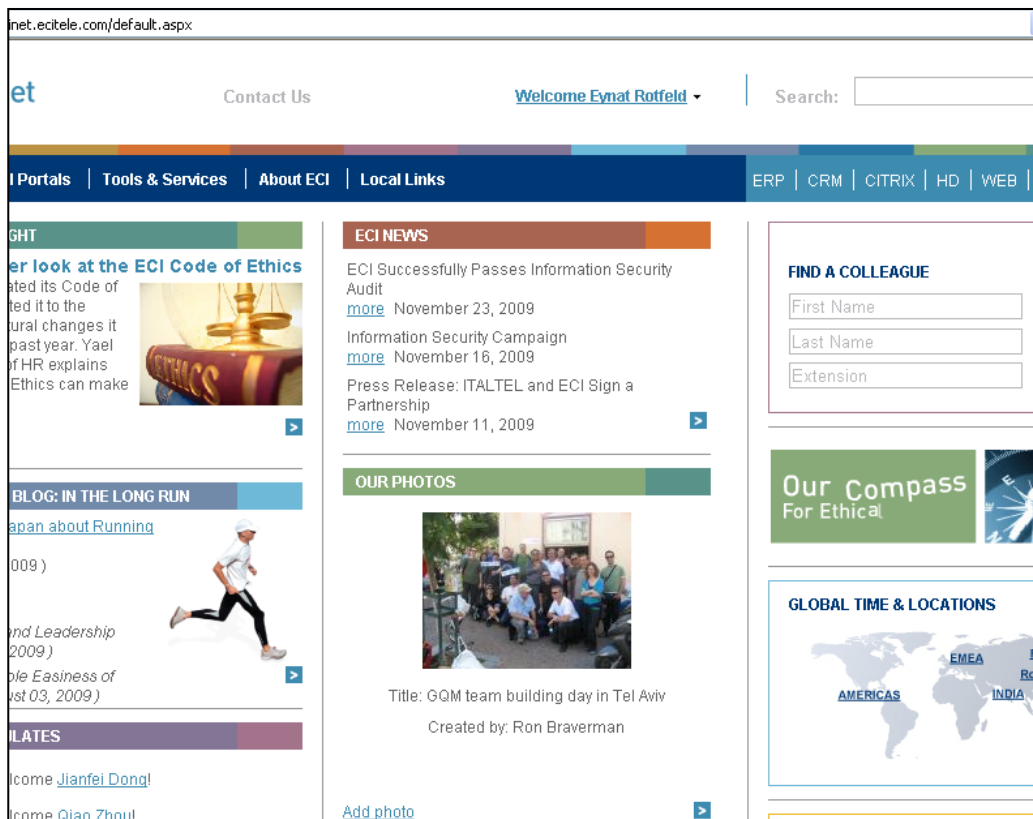


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Internal Communications

ECI aims to keep employees informed and up-to-date on business activities, and relevant social and environmental aspects of the Company's work. In addition, it is equally as important for the Company to hear employees' views on anything related to the Company's business or reputation, innovation opportunities, employees' roles or personal aspirations and expectations. A demonstration of ECI's commitment to internal transparency and dialogue is the continued support for a full-time Manager whose time and energy is dedicated to creating the most appropriate communication platforms and channels for accessibility to all employees in all the countries where we operate. The Internal Communications Manager focuses on building communications tools and guiding processes, as well as gathering relevant content for use through different communication channels.

In 2009, the Corporate Intranet was significantly upgraded to create a platform for enhanced two-way communication rather than just presenting a portal of available information.





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Examples of business processes supported by the Internal Communications Manager include two significant projects in 2009: the **ECI Telecom** Global Strategy Program and the Company's revised Code of Ethics. The Strategy communication process included the development of a presentation, originally delivered to the company's Global Leadership Forum and then cascaded down to all employees. The roll-out of the revised Code of Ethics, mentioned in the Ethics section of this document, was conducted in 2009 in partnership with the Internal Communications Manager, and was presented first to all Division leadership teams, and cascaded in a similar way to all employees.

ECI Internal Services Employee Opinion Survey

As part of **ECI's** efforts to promote excellence in line with Company values, and to evaluate employee satisfaction with the services they receive, a comprehensive survey of all internal processes and services was conducted in 2008/2009. Over 1,300 employees (55% of total) worldwide participated in the survey, which contained 140 questions about all aspects of internal service and employee needs. Many positive aspects of internal service were highlighted, including recruitment and on-boarding of new employees, attention to employee needs, responsiveness, overall respect and courtesy shown in all internal interactions and more.

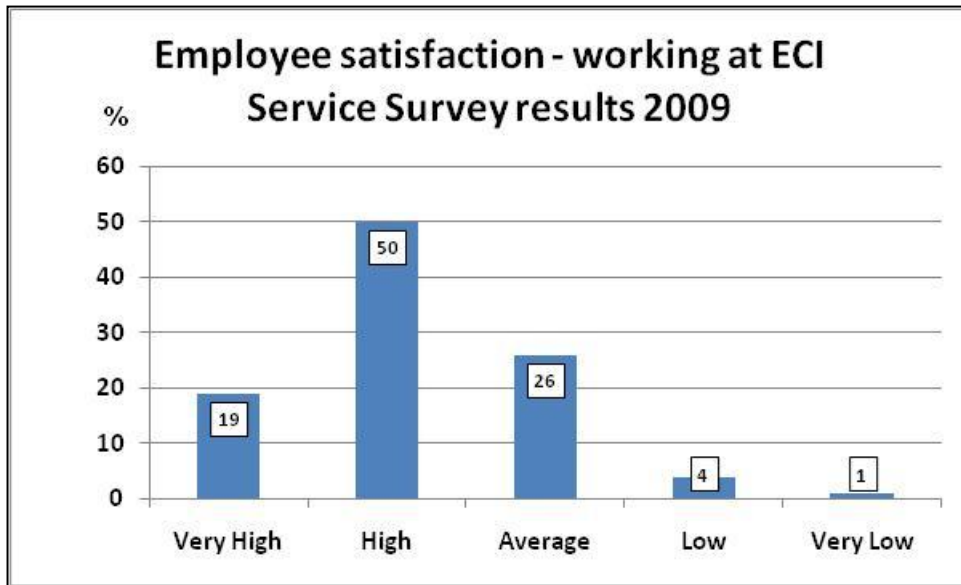
Areas of focus for further service improvements were highlighted as:

- **Human Resources:** Employee development, team-building and employee care
- **Training:** Transparency, information availability and access to training material
- **Internal Mobility:** Improve policy and infrastructure
- **Dining services:** Improve variety, quality, quantity and presentation of food
- **Customer Service:** Improve Help Desk service - responsiveness and professionalism
- **Technology:** Improve ERP/CRM usability, performance and functionality
- **Purchasing:** Improve order progress feedback on purchase requests
- **Finance:** Improve transparency and frequency of budget updates

In addition to service satisfaction, employees were asked to rate their overall satisfaction with working at **ECI**, and 95% of employees confirmed average to very high levels of satisfaction with the Company.



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ECI Employee Communication channels

In addition to the employee survey, the key channels for internal communications and dialogue are as follows:

Round Table

Periodically, the Company CEO and Senior Leadership Team members conduct a Round Table discussion with a group of employees randomly selected. These discussions present an important opportunity for the Senior Leadership Team to hear the unfiltered views of employees and answer their questions.

ECI Global Leadership Forum

This Forum, comprised of 75 senior managers, was formed in late 2008 with the purpose of creating a coherent, global platform for shared leadership. The first annual three-day retreat of this group took place in January 2009, and the main theme of the gathering was **ECI's** new global strategy. Throughout the year, communications events are maintained to ensure this group remains aligned.

Team Communications Meetings

Each member of the Global Leadership Forum conducts frequent departmental meetings, ensuring the delivery of the Company's corporate messages, and the opportunity to hear views and suggestions of all employees.



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ECI Intranet

ECI's Intranet is a portal for all employee information needs, both professional and personal.. An important feature of this portal is the internal **blog**, used for more personal communications messages from ECI Senior Management. All employees may respond to blog items, and responses to questions raised are always provided. In addition, the Intranet contains an application for posting **Thank You** notes to colleagues for positive collaboration or assistance beyond expectation, across departmental and geographical lines. Employees feel positive about giving and receiving thanks for collaborative efforts.

Web 2.0

As mentioned in the Social Media section, Web 2.0 is an important feature of ECI communications, spanning employees' internal activities and the connection with external stakeholders. Please see the Section on Corporate Communications – Social Media for more details.

Quarterly Newsletter

The Internal Communications Manager issues a quarterly electronic Newsletter summarizing key events in the business, and highlighting key corporate responsibility messages. For example, in 2008/2009, articles relating to Ethics and Green Practices were included. See examples on the following pages:



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Our Company Goes Green

In July 2008, as part of an overall social responsibility policy, we increased our efforts to protect the environment and develop greener products. The decision was made with the understanding that through intelligent management, green activity can be channeled to achieve long-term efficiencies and savings. Herzl Zilkha, Head of Quality Infrastructure in the Global Quality Management, gives us an overview of the many activities that took place in the past year and a half.

Green Products

Since 1998, ECI has been certified compliant with the Environmental Management Systems standard (ISO 14001), and since 2005 fully implements European Union's RoHS and WEEE directives. We have used green production methods in the past, such as reducing electrical power consumption, using environment-friendly packaging, implementing modular planning that increases recycling and reuse, and more.

"In light of our ongoing efforts to protect the environment, we decided...to build an environmentally-friendly organizational culture."

Bringing Green to the Employees

In light of our ongoing efforts to protect the environment, we decided to increase our employees' environmental consciousness to solicit their ideas for protecting the environment, to influence their consciousness and behavior within the company and beyond it, and to build an environmentally-friendly organizational culture.

We started by communicating these ideas throughout the company and inviting everyone to take active part in their future implementation. We screened former US Vice President Al Gore's documentary "An Inconvenient Truth" and gave employees a talk on green organizational culture. Employees in Israel and their families were also invited to participate in a beach cleanup, and took part in a visit to the Sea-Turtle Preservation Center of the Israel Nature and Parks Authority.

A steering committee was formed, headed by our HR manager Adi Bildner. Eynat Rotfeld, responsible for social-responsibility at ECI, heads a Green for All team of 20 volunteers from all around the company to study the issue and implement detailed action plans. The team worked together for several months, and their study and research culminated in the writing of "Our Green Vision." An additional team dedicated to green products, is headed by the CTO of the product development division.

Deep Dive into the Issues

After the initial period of learning together, the Green for All team was divided into four sub-teams: waste management (including reduced consumption), water, transportation and power saving. The sub-teams were guided by an environmental consultant. After 3 months of intensive work, each team presented a detailed action plan to be implemented by the end of 2009. The teams had three months to speed up and execute their plans, one team after another, each during a specific quarter, including advancing awareness, getting other employees involved, hanging posters, slogans, sending e-mails, etc.

A Green Portal will soon go live to serve as an information resource, as well as a marketplace for exchanging goods in promoting re-use, a carpooling message board, and more. This is an ongoing effort. In the future we will expand our global activity.

2009 began with an extensive media campaign, which included a quiz on environment-related topics, and the employees signing Our Green Vision, in support for our green agenda. Our environmental activities were rewarded when ECI achieved the highest possible mark on the Maala ranking, which evaluates large public and private companies in Israel according to the level of their social-responsibility management.

Below are the activities of the sub-teams:

The waste-management and consumption-reduction sub-team

The motto of this team is the three Rs: Reduce, Reuse, and Recycle. The team's achievements so far include upgrading the waste farm, collecting paper waste, setting up recycling corners (for CDs, batteries, paper, bottles, cardboard, electronics), double-side printing was enabled in public printers; a successful experiment was conducted to achieve savings of about a third of printing jobs using RFID readers and ECI's waste separation was improved. They set up a marketplace for exchanging electronic and electric appliances, and conducted sales of green consumer goods, such as rechargeable batteries, reusable beverage glasses, water-flow regulators, and I-GREEN energy-saving products. Used clothes and school backpacks were collected and donated to charity organizations, and CO2 emissions by the employees' vehicles were calculated.

The water sub-team

This team was in responsible for installing water-flow regulators and water meters in the main cafeteria, selling discounted water-flow regulators to employees, repairing dripping faucets, and the reuse of water from air conditioners for watering

plants. These initiatives brought the company significant savings. They also ran a campaign to encourage the correct use of flush tanks.

The transportation sub-team

The team arranged bicycle trips to encourage the use of bicycles as a means of transportation, and helped with organizing a car pool service to the Petah Tikva headquarters from the nearby train station. The team distributed information on the less-polluting and more economical cars among the leased vehicles offered to the employees, and created plans to encourage the decrease in fuel consumption.

The power-saving sub-team

This team promoted the shut-down of computer screens after 15 minutes of inactivity, arranged automatic shut-off of air conditioners where automatic shut-off was not in effect, employed consultants for efficient energy use, and implemented energy-saving strategies, mainly in power consuming systems such as air conditioning.



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Taking a Closer Look at the ECI Code of Ethics

ECI recently updated its [Code of Ethics](#) and adjusted it to the strategic and cultural changes it has made in the past year. [ECI Everywhere](#) spoke to [Yael Ashuach-Trvfus](#) of HR to learn more about how our Code of Ethics can make a difference.

What is the Code of Ethics?

The ECI Code of Ethics is a set of values, rules of conduct, guidelines and policies designed to promote honest and ethical conduct and to prevent wrongdoing as well as ensure compliance with laws and regulations. The Code of Ethics also expresses our policies on our relationship with customers, employees, partners, suppliers, environment, community, and the business community. Our Code of Ethics represents the foundation on which our organizational culture and conduct as a global company is based. It serves as the basis for conducting ourselves within the company and while doing business with third parties.

Why do we need a Code of Ethics?

The Code of Ethics serves as a moral compass for our daily work, and helps us navigate the gray areas where we aren't sure if we are doing the right thing. It's easy to be cynical about the need for a code of ethics, but when we take a closer look at what we want as employees, we must acknowledge that it is important for each of us to know that we are working for a company with integrity and an excellent reputation in our industry. It protects the wellbeing of our employees, for example, fair hiring, appreciating the diversity of our workforce, and mutual respect. It ensures our company's stability, which is essential to our own future prospects as employees. It exists to help us maintain our good name as a company and the respect of all our stakeholders.

"Research has shown that companies that adopt a code of ethics and implement it widely achieve better results in all areas."

[Yael Ashuach-Trvfus](#)

Research has shown that companies that adopt a code of ethics and implement it widely achieve better results in all areas: financial, business (reduced exposure to risk, increase customer satisfaction, upholding the law, etc.), and cultural (a professional and productive work atmosphere, a work environment free of harassment and discrimination, etc.).

Isn't it enough that we uphold the law?

We are obliged to uphold the law of every country we operate in, but sometimes we are faced with situations that while they are legal, also present an ethical dilemma. For example, in some countries there are no sexual harassment laws, still, we believe it is unethical to operate without our own sexual harassment regulations.

What is our part as employees in the Code of Ethics?

Everyone has a part to play in upholding our Code of Ethics. Take some time to read it and update yourselves about what we can each do to maintain our ethical standing. If we hope to bring about meaningful change in our environment, we must start with ourselves. Some examples include treating one another with respect, maintaining confidential company information and material, not abusing the equipment for personal use, etc. The aim is that before making complex decisions, every employee or manager should stop and consider the ethical aspect as part of the process and not just the professional side.

"...before making complex decisions, every employee or manager should stop and consider the ethical aspect as part of the process..."

[Yael Ashuach-Trvfus](#)

What do I do if I find myself faced with a difficult ethical dilemma?

Ask yourself the questions in the text box below that will help you identify if you are facing an ethical dilemma. If you are faced with an ethical dilemma, there are many people who are available in the organization to help you. Firstly you can turn to your manager or your colleagues. You can also talk to your HR representative, the company's Ethics Officer - Adi Bildner, Head of HR and even the ECI legal advisor. Think through the ECI values and ethics and if you feel that you are facing a problem then raise the issue - it's your responsibility.



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The following pages demonstrate the additional ways in which ECI Telecom currently supports and promotes the Global Compact Principles:

Principle 1	Business should support and respect the protection of internationally proclaimed human rights.
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ECI is firmly committed to upholding human rights in all aspects of its business. ECI believes in the value of all individuals and respect for all basic human rights contained in the Universal Declaration of Human Rights. ECI conducts business all over the globe in a manner which is consistent with the Company’s values, which include respect and integrity at all times and in all situations. This approach is also firmly rooted in our recently revised Corporate Code of Ethics.

ECI– Corporate Code of Ethics

“We, at ECI, pride ourselves on our reputation for **integrity**. The **trust** and **confidence** of our customers, investors and employees is one of our greatest assets. Our goal is to **exceed** the expectations of these communities through the adoption of the highest **ethical standards** at all times.” Rafi Maor, President and CEO of **ECI Telecom**, introduction to the corporate Code of Ethics.





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ECI's Code of Ethics was translated to the following 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.

ECI revised its Corporate Code of Ethics during a comprehensive process involving Board Members and Senior Executives during 2008. The revised Corporate Code of Ethics was approved by the **ECI** Board in September 2009.

Ethical Guidelines of the ECI Telecom Corporate Code of Ethics, revised September 2009

Bribery, Presents or Receipt of Consideration

Company policy prohibits direct or indirect bribes, kickbacks and other similar payoffs and benefits paid to suppliers, distributors, customers, business partners, or other third parties, nor may any employee receive directly or indirectly any benefit or present for performing, or for avoiding to perform, any activity on behalf of the Company or related to his/her work.

Accounting Controls, Procedures & Records

Applicable laws and Company policy require the Company to keep books and records that accurately and fairly reflect its transactions and the dispositions of its assets.

Use & Disclosure of Inside Information

Company policy prohibits disclosure of material inside information to anyone other than persons within the Company whose ability to perform their assigned duties will be compromised without the knowledge of such information.

Confidential or Proprietary Information

Company policy prohibits employees from disclosing confidential or proprietary information outside the Company, either during or after employment, without Company written authorization to do so.

Conflicts of Interest and Sensitive Transactions

Employees at all levels must promote the interests of the company above their own personal interests. Company policy prohibits conflicts between the interests of its employees and the Company and requires immediate disclosure to the Company in any such possible conflicts. Company policy prohibits its employees and agents from entering into sensitive transactions ("sensitive transactions" include a broad range of business dealings generally considered to be either illegal, unethical, immoral or to reflect adversely on the integrity of the Company).

Fraud & Similar Irregularities



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Company policy prohibits fraud or any fraudulent act, by any employee for his own benefit or for the company's benefit.

Accurate Reporting

When required to make reports to the Company, all employees and agents shall do so fully and accurately and shall include all material information in order to ensure the recipient has all required information.

Use of Company Assets

Employees, officers, agents and directors should seek to protect the Company's assets. Theft, carelessness and waste have a direct impact on the Company's financial performance. Employees, officers and directors must use the Company's assets and services solely for legitimate business purposes of the Company and not for any personal benefit or the personal benefit of anyone else. However, limited reasonable use for personal interests of company assets such as computers, e-mail, cellular phones, etc is permitted. But any use of such items for personal business use or illegal or immoral activities may result in the termination of the employees, officer or agent for cause. Since the aforesaid items are owned by the Company, the Company shall have the right from time to time randomly or for cause to access or monitor these items, and the employees, officers, agents and directors hereby expressly provides their consent to such actions. Employees, officers, agents and directors must advance the Company's legitimate interests when the opportunity to do so arises. You must not take for yourself personal opportunities that are discovered through your position with the Company or the use of property or information of the Company.

Delegation of Discretionary Authority

No employee of the Company shall delegate discretionary authority to any individual who such employee knows, or through the exercise of due diligence should know, has a propensity to engage in illegal activities.

Commitment to the Community, Human Rights, Working Environment, Safety and Protecting the Environment included in the ECI Telecom Corporate Code of Ethics

- We have a duty of care to protect life and to safeguard people.
- We should give priority to the safety and well-being of other employees, customers, subcontractors and anyone else in our work environment and make sure that reasonable steps are taken to minimize the risk of loss of life, injury or suffering which may result from the work or the effects of our work
- We should draw the attention of those affected to the level and significance of risk associated with the work
- We should assess and minimize potential dangers involved in the manufacture and use of our products or projects
- We should ensure the company or any of the employees, customers, or subcontractors are not exposed to any dangerous or hazardous environmental risks and comply with all applicable environmental laws and regulations.



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The options freely available for employees to advise the Company's officers on any matter relating to breaches of the Corporate Code of Ethics or related concerns are:

- Direct Manager
- Local Human Resources Manager
- The Head of Human Resources and Ethics Officer
- The Corporate General Counsel
- Anonymously log concerns at: <http://corporate.ecitele.com/HR/ethics/>

ECI makes every effort to investigate all issues reported, including those reported anonymously.

Assimilating the Corporate Code of Ethics

The key to an effective ethical culture is a comprehensive process of assimilation, so that every employee, at every level and in every location can identify with the Code, understand the behavior it prescribes and relate the code to his or her specific job and the potential areas in which ethical issues may arise.

For this purpose, **ECI** prepared a web-based learning module, which takes around 30 minutes to complete. The innovative, user-friendly web-based module explains each of the ethical behavior guidelines and offers ethical dilemmas which were developed by **ECI** teams throughout the world to assist employees in relating ethical issues to their own roles and responsibilities. During 2009, each employee received a personal email from the Corporate VP Human Resources and Ethics Officer, with a link to the new Code of Ethics and the web-based module, and was asked to complete the learning within one month of issue. During this month, and since the module was introduced over 95 % of **ECI** employees around the world have completed this initial ethics training. In addition, posters highlighting the ethics program were placed in all communal areas in all offices.

All new hires to **ECI** are trained in the Code of Ethics during their induction and must complete the web-based learning module within one month of joining the Company. They also receive a New Employee Guide which includes a section on Company Values and The Code of Ethics.

During 2010, **ECI Telecom** will continue the assimilation program by:

- Developing and conducting in-person workshops for employees
- Establishing an Ethics Council to oversee the Company's ethical performance, communications and training, and deal with ethical issues as they arise.



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Download ECI's Code of Ethics:

<http://www.ecitele.com/AboutECI/values/Code%20of%20Ethics.pdf>

ECI–Code of Ethics – Human Resources Function

In addition to the Corporate Code of Ethics and with regard to the unique role the Human Resources function carries in both supporting an ethical culture and in demonstrating personal example, the Human Resources function adopted a function-specific Code of Ethics in 2008, and trained all ECI Human Resources Managers and personnel around the globe in its content.

This is the Code in full:

ECI Telecom's Human Resources Code of Ethics

As Human Resources professionals, we believe our professional conduct must be guided by ethical principles, and are committed to act in the spirit of the HR Code of Ethics

HR Core Values

Honesty and Integrity

HR professionals shall pursue the highest possible standards of integrity, reliability, fairness and justice; conduct themselves in a credible manner with a sense of responsibility and loyalty to all stakeholders; keep their word and deliver on their promises; ensure the clarity and reliability of any information they provide, and avoid providing potentially misleading information. HR professionals shall not take part in any acts of dishonesty, deception or misrepresentation; shall do the right thing ethically even in difficult and ambiguous situations and be ready to admit their mistakes at any time. They shall work resolutely to develop and disseminate a culture of honesty, stressing high standards of truthful reporting, responsibility and integrity among all members of the organization.

Human Dignity and Respect

HR professionals regard human dignity and compassion as pivotal values in the management and cultivation of the human resource, and shall show concern, empathy, care, sensitivity and understanding of individual needs, taking care to ensure the preservation of individual rights, and cultivating the skills and self-fulfillment of all the individuals in the organization.

HR professionals shall undertake to raise corporate awareness to the issue of human dignity across all organization levels, and cultivate a corporate culture which respects and cherishes human rights and dignity.

Loyalty

HR professionals shall be loyal to the organization and its stakeholders and partners in implementing corporate goals, and do their best to faithfully represent corporate interests in a manner true to the spirit of this code of ethics, as a result of their belief that the thriving of the organization and its fair and humane treatment of its employees are strongly correlated. HR professionals shall ensure their personal appearance and conduct are



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appropriate and represent the corporate in a respectable manner, both internally and externally; preserve its human and spiritual capital, and avoid or manage professionally any apparent or actual conflict of interests.

Corporate Social Responsibility

The HR Department sees the organization as an integral part of the general and professional community and of society at large, and regards its staff as committed to all stakeholders who may be affected by the organization’s activities. HR professionals believe that corporate success is consistent with the application of social and moral norms, and shall endeavor to include in the corporate goals activities designed to support society at large and the community, encouraging employees to contribute time and effort to the community. HR professionals shall undertake to include social and environmental measures as well as economic performance indicators in assessing corporate success, and provide professional assistance to corporate executives in setting forth a policy that addresses corporate social responsibility issues.

Professionalism

The HR profession requires relevant knowledge and training in behavioral sciences, labor studies, etc., mastery of applied professional tools as well as motivation to provide service, orientation and a personal inclination to work with people. HR professionals are personally committed to uphold high standards of professional conduct and work to improve their professional competence by keeping up to date with current professional knowledge.

HR professionals shall strive to optimally apply their skills, knowledge and experience, contribute to the development and assimilation of new working methods, maintain ongoing professional contacts with the professional community, and assume the responsibility for the quality of their professional work in assisting the organization in achieving its goals through optimal use of its human capital.

Confidentiality

Protecting the confidentiality of private information related to employees is one of the most basic human rights. HR professional members are exposed in their line of work to highly sensitive information regarding employees’ privacy. Thus they must be discrete, vigilantly protect personal privacy and confidential information and avoid using it unprofessionally or contrary to the client’s agreement.



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Empowering communities and supporting their rights

An important part of upholding and promoting human rights is the investment we make as a business in our local communities, to strengthen the fabric of communities and ensure all individuals have improved chances of realizing their life-goals, in many different ways.

ECI sees itself as an active citizen in the global and local, business and social community, and conducts itself in accordance with the principles of social responsibility. Led by **ECI's** Executive Management team, who demonstrates its community commitment in many ways, **ECI** has formulated a Social Investment policy. The policy can be downloaded at the following link:

http://www.ecitele.com/AboutECI/Community/Social_Investment_Policy_projects.pdf

ECI's Social Investment policy

The key elements of **ECI's** social investment policy are:

Focus

The ability to inspire individuals or a group of people to use their innate potential to change their environment, and helping disadvantaged groups to understand and exercise their social rights.

Channels

- Citizens' rights centers in the community: assisting individuals inquiring about issues such as labor, housing, and mortgage laws, etc.
- Community programs for community empowerment, such as Re-entering the labor market, reading books together with underprivileged children, Workshops on "The world of Technology" for under-privileged children
- Advancing youth education to create equal opportunities in education, self realization and self-actualization through personalized programs for academic, emotional, and social advancement, enrichment workshops, development of entrepreneurship and nurturing leadership skills among the young.

Community Investment

Each year, a budget is allocated for social investment in community development. **ECI's** total investment, including the estimated costs of employee paid volunteering time, amounts to around \$500,000 per year.



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Community Partners

ECI partners with a range of not-for-profit organizations in order to deliver the most effective social investment programs, taking into account true community needs, and executing programs in the most appropriate way possible.

Our partners include:

- **Matan**, a not-for-profit organization that advises Companies about approaches to corporate giving, and oversees the practice for proper implementation. For more details about Matan, see: <http://www.matanisrael.org.il/SITE/EN/HOMEPAGE.ASP>
- **Yedid**, a not-for-profit organization, which strives to empower individuals and communities among the less fortunate sectors of society and among new immigrants in Israel. ECI has been actively involved in establishing a Citizen Rights Center in Petach Tikva, which now responds to over 150 inquiries each month and initiates community projects to empower the community: workshops on managing a family budget and workshops on “The power of money” for school children. For more information about Yedid, see: <http://www.yedid.org.il/english>
- **Tzeva**, an educational not-for-profit organization that strives for social change by empowering underprivileged youth. For more information about Tzeva, see: <http://www.tzeva.org.il/english.php>
- **The Young Entrepreneurs Organization**, which runs a "Young Entrepreneurs Doing Business" program encouraging and exposing young people to business entrepreneurship, including the setting up of a mini-company. ECI employees mentor students in the development of their business programs. For more information, see: <http://www.ja.org/home.asp>
- **Leket Israel**: a food rescue and distribution organization, harvesting unpicked fields and salvaging food waste from restaurant and catering operations for distribution to those in need. For more information on Leket, see : www.leket.org

More details of additional projects can be found on **ECI's** website.



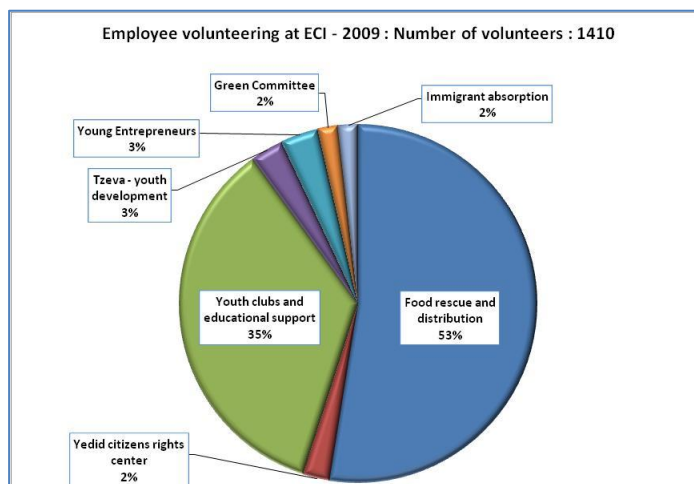
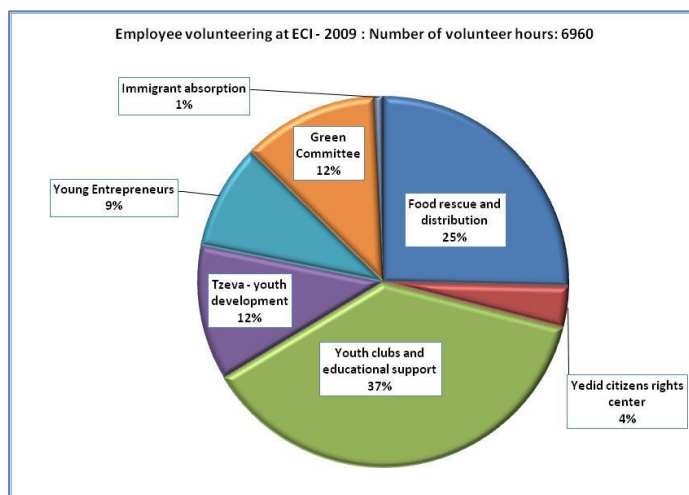
Your Partner for Growth

Company volunteers

Employees and their families are encouraged to volunteer in all of the above social investment activities. Activities are held near **ECI** locations to strengthen local ties between the Company and the local community; in many cases, employees are members of the communities in which **ECI** invests. The range of activities is diverse enough so that every employee may select what best suits his or her interest, availability, capabilities and degree of commitment. An annual event is held to recognize and thank volunteers.

To facilitate volunteering, the Company allocates hours of volunteering at the expense of work time and provides:

- Ongoing activities (volunteering on a permanent basis over a long period): up to three hours of volunteering per month at the Company's expense.
- Intensive activities (concentrated, one-time activities): up to half a workday at the Company's expense.





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The following are photos of ECI employee volunteering activities in 2009



ECI Volunteers – Cleaning Beaches



ECI Volunteers – Harvesting fields



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ECI Volunteers – Supporting youth with Tzeva



ECI Volunteers – Distributing food baskets



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ECI Volunteers – Young Entrepreneurs Competition



ECI Volunteers – Supporting women with skills to return to work



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A healthy and safe workplace

ECI is committed to upholding the rights of all employees and visitors to **ECI** locations to a healthy and safe working environment. All **ECI** operations around the world have policies, practices and processes in place to ensure compliance to all laws, regulations and accepted industry standards in their respective countries of operations. 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.

All **ECI** facilities are certified to OHSAS 18001 standard and are regularly audited against its requirements. Internal and external safety audits are frequently performed, and Job Safety Analyses are regularly implemented and corrective actions taken where appropriate.

ECI reviews accident rates, both at the workplace and on the road, and reviews targets annually to ensure reduction in both risk and actual accidents.

ECI's methodology for calculating accident rates is:

Number of accidents divided by the number of total hours worked multiplied by 100,000.

Using this methodology, the accident rate in 2009 was 0.24, a reduction from the 2008 rate of 0.26. This level of accidents is considered low, and the types of accident have become increasingly minor in the last two years. There are between 40 and 60 minor accidents per year.

Supporting individual wellbeing and work-life balance

ECI believes in fairly rewarding employees for their contribution and in providing a reward package which enables employees to enjoy a good standard of living. On average, for example, the salary of all employees at **ECI** is over 5 times the level of the statutory minimum wage. In addition to basic salary, and other benefits as required by law, **ECI** provides a range of social and welfare benefits which serve to enhance employees' standard of living. These include:

- Annual recreation payment over 30% more than the legal minimum in Israel
- Employees may be absent from work due to sickness for up to two days, at full pay, without sick leave authorized by a medical doctor
- Employees who are sick receive full salary from the first day of sickness which is far more than determined by law



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- Insurance and savings plans provided by the Company are provided from first day of employment, rather than after 9 months as required by law.
- The Company funds a comprehensive health insurance plan for all employees and 50% of a dental insurance policy.
- Employees are entitled to three days paid vacation when they marry, and male employees also get three days paid vacation when their partners give birth to a child.

NB: Information relating to employee benefits relates specifically to **ECI's** Israel employees. Global data will be reported in future reports.

Improving employee skills and competencies

ECI is committed to the personal and professional development of employees in the workplace. **ECI** develops and maintains a range of training and development programs to ensure all have the opportunity to develop and progress, including learning skills which are required on the job. **ECI's** training programs include professional technical training and leadership and management training.

Employee performance review

All employees participate in a formal annual performance appraisal which seeks to evaluate their contribution and identify areas in which the Company can support further personal and professional development. One key element of the performance appraisal includes the section "Living our Values", which carries significant weight as one of the four sections of the evaluation. The evaluation parameters in this section are shown below:



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ECI Values	Needs Improvement	Partially Successful	Successful	Highly Successful	Outstanding
A. Behaves respectfully and fairly taking into account personal, cultural and national differences	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B. Adheres to ECI code of ethics	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C. Committed to behave according to decisions taken	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D. Demonstrates team work and contributes to creating a positive and pleasant atmosphere within the team	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E. Initiates innovative and creative business and technological solutions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
F. Oriented towards service and quick response to internal and external customers, and strives to maximize their satisfaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Maala Ranking for Social Responsibility in Israel

ECI demonstrates its commitment to Corporate Social and Environmental Responsibility by participating in the annual Maala Ranking in Israel, which the Company has done since 2004. Maala is a not-for-profit organization promoting Corporate Social Responsibility in Israel which produces an annual ranking based on self-declared performance of Companies against a detailed questionnaire in five areas: ethics, responsible workplace, community investment, governance and environmental protection. ECI improved its position in this ranking in 2009 vis-a-vis 2008. There are three ranking positions: Platinum, Gold and Silver. In 2009, ECI received a Platinum Ranking.

Year	Ethics	Workplace	Community	Environment	Overall Rank
2009	10	8	5	10	PLATINUM
2008	9	8	5	10	PLATINUM
2007	6	7	3	8	SILVER

N.B. Scores are out of a possible 10 in each category.

ECI also supports Maala through an annual membership fees that support the work done to advance corporate responsibility.

For further details, please visit the Maala website: <http://www.maala.org.il>



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Principle 2	Business should ensure that they are not complicit in human rights abuses.
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Ensuring Human Rights in ECI’s Supply Chain

ECI takes reasonable measures to ensure the Company is not complicit in Human Rights abuses in its Supply Chain. **ECI** maintains a complex network of supply sources ranging from outsourcing of manufacturing operations, purchasing of components and finished goods, capital expenditure and a wide range of support services, from close to 700 suppliers (of which 65% are based in Israel). Each year, **ECI** spends around \$300 Million on the purchase of these goods and services:

Type of purchase	\$million (approx)
Outsourced manufacturing	140
Semi finished and finished goods	60
Capital Expenditure and services	70
Operating Expenses and Services	30
Total	300

Outsourced manufacturing is currently purchased from 5 key suppliers based in Israel, USA, China and the Philippines. Flextronics is **ECI's** largest and longest standing supplier, having supported our business for several years. Flextronics is a leading Electronics Manufacturing Services (EMS) provider, with headquarters in Singapore and manufacturing operations globally, including a major plant close to **ECI's** headquarters in Israel. Flextronics maintains a strong position on Corporate Responsibility. As part of Flextronics' services provided to ECI, the Company manages a Vendor Rating System which assesses suppliers for quality, service and environmental practices. You can find more details about Flextronics on their website: <http://www.flextronics.com>.

ECI's new outsourcing supplier approval process includes, in addition to standard commercial procedures, physical audits at the supplier premises, which consider both technical capabilities and also decent facilities and working conditions. A new supplier in Israel, for example, was only approved after an **ECI** audit recommended the installation of air conditioning in the factory warehouse, to ensure more humane conditions for warehouse employees.

ECI's Purchasing Department, together with Operational Managers as required, conducts a Quarterly Business Review with all major suppliers in a face-to-face meeting. All aspects of the Supplier's services are discussed, including, where relevant, aspects related to human rights and working conditions.



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ECI also invites suppliers to raise any ethical issues relating to **ECI's** operations or respect for them in the customer-supplier relationship, and each **ECI** purchase order contains reference to **ECI's** Ethics Hotline for suppliers.

An additional aspect of the purchasing of services is personnel services from local suppliers who supply cleaning, security and other services to **ECI** sites. In all contracts with such suppliers, **ECI** maintains a clause relating to the payment of salary and benefits to the supplier's employees, to ensure that suppliers agree to comply with legal requirements and often exceed legal minimum terms and benefits for their employees. **ECI** contracts are based on a calculation of such costs with an additional mark-up for running expenses and profitability. **ECI** monitors suppliers' implementation of this contract clause on a regular basis, via random audits of employee payments. In this way, **ECI** ensures the Company is not complicit in the abuse of the rights of third party supplier employees.

During 2010, **ECI** plans to develop a Code of Ethics specifically for suppliers, to further create awareness of responsible business practices, ensuring greater levels of compliance and provide a tool for supplier assessment.

Principle 3	Business should uphold the freedom of association and the effective recognition of the right to collective bargaining
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ECI believes in the freedom of employees to form or join a representative association. In practice, **ECI** employees are employed through personal employment contracts, though all are free to affiliate themselves with professional associations. In Israel, Brazil and in Germany, a small number of employees are members of employee associations.

All **ECI** employees are made aware of their rights when joining the Company and throughout their employment with **ECI**. When joining the Company, each employee undergoes a personal orientation with an **ECI** Induction Officer whose prime role is to support the effective integration of new employees. Each employee receives an Employee Handbook in which key rights are listed, gains access to the Company intranet where additional information on many subjects relating to workplace policies are contained, and, after a short period, joins a formal Induction Course at which all aspects of workplace policies are discussed.

All employees have the opportunity to raise questions about rights and entitlements at any time, and the Company, usually via the Human Resources team, is committed to responding in a timely and comprehensive manner.



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Principle 4	Business should support the elimination of all forms of forced and compulsory labour
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ECI strives to be an employer of choice, where employees can join the organization of their own free will, and enjoy the benefits of working for a responsible business which supports their rights. **ECI** forbids the use of forced labor in any form. All employees are free to select **ECI** as their employer and are offered an employment contract which they sign at the start of their employment with the company. This is a mutually-agreed contract which is freely accepted by employees. **ECI** confirms that no-one is employed by the Company against his or her will, and no form of coercion is used to retain employees in the workplace.

Principle 5	Business should support the effective abolition of child labour
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ECI forbids the use of child labor in any form. **ECI** complies with all international and local legislation in all operating countries relating to child labor, and confirms that there are no children employed by **ECI** anywhere in the world.

Principle 6	Business should support the elimination of discrimination in respect of employment and occupation
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ECI Human Resources Strategy

ECI's HR team works together to build a talented, innovative and engaged effective employee community and contributes to organizational effectiveness in order to achieve excellence as a sustainable competitive advantage. The HR Team is committed to promoting a culture based on the principles of social and environmental responsibility.

Key elements of this work include fostering an organizational culture which drives acceptance, nurturing of local talent, developing skills and competencies of employees, improving employee care programs for employee health and wellbeing, improving physical working environment and supporting diversity and inclusion.



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The HR strategy, as defined by the HR Team in 2009, in support of **ECI's** business goals, is shown below:

HR mission

ECI HR team works together to build a talented, innovative and engaged employees community and contributes to organizational effectiveness in order to achieve excellence as a sustainable competitive advantage

HR vision

Be an outstanding HR organization driving ECI towards excellence and business growth

Our strategy

To generate long term sustainable human capital value through:

- Offering global HR infrastructure to support business growth and agility
- Creating dynamic, energetic and motivating work environment
- Promoting talent management mindset, processes and tools
- Building strong management echelon with scalable leadership capabilities
- Leading change management processes
- Creating infrastructure to promote strong corporate responsibility
- Building best in class HR

Equal opportunity, diversity and inclusion

ECI upholds a strict global policy of equal opportunity, diversity and inclusion which is reinforced in the corporate Code of Ethics. All employees, whatever their background, race, nationality, gender, colour and all other indicators of diversity are welcome to join **ECI** around the world and enjoy the equal opportunity in all aspects of their employment with the Company. Terms and conditions of employment, including salary and remuneration, are applied equally for all employees based on performance and potential.

Advancement of women

ECI supports the development of women in the Company and endeavours to ensure accessibility to all types of roles at different levels of the organization. **ECI** seeks to create a culture of inclusion where both men and women understand the need to work together in a collaborative way based upon mutual respect. During 2009, initial work was completed to review the position of women in the business and develop a strategic approach to encouraging more women to join **ECI** and to advance to positions of greater responsibility. A Women's Network has been formed to advance this work in 2010, including the development of key metrics.



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Principle 7	Business should support a precautionary approach to environmental challenges
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ECI 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 impacts 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 maintains Environmental and Health & Safety Systems in line with the highest global standards available.

Specifically, **ECI** is committed to:

- Conserve natural resources and reduce the environmental burden of waste generation and emissions to the air, water, and soil.
- Reduce risks and remove environmental hazards through systematic identification, assessment, and control, and by encouraging employee awareness, individual obligation, and proactive involvement.
- Develop, manufacture, market, and service products that are safe for their intended use, environmentally friendly, and that can be reused, recycled, or safely disposed of.
- Continuously improve Environmental, Health & Safety Management Systems and Performance.

Environmental Risk Assessments

ECI regularly carries out environmental risk assessments as part of **ECI's** 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 issues are developed and implemented.

ECI external Environmental Standards

The standards to which **ECI** adheres to as a matter of basic good environmental practice, which reflect **ECI's** precautionary approach, are:

ISO 14001 (Environmental Management)

ECI maintains ISO 14001 certification in all of its own production, logistics and administrative or service operations as a matter of policy, since 1998. All sites in Israel are formally



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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 where necessary on an ongoing basis.

ECI complies with all relevant regulations and directives including:

REACH (Registration, Evaluation, Authorisation and restriction of Chemicals)

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

For more details on REACH, please see: <http://www.hse.gov.uk/REACH/index.htm>

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 was effective in the European Union from 2006. **ECI** applies this Directive to all of its production on a voluntary basis, even though not all of our global operations are bound by this Directive.

WEEE (Waste Electrical and Electronic Equipment)

The WEEE directive of the European Union refers to the recycling properties of electrical and electronic products, and requires manufacturers to assume the costs of collection, treatment, recycling and recovery of all Waste Electrical and Electronic Equipment manufactured or marketed by them. This directive has been in force since 2005. **ECI** applies this Directive to all of its production on a voluntary basis, even though not all of **our** operations are bound by this Directive.

All **ECI** suppliers are required to adhere to the above standards and directives as a minimum condition of eligibility to supply **ECI**.

Communicating ECI's Environmental Performance: E-TASC

ECI maintains a commitment to transparency of data, not only at an internal level. It is important for **ECI** customers to know how the Company is performing regarding social and environmental issues. Some customers demand data from **ECI**, and others are happy to receive our self-generated data reports.



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ECI subscribes to a service called E-TASC – a web-based electronic tracking system for Environment, Labor, Health and Safety and Ethics related practices. The system requires quarterly input of all relevant data, and collates scores to form a Scorecard which identifies high to low risk issues. The E-TASC questionnaire (which is 70 pages long and includes significant detail) consists of two major components C and F, each subdivided into three parts that can be completed independently by different personnel according to their areas of responsibility:

• **C: Corporate-level Social and Environmental Responsibility**

- CB: Basic Company Information
- CL: Labor Management and Ethical Conduct
- CH: Health, Safety and Environmental Management

• **F: Facility-level Social and Environmental Responsibility**

- FB: Basic Facility Information
- FL: Facility Labor Management and Ethical Conduct
- FH: Facility Health, Safety and Environmental Management

ECI has been completing the E-TASC questionnaire since March 2008, initially in response to a request from our client, Deutsche Telekom, whom we authorized to view all data input to the system. Since then, additional clients use the E-TASC reporting for a fast and comprehensive route to our overall Corporate Responsibility and Environmental performance data.



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During 2009, **ECI** average score across all categories was extremely low-risk, with a result of **95.8%** (according to the first half of 2010 report). The breakdown by topic of these scores is as follows:

Topic:	Corporate score:
Environment	94.3%
Labor	92.6%
Health & Safety	94.4%
Ethics	92.5%

(N.B. The overall average of 95.8% is higher than these individual categories due to inclusion of other corporate level data not shown here separately.)

Areas for improvement in Labor and Ethical standards relate to the management of standards in the first and second tier supply chain, areas which **ECI** continues to review.

It is important to note, that since we started using E-TASC in 2008, **ECI's** overall score has improved from **86.9%** to the current level of **95.8%**, thereby demonstrating the Company's commitment not only to transparency but also to improvement of performance.

For more details on E-TASC, please see the website: <http://e-tasc.achilles.com/default.aspx>

Management Commitment and Environmental Communications

ECI's Management is committed to Environmental, Health & Safety Policy and reviews its management system and Environmental Program results every quarter. Furthermore, the Environmental Policy and practices are explained and discussed within the framework of the general training given to all employees, and widely communicated across the Company.

ECI's environmental policy is available on our external website. For details, please see: <http://www.ecitele.com/ABOUTECI/QUALITY/Pages/EnvironmentalHealthSafetyPolicy.aspx>



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Principle 8	Business should undertake initiatives to promote greater environmental responsibility
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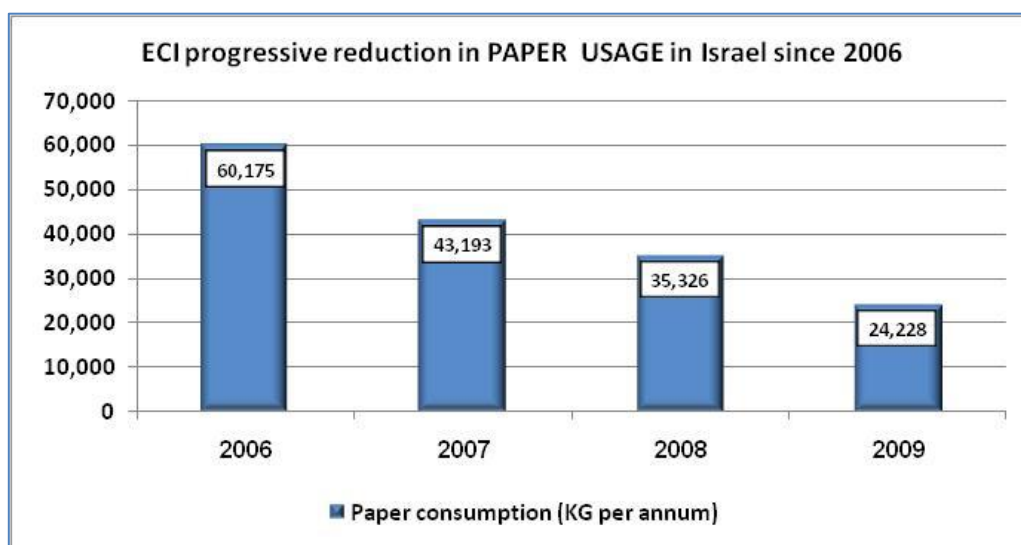
Metrics reporting

In line with **ECI** adherence to ISO 14001 requirements, **ECI** reports all key environmental metrics internally every six months. These reports are issued to the Company's management and reviewed in detail. Environmental performance management is carefully assessed both quantitatively and qualitatively within the Company.

NB: It should be noted that significant reductions across all metrics in 2008 results in part from a major shift to outsourced production from April 2008. Outsourced production is not included in the metrics detailed below. Review of environmental metrics at our outsourcing suppliers in production for **ECI** is a more complex project and will be reviewed during 2010 and beyond. All figures indicated refer to the company's operations in Israel.

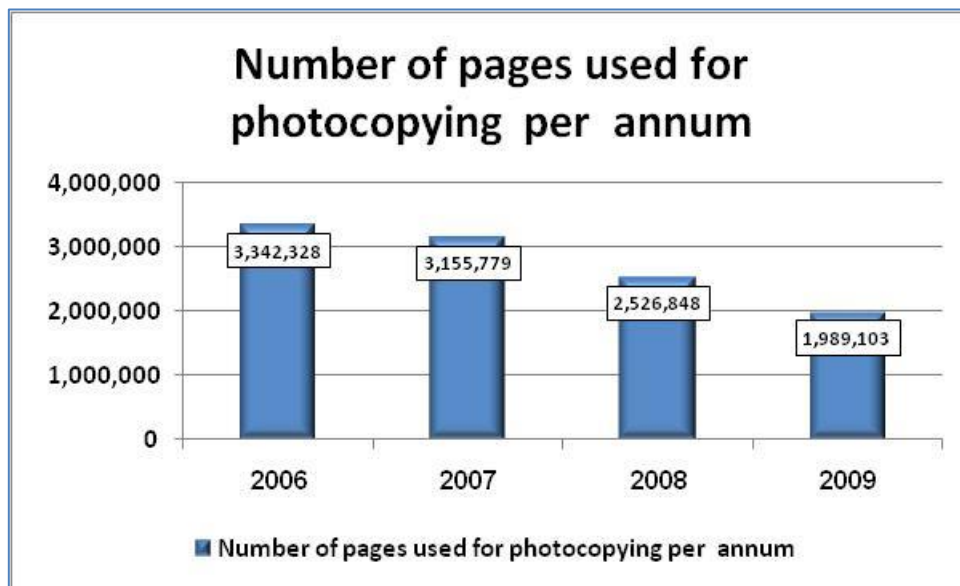
Paper Usage

ECI makes every effort to reduce paper usage in the Company and has achieved significant and continuous progress over the past four years. The following chart shows a 61% reduction in paper usage over 3 years, though the large drop in 2007-2008 is largely due to outsourcing of production operations. Overall, this represents a reduction in usage calculated on a per employee basis from 28 kg per employee in 2006 to 15.2 kg per employee in 2009.





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These reductions have been achieved through consistent implementation of process changes such as:

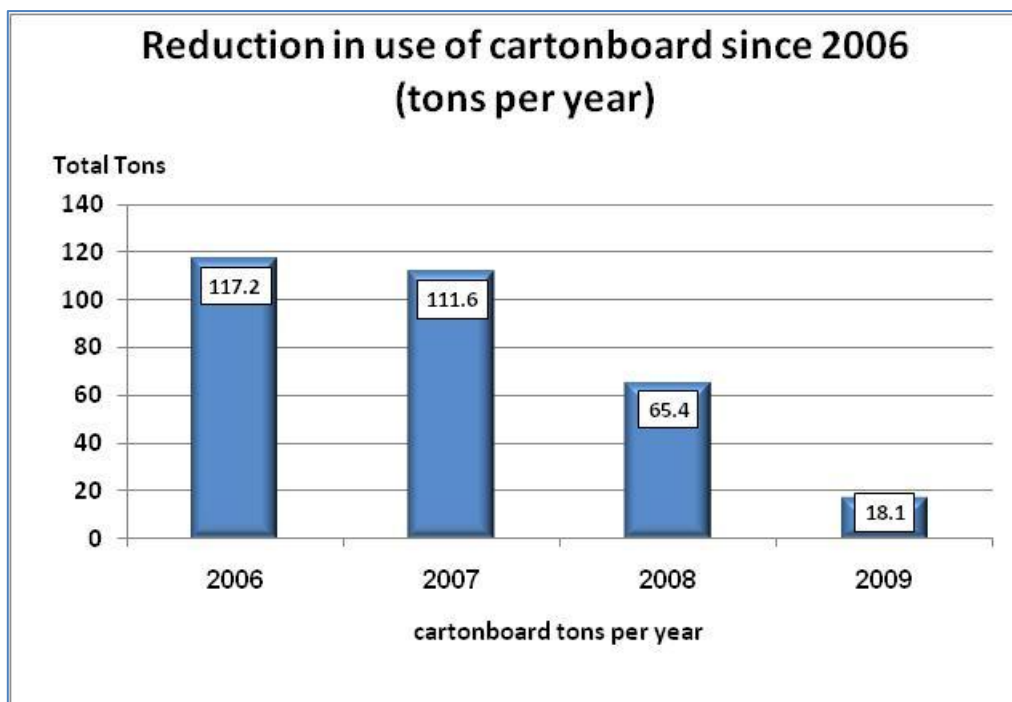
- Increase employee awareness through “All4Green” activities.
- Move to double-sided default printing in all of **ECI’s** offices and manufacturing locations
- Reuse of one-sided printed paper for internal purposes
- Paper toweling in washrooms is dispensed in separate sheets.
- Significantly reduced levels of photocopying from 7.2 kg weight per year per employee in 2006 to 4.4 kg weight per year per employee in 2009.



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Cartonboard usage

ECI makes every effort to reduce cartonboard usage in the Company and has achieved significant and continuous progress over the past four years. The following chart shows a massive reduction in cartonboard usage over 4 years, which includes a significant reduction after the move to outsourcing in 2008.



These reductions have been achieved through consistent implementation of the following:

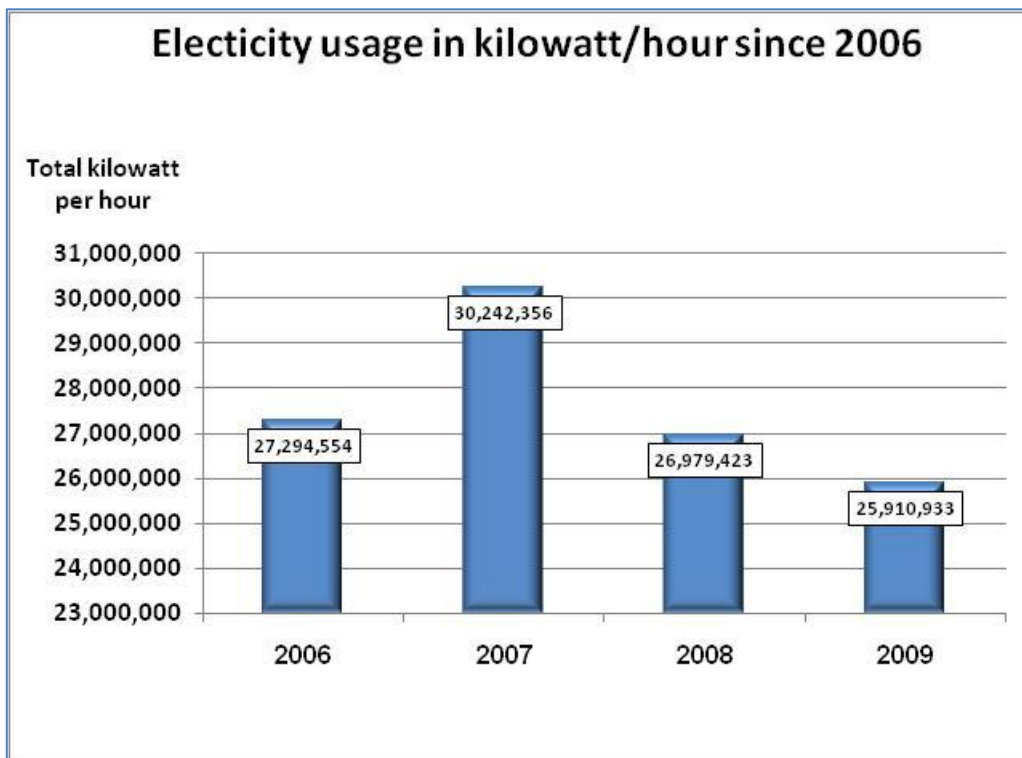
- Redesign of **ECI** packaging with reduced cartonboard requirements
- Consolidation of product packaging types
- Use of lighter weight cartonboard for packaging



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Electricity consumption

ECI has made, and continues to make, every effort to reduce electricity consumption in all of the Company's operations as can be shown in the following chart.



These reductions have been achieved through:

- Continuous implementation of responsible practices in all Company offices and locations including automatically turning-off of lights and all electrical and computer equipment when not in use
- Installation of sensors in meetings rooms, offices, and corridors to shut off air conditioning and lights when not in use
- Replacement and use of higher energy efficient equipment including replacement of fluorescent illumination bulbs
- Replacement of cold water pumps to improve efficiency
- Replacement of insulators of the air-conditioning cold water pipes
- Installation of building control system for air-conditioning savings
- Replacement of fresh air units from old to DUCOOL (improved units) at main campus

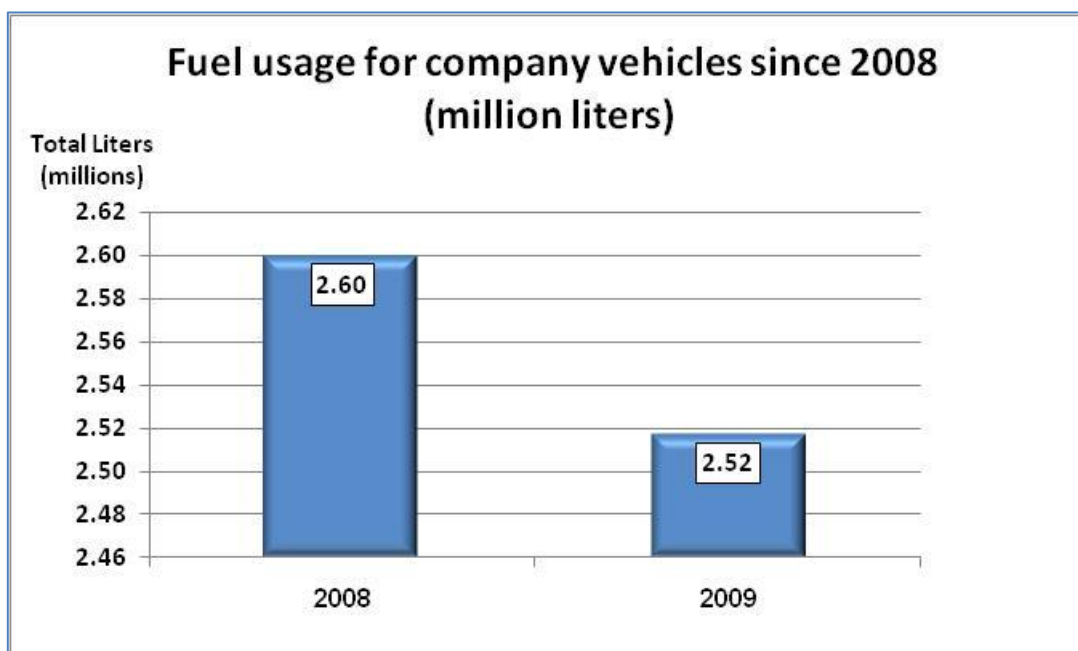
However, it must be noted that the most significant effect on direct electricity usage reduction was the outsourcing of manufacturing operations which occurred in April 2008. In 2009, a new benchmark for internal operations was established as a basis for ongoing annual performance improvements.



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Fuel Consumption

ECI makes every effort to reduce the levels of fuel consumed through the operation of Company vehicles, both through reduction in overall number of vehicles (1008 in 2008 to 972 in 2009) and through improved fuel-efficient practices. The reduction in fuel usage can be seen in the following chart.



This reduction has been achieved through:

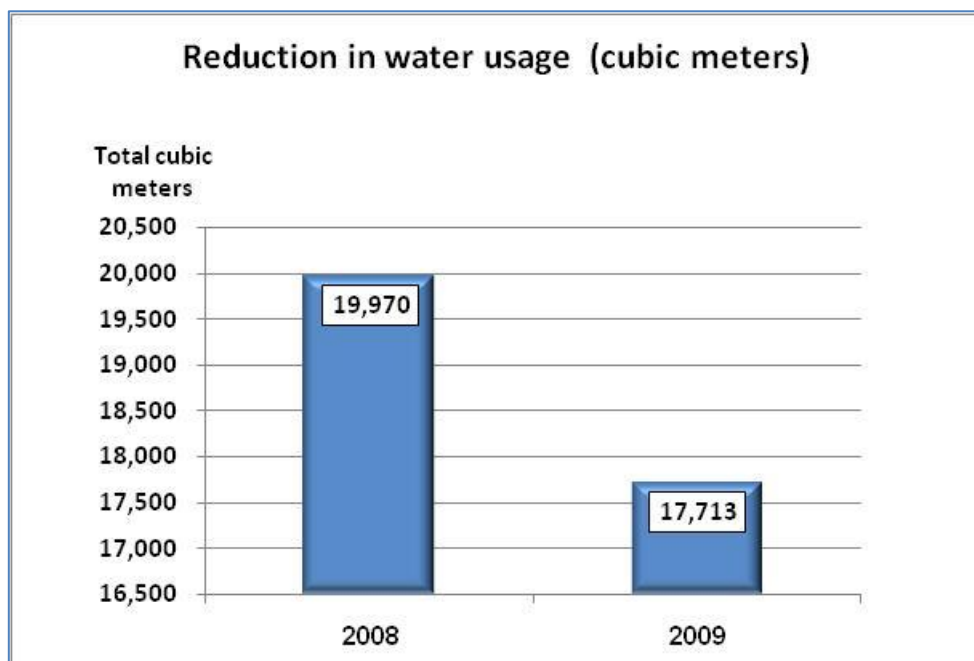
- Increased use of car pooling
- Move to partial use of hybrid vehicles
- Training of ECI employees in fuel efficient driving practices
- Greater use of virtual alternatives for meetings instead of physical meetings requiring travel



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Water consumption

ECI makes every effort to reduce water consumption in the Company, as is demonstrated by the following chart:



This reduction has been achieved through:

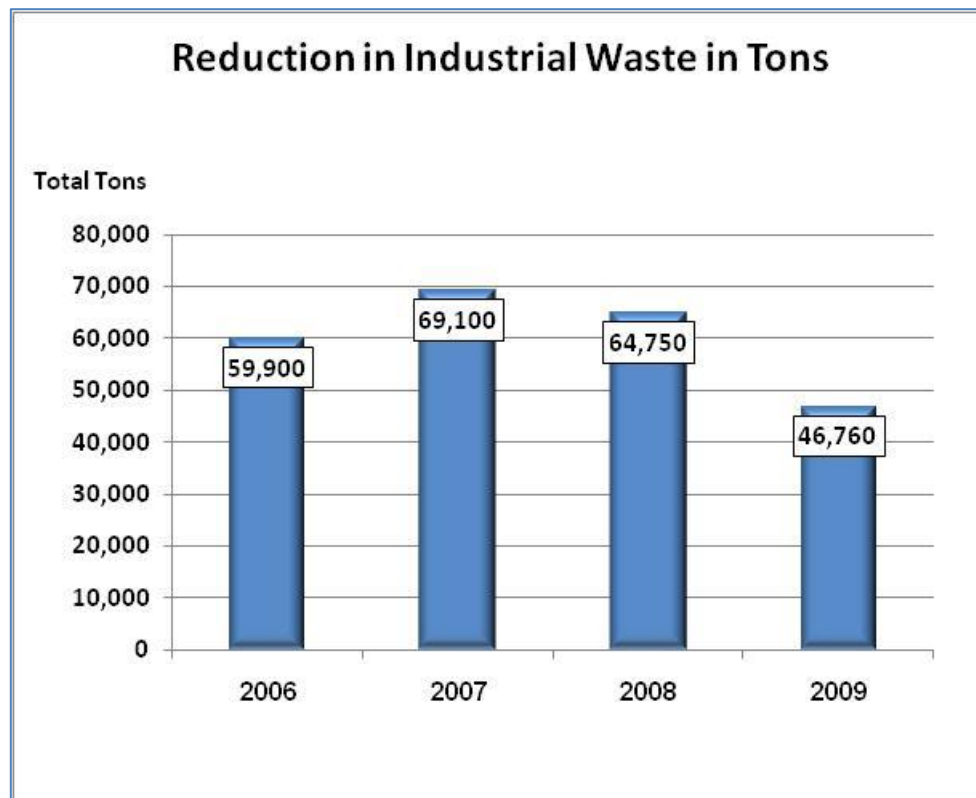
- Replacement of all regular taps with water-efficient taps.
- Adjusting activities for economizing irrigation, automatic irrigation and reuse of water in air-conditioning systems.
- Awareness drive to encourage use of half-flush tank in bathrooms.
- Monthly company vehicle dry car-wash, avoiding significant water usage.



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Industrial Waste

ECI has made, and continues to make, every effort to reduce industrial waste in all the Company's operations as can be shown in the following chart. Industrial waste includes all electronic waste, metals, batteries and more.



The reduction in waste has been achieved by:

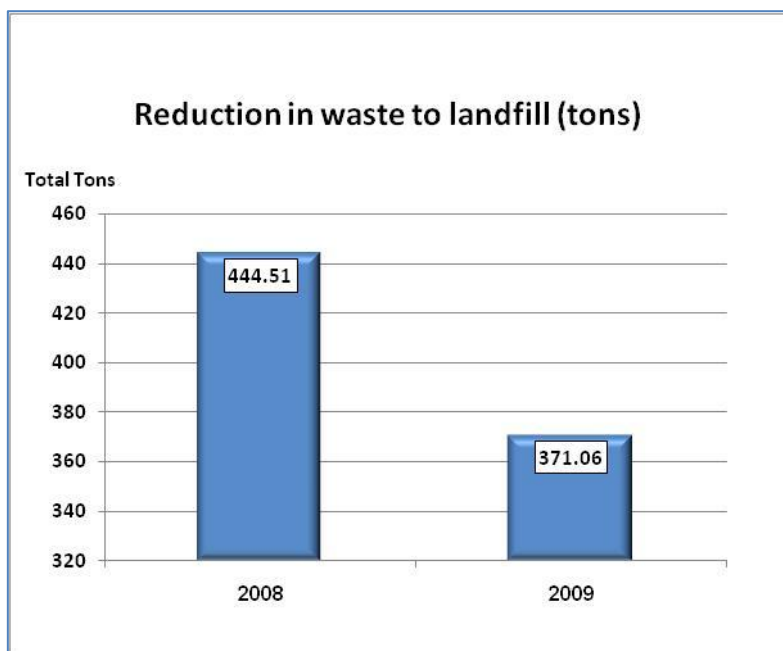
- Encouraging employees to recycle all electronic waste.
- Recycling CDs.
- Recycling of used batteries.
- Use of rechargeable batteries.



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Waste to landfill

ECI progressively reduces negative impacts on the environment as a result of waste which is sent to landfill as can be seen from the following chart.



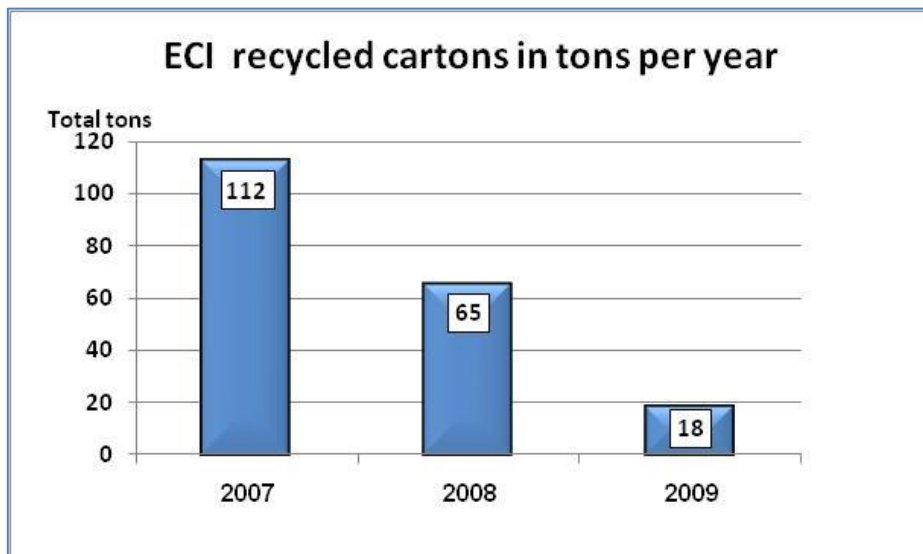
This is a result of a reduction of the total overall waste levels generated as mentioned above, the move to outsourcing in April 2008 whose impacts are not reflected in this chart, and increased levels of recycling in the Company.

Recycling

ECI makes every attempt to recycle as much as possible before committing to landfill. In 2008/9 the total numbers of tons of cartons recycled directly by ECI reduced significantly in part due to reduction in overall material usage and in part due to outsourcing operations, which are not reflected in the chart. However, ECI's underlying performance is based on a commitment to recycle as far as possible.



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Employee awareness of environmental issues

ECI employs an internal Environmental Trainer on a full time basis, whose main work is to develop employee environmental training programs and assist employees in implementing environmental practices. Employee training includes familiarization with the ISO 14001 standard, which is very detailed in its attention to environmental issues.

In addition, a very strong internal communications program about environmental issues is a feature of **ECI's** internal processes to ensure heightened environmental awareness on the part of employees, and improved personal accountability for environmental practices.

Recycling corners are installed in all communal areas with containers for paper, plastic and electronic waste recycling, making it easy for employees to make recycling a habit.

This has enabled **ECI** to deliver significant performance improvements as mentioned in the above sections.

Outsourcing and environmental impacts

All **ECI** outsourcing suppliers are made aware of **ECI** environmental objectives and strive to support **ECI** overall impact through their own operations. The largest of these outsourcing operators, as previously mentioned, is Flextronics, who maintains outstanding environmental practices as can be seen on the Flextronics website:

<http://www.flextronics.com/sbs/about/default.aspx>

Together, **ECI** works with Flextronics and other suppliers to review production and supply practices and identify opportunities for environmental impact reduction.



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Principle 9	Business should encourage the development and diffusion of environmentally friendly technologies
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ECI – technology with environmental benefits

The great strides made possible by wireless communications and global networking infrastructure developed by **ECI** are at the core of inherently environmentally favorable platforms which telecoms carriers and service providers around the world can use to address their current and future business challenges. **ECI** supplies best-of-breed infrastructure solutions which offer lowest environmental impact. In this way, **ECI** technology solutions bring significant positive indirect environmental impact, a fact which **ECI** is proud to share.

Green platforms and green technologies

In addition to complying with industry standards and regulations, and voluntary codes, **ECI** goes one step further by designing multifunctional platforms that are environmentally friendly. Multi-service platforms are by nature more environmentally favorable as they require fewer resources to operate. **1Net**, **ECI's** business proposition, offers a cost-effective and environmentally-safe framework to help service providers migrate their networks to next-generation while saving money and resources.

ECI's products and their key characteristics include:

- Access Platforms are designed as multi-service, supporting xDSL, fiber access and NG-Voice applications from the same chassis. Whenever possible, **ECI** uses fan-less designs or temperature controlled fans that consume less power. Unnecessary functions and unused cards in the chassis are disabled to save energy. The platforms optimize power according to the actual length of the copper wire to the subscriber.
- Transport Platforms are developed as converged products, supporting multiple technologies (such as SDH/SONET, WDM, Ethernet), thereby eliminating the need for multiple boxes in a node, and resulting in over 50% reduction of total power consumption.
- **ECI's** design team strives to constantly improve power efficiency of components and systems. For example, the XDM[®] SDH switching capacity has increased by 300% since 2001, while the associated power consumption has increased by only 33%.
- **ECI** has constantly enhanced automation and remote operation to minimize the need for engineers and personnel to visit remote telecom sites.



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- **ECI's** Carrier Ethernet platforms include variable speed fans, designed specifically to conserve energy. Each card's temperature is individually monitored, and the fan speed is increased only when absolutely necessary for additional cooling. The flagship 9700 exceeds leading North American best practice for telecommunications equipment energy efficiency requirements.

Download **ECI's** Booklet on Corporate Responsibility and Green Platforms

http://www.ecitele.com/AboutECI/about%20eci/Corporate_Social_Responsibility.pdf

Environmentally guided product development

ECI Product Development maintains environmental concerns at the heart of the product development process and considers every aspect of product lifecycle in the design and development phases.

ECI has developed a unique **Product Attributes Environmental Declaration** (PAED) form. The Form provides details of all the Environmental Specification of the products including:

- Conformance to voluntary environmental program requirements such as ISO14001
- Conformance to environmental specifications, including :
 - Lifetime Extension of specific parts (processors, memory, caches etc)
 - Spare parts availability
 - Warranty
 - Power consumption
 - Electromagnetic Emission levels
- Acoustical noise
- Materials (such as asbestos, cadmium, mercury, ozone depleting substances, chloro-paraffins, lead, PCB or PCT etc, if these are contained in the product)
- Disassembly details
- Batteries contained with the product and specification details
- Packaging materials and conformance with packaging specifications
- Take-back information of take-back and recycling services offered by ECI.

Company procedures for environmentally friendly new product design

All **ECI's** new product design is governed by Company Order NO. 42-20-15, whose purpose is to provide instructions and define the principles for the design of environmentally friendly products, in order to comply with the requirements of the law, standards, and regulatory requirements, and to satisfy customer requirements.



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Here is an example of the principles contained in this procedure.

During product development, attention must be given to the environmental friendliness of the product, throughout its life cycle and at the end of it, from the specification stage to scrap. During the design stage, consideration must therefore be given to the production technologies, the production processes and the auxiliary materials required in the production processes, to ensure that the product indeed complies with the environmental friendliness requirement.

Company procedure for environmentally friendly product packaging design

All new product packaging design is guided by Company procedure NO. LSN- 22-20-21, whose purpose is to define the method for new package design that is compliant with logistic, engineering and environmental requirements. Here is an example of the guidelines contained in this procedure.

In order to reduce waste and the environmental impact of used package waste once the package is received by the Division's clients, the Mechanical Design Engineer will comply with the following guidelines:

- A package design that features the minimum possible volume that still ensures the completeness of the packed material. This must be coordinated in advance with the relevant Operations personnel.
- A package design that enables separation of elements if the packages are made up of different materials.
- Preference for use of identical materials for the packaging and the packaging filler.
- Preference for the use of recyclable / degradable materials, such as: paper, cardboard and degradable plastic. Note: Do not use paper or cardboard products that have **been subjected to bleaching with** chlorine or any of its compounds.
- Preference for use of the minimum possible paper or wood weight that still ensures the completeness of the packed material.
- Refrain from the use of plastic materials known to have an adverse environmental impact, such as: polyurethane foam, polystyrene foam, and polyvinyl fluoride.
- Minimal use of toxic materials, such as heavy metals and compounds that release toxins in fires or when buried at landfills.
- Reduction/ removal of elements from the packing in order to reduce the amount of packing materials entering the waste flow, such as: tags, ink, glues and lacquers. If



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use of these elements is necessary, water-based materials are to be preferred to materials based on organic solvents.

- Minimal use of anti-inflammable additives that bring about corrosion problems during the recycling process.

Principle 10	Business should work against corruption in all its forms, including extortion and bribery
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ECI expressly forbids corruption in all its forms, including extortion and bribery, and makes this clear to all employees. The key paragraphs relating to corruption in the Company's Code of Ethics are reprinted below.

Bribery, Presents or Receipt of Consideration

Company policy prohibits direct or indirect bribes, kickbacks and other similar payoffs and benefits paid to suppliers, distributors, customers, business partners, or other third parties, nor may any employee receive directly or indirectly any benefit or present for performing, or for avoiding to perform, any activity on behalf of the Company or related to his/her work.

Fraud & Similar Irregularities

Company policy prohibits fraud or any fraudulent act, by any employee for his own benefit or for the company's benefit.

As has been mentioned above, the Company code of Ethics is communicated and assimilated at all levels of the organization on a regular basis. **ECI** is confident that the processes are in place to ensure a corruption-free business culture and appropriate business practices.



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ECI Telecom – future commitments

During 2009 and continuing in 2010/2011, ECI plans to advance the following key objectives:

Improve employee awareness of CSR programs

Roll-out of employee training and discussion groups on the subject of the Global Compact principles and possible ways of improving Company activities in support of these principles.

Green platform for new technologies

Greater focus on the development of green technologies and leverage of environmental benefits in communications with clients.

Expand Ethical Conduct into the Supply Chain

Development of a Code of Ethics for suppliers and process of implementation.

Overall environmental impacts improvement

Achieve percentage improvement in E-TASC scores

Continue to improve internal service

Ongoing attention to employee feedback and implementation of solutions in response to employee requirements and feedback.

Develop diversity oriented recruitment procedures

New recruitment procedures to ensure the attraction of a diverse range of potential employees, and their successful induction into the business.

Develop an “advancing women in business” program

Program to develop greater gender-awareness by men and women in the business, and development of metrics and solutions to deliver improved results.

Community investment

Continuation and development of community activities including increase in number of company volunteers.



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About this communication

This is **ECI's first** Communication on Progress and covers all of the company's global operations during 2009, unless otherwise stated. All **ECI** operations around the world are committed to the Global Compact principles, and are working in many ways to make continuous further progress.

Availability of this Communication on Progress

This communication on Progress is posted on the UNGC website and on **ECI's** global website. Internally, this Communication on Progress will be available on the Company's global intranet site for all employees to view, supported by a summary of the importance of participation in the UNGC. During the coming months, we will translate this COP into more languages, in order to facilitate accessibility by more employees and local business partners, suppliers and customers. In addition, we plan a series of internal discussion groups with Managers and employees to discuss opportunities to improve our application of the UNGC principles.

Advisor Statement

This Communication on Progress has been prepared with the support of an external specialist in Corporate Responsibility practices who verifies that all contents are a true and accurate representation of **ECI's** adherence to UNGC principles.

Elaine Cohen, CEO of Beyond Business Ltd

www.b-yond.biz/en | September 2010



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