



UN Global Compact Communication on Progress 2018



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Farmers using our smart irrigation solutions achieve up to

50%-100% increase in income

and up to

40% reduction in production costs,

turning economic stress into sustainable opportunity.

Message from our President and CEO

It gives me great pleasure to introduce our annual Communication on Progress, representing our commitment to the UN Global Compact (UNGC) and to the CEO Water Mandate. We are pleased to confirm our ongoing support for conducting business in a way that positively benefits society and the environment.

Today, there can be no doubt about the benefits of precision irrigation in improving agricultural yields and quality and supporting farmer livelihoods while minimizing use of water, land and other resources. Our solutions have been making a difference for more than 50 years; we continue to innovate to deliver even higher precision in our irrigation solutions, utilizing our advanced dynamic crop models and real-time decision-making, to provide farmers with better analysis, monitoring and control capabilities, for different crops in all types of climatic and cultivation conditions.. As the leading global business in precision irrigation, supported by the worldwide network and capabilities of Mexichem, our majority shareholder, we are proud to play a significant role in improving sustainable prosperity, in perfect alignment with the aspirational Sustainable Development Goals of the United Nations.

As we advance precision irrigation, being a responsible, ethical and transparent business is always at the forefront of our decision making. We uphold the UNGC's Ten Principles of Responsible Business and publicly report on our progress through a full Sustainability Report, prepared in accordance with the Global Reporting Initiative (GRI) Standards every two years and a Communication on Progress in the interim years. In this 2018 update, we present our progress versus our 2020 Sustainability Strategy, our alignment with the UN Sustainable Development Goals and key performance in other areas.

Thank you for your interest in this report. We welcome your feedback. In the meantime, we continue to expand our business to deliver the benefits of precision irrigation to more farmers and communities around the world and continue to drive continuous improvement in adherence to responsible standards and practices.

Sincerely,

Ran Maidan

President and Chief Executive Officer



About Netafim

Netafim is the global leader in drip irrigation for a sustainable future. Our solutions advance sustainable productivity by enabling growers to cost efficiently produce better and higher yields, while using fewer of the world's limited resources – water, land and energy. We are dedicated to helping our customers achieve their goals by growing more with less using state of the art technology and agronomic expertise.

Netafim Ltd is a private company, headquartered in Tel Aviv, Israel. In 2017, 80% of Netafim shares were purchased by Mexichem, the global leader in water conduction solutions for building and infrastructure, the leader in the data conduction market in the U.S., the global leader in the production of specialty resins, one of the global top ten PVC producers, and the owner of the biggest fluorspar reserve globally. Mexichem shares are publicly traded as part of the S&P/BMV Sustainable Index in the Mexican Stock Market. The remaining 20% of Netafim shares are held by Kibbutz Hatzerim (Israel), one of Netafim's founding organizations.



Our Footprint

| | | | |
|----------------------------------|---------------------------|-------------------------|------------------------------------|
| 4,300 | 17 | 29 | 110 |
| employees in our total workforce | factories in 13 countries | commercial subsidiaries | countries served with our products |

To date, we've irrigated over ten million hectares of land and produced over 150 billion drippers for more than two million ambitious farmers.

Our Backbone

| | |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Purpose | Helping the world grow more with less |
| Vision | As the world's leading irrigation company, we will drive mass adoption of smart irrigation solutions to fight scarcity of food, water and land. |
| Mission | Together with our partners, we will revolutionize irrigation globally for a sustainable future. We will drive mass adoption of innovative, simple and reliable drip irrigation solutions. Our teams around the world will provide customers with the best agronomic and technical support to ensure outstanding results and peace of mind. |
| Values | <ul style="list-style-type: none"> ⊕ Dare ⊕ Make it Happen ⊕ Create an Impact ⊕ Partner for Success |

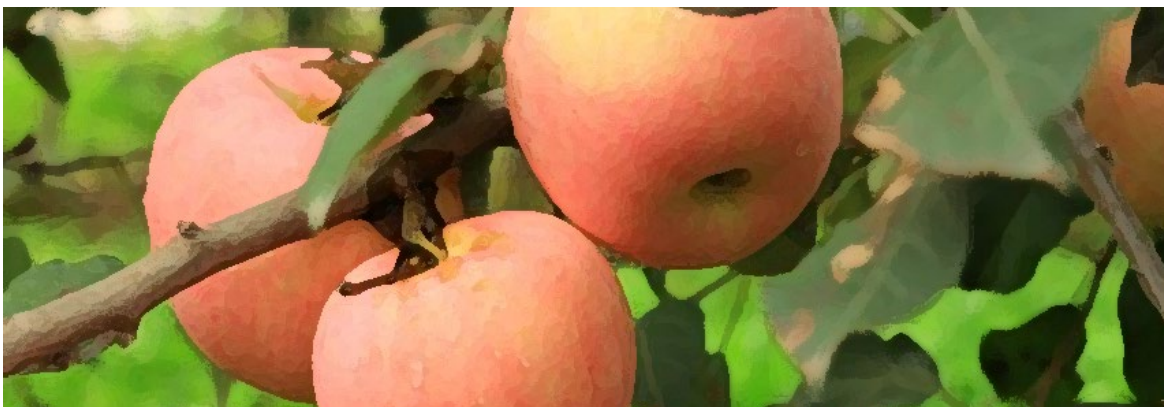
Our Products

| | |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Agriculture | We offer drip irrigation solutions that are suitable for a broad range of crops, and support growers from the planning phase to crop management and harvest. |
| Landscape | Our products incorporate advanced water management practices and technologies for enhanced landscape irrigation, providing the basis for water conservation and recycling solutions while improving city and residential landscape planning. |
| Greenhouses | We offer comprehensive solutions for greenhouses, from planning and construction, through irrigation systems and other equipment, to after-sale agronomic support. |
| Mining | Our drip irrigation solutions for the extractive industries ensure uniform coverage, minimal clogging and optimal metal recovery in leaching processes for mining applications. |

Our Sustainability Strategy

We continue to advance our Sustainability Strategy that was developed in 2014. This strategy reflects the key ways we make an increasingly positive impact on people and the planet with drip irrigation. Our Strategy is structured under three pillars: Action, Education, Backbone:

| | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Make smart irrigation solutions the accessible and preferred choice for irrigated crops all over the world | | |
| Action: Help farmers achieve sustainable livelihoods | | |
| Technology and innovation: Provide simple and affordable technology to enable mass adoption of smart irrigation for farmers of all sizes, from large-scale agri producers to smallholders. | Agri-tech partnerships: Engage in partnerships to advance technology uptake and to adapt to the needs of local farmers. | Advance knowledge sharing: Increase practical support and technology knowledge sharing for small and large farmers to enable tailored irrigation solutions. |
| Education: Increase awareness of the benefits of drip, and increase its access for farmers worldwide | | |
| Access and education: Raise awareness and educate farmers in the use of drip irrigation to help them grow more with less. | Public sector collaboration: Maintain active involvement with governments, the UN and other international organizations and NGOs to advance policy that helps farmers improve their livelihood by using drip irrigation. | Private sector collaboration: Collaborate with private sector companies, NGOs and the government sector to promote smart irrigation solutions throughout the entire food value chain. |
| Backbone: Conduct our business ethically, responsibly and transparently | | |
| Employee engagement: Develop our employees, improve their wellbeing, and engage them in our sustainability goals and ethical approach. | Lean supply chain: Reduce our direct environmental impacts and contribute to global efforts to mitigate climate change. | Product development for climate change: Focus product development priorities on smart irrigation solutions for crops that have the biggest impact on climate change. |



Progress against our Sustainability Strategy in 2018

| Pillar | Goal | Target | Progress in 2018 |
|------------------|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Action | Technology and innovation | Continue to develop new products and methods | <ul style="list-style-type: none"> Introduced NetBeat™, the first digital farming solution to enable automated irrigation, fertigation and crop protection. Introduced Streamline™ X, thin wall dripline with a unique ribbed surface that simplifies installation and retrieval |
| | Agritech partnerships | Create collaborative opportunities for the development and applications of drip irrigation technologies. | <ul style="list-style-type: none"> Advanced our DripByDip partnership with Bayer Expanded Netafim financial solutions in India and the U.S. Engaged in the Better Life Farming Alliance, a partnership with Bayer, IFC (International Finance Corporation) and Swiss Re to help smallholders to unlock their farming potential. |
| | Advance knowledge sharing | Drive an increase in the percentage of micro irrigation of total irrigated land from 5% to 10% by 2020 | <ul style="list-style-type: none"> The percentage of micro irrigation of total irrigated land currently is 6% (ICID). |
| Education | Access and education | At least 2,000 annual training events for farmers. | <ul style="list-style-type: none"> In 2018, we conducted over 2,700 events for over 110,000 farmers including field tours, seminars, lectures, and road shows. |
| | Public sector collaboration | Continue our support and activities for promoting the adoption of policies enabling the use of drip irrigation. | <ul style="list-style-type: none"> Partnership with Ningxia (China) Agricultural & Rural Department to promote smart digital farming, crop irrigation and fertigation technologies to transform agriculture in Ningxia province. Continue to support the Grow Africa Partnership, participate in the UNGC program, the CEO Water Mandate, and Action Platform: Water Security through Stewardship. Participated in developing quality standards for irrigation Participated in global events and forums on water and agriculture |
| | Private sector collaboration | Develop and deepen collaboration with private sector companies to implement new irrigation initiatives in their supply chains. | <ul style="list-style-type: none"> Partnership with Dexis Consulting Group and SOPROTRILAD in Mali to pilot a drip irrigation for rice project to help build Mali's food resilience. |
| Backbone | Employee engagement | Maintain employee engagement score of 4 (80%) or above. | <ul style="list-style-type: none"> Employee engagement score of 91% in our 2018 survey |
| | Lean supply chain | Maintain electricity consumption per ton raw material at 2015 level or reduce. | <ul style="list-style-type: none"> Electricity consumption per ton raw material: increased by 6.5% vs 2015 Recycled waste: 73% in 2018 |
| | Product development for climate change | Introduce new initiatives for the top three crops by 2020. | <ul style="list-style-type: none"> We continue to invest in research and trials to increase the use of drip irrigation in rice cultivation. |

Supporting the SDGs

Our Sustainability Strategy is aligned with the UN Sustainable Development Goals (SDGs), adopted by the UN in 2015. Our business most closely aligns with and supports the advancement of nine SDGs.



Advancing the SDGs through Better Life Farming

In 2018, Netafim together with partners (Bayer, International Finance Corporation (IFC), Netafim, and Swiss Re Corporate Solutions) launched the Better Life Farming alliance to help develop sustainable business for millions of smallholder farmers. The alliance aims to facilitate access to financing, healthy seeds, crop insurance and farmer education in agricultural best practices, marketing, entrepreneurship and more.

In 2018, the Alliance launched the Better Life Farming in Rice for Asia with several pilot programs in several Asian countries. Initial results are showing between 20% and 57% yield increases and 73%-170% income growth. Overall in 2018, the alliance reached almost 9,000 farmers.



Advancing the 10 Principles

Protecting human rights

- **Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights.
- **Principle 2:** Businesses should ensure that they are not complicit in human rights abuses.

We are committed to upholding laws, regulations and practices designed to protect human rights in all regions in which we operate. We strictly oppose all forms of discrimination, and welcome all employees regardless of color, race, gender, nationality, religion, sexual orientation or other personal diversity dimensions. We uphold practices that prevent all forms of child labor and forced labor and we implement training programs for our staff to prevent sexual discrimination and sexual harassment.

Our Code of Business Conduct is available on our [website](#)

We strive to do business in a fair and ethical manner, observing our Code of Business Conduct in all global operations. Our Code of Business Conduct is based on our business values and legal compliance, and applies to all Netafim employees, officers and directors.

In 2017 we launched a new Code of Conduct eLearning module in five languages. Each employee is required to complete the module, including new employees as part of their onboarding program. In 2018, 93% of employees completed this training.

We encourage employees, customers, suppliers, distributors and business partners to report suspected violations of ethical conduct, legal compliance or human rights abuse through our Whistleblower Policy, which is embedded in our Code of Business Conduct.

Reports are directed to Netafim's Chief Compliance Officer and Internal Auditor. All reports are thoroughly investigated, and action is taken as appropriate. Netafim's Board of Directors is notified of all reports under the Whistleblower Policy.

Supporting water as a Human Right

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

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

Accessible drip irrigation

In 2016, we concluded a multi-year collaborative flagship project that Netafim had supported as a founding partner over several years. The Ramthal Community Drip irrigation Project in Karnataka state in India was financed by the Indian government. It is the world's largest, fully automated, community-based drip irrigation project.

Netafim India installed drip irrigation systems across 11,700 hectares with fully automated scheduling and a full crop management package, including training for locals on how to use the equipment to cultivate the most profitable crops and optimize land and equipment use.

In 2018, Netafim completed a social impact assessment to monitor the success of the project. Around 4,500 farmers – 76% of those included in the project – took part in a survey addressing socio-economic factors such as age, education level, access to banking and mobile phone usage, as well as agricultural information such as plot size, irrigation type, mechanization and types of crop. This survey will serve as a baseline for further monitoring of yields, crop income and changes in the socio-economic status of the farming communities in the region and provide valuable information on how improvements can be made in Karnataka and similar initiatives identified elsewhere.

Ramthal Community Irrigation by the numbers

2,200 km bulk water pipes
77,000 km drip irrigation lines
11,000 m³ water distribution per hour
11,700 hectares
22 villages
7,000 farmers
1.74 hectares average plot size

The Ramthal Community Irrigation Project is a strong example of improving access to water for communities in emerging markets – enabling locals to realize their right to water and also advancing several UN Sustainable Development Goals and stabling a new baseline for property in the region.



Investing in our communities

We support community empowerment and economic development. Drip irrigation solutions provide a basis for improving livelihoods and enable communities to do more with less. By donating our products and providing training to local communities, Netafim contributes to improving the quality of life in communities worldwide.

| Global community investment (\$) | 2016 | 2017 | 2018 |
|----------------------------------|----------------|----------------|----------------|
| Cash donations | 402,541 | 454,844 | 103,807 |
| Product donations (cost value) | 176,541 | 110,435 | 87,715 |
| Total | 579,083 | 565,279 | 191,521 |
| Hours volunteered by employees | 6,850 | 4,892 | 8,122 |

Notes:

- Community investment data includes eight countries representing about 80% of our global workforce.
- Employee volunteering is not tracked in all countries.

Rehabilitation through farming

In Israel, as part of our approach to sustainability education, we partnered with two residential rehabilitation farms for at-risk youth. At the Nitsan and Nirim farms, youths undertake farm tasks to provide a new sense of opportunity and accomplishment and are assigned a personal mentor that helps them overcome their issues and return to school.

Since 2013, Netafim has played a significant role in the creation and development of these farms, donating irrigation equipment and a greenhouse, supporting the planning and cultivation processes and mentoring the young residents and even the farm management.

At the Nirim farm, since 2013, with 100 young residents, Netafim equipment and support has helped transform the farm into a self-sustaining farm supplying vegetables and dairy products for its residents.

At the Nitzan farm since 2015, with 15 youth residents, Netafim irrigations systems has transformed a sandy plot of land into a thriving farm. In 2018, 25 Netafim volunteers created a spice garden and planted 60 fruit trees in addition to donating irrigation equipment and many hours of mentoring sessions



Helping Kids Get Healthier

As an organization committed to sustainable agriculture and advancing life, in Israel, we identified an opportunity to change the eating habits for better health, support food security and inspire young children to respect the land. The Arab city of Baqa al-Garbbiyye, less than 10 kilometers from our Magal factory in Israel, has a population of 30,000 inhabitants.

In 2014, we joined forces with the local municipality of Baqa al-Garbbiyye, a local academic college and partnering nonprofits to establish a program of community vegetable gardens in local kindergartens. Netafim provided the drip irrigation kits for the vegetable gardens and our employees volunteered to support the training of the kindergarten staff in their installation and use. Once established, the children and their families tended the gardens to grow fresh produce. Parents were also offered training on healthy dietary habits for their children and for the entire family.

By 2018, this collaborative community effort had yielded more than 80 community gardens, covering all the kindergartens in the city, benefiting more than 1,200 kindergarten children.

A further outcome of this ongoing initiative is that, today, the local city policy demands that every new kindergarten established in the city will have a community vegetable garden. Additionally, Netafim's Magal Plant was granted the Social and Environmental Leadership Award for this project by the Manufacturers Association in Israel.

"Drip irrigation is not only about saving water. It's a way to transform the lives of entire communities, whether this is through sharing our knowledge with farmers to generate better yields and improve their livelihoods or teaching young children to cultivate vegetables that they can enjoy eating as part of a healthy diet. Our initiative in Baqa-El- Garbbiyye was also significant, bringing Arab and Jewish communities together in a collaborative, long term project that benefits us all!" **Naty Barak, Chief Sustainability Officer, Netafim**



Upholding labor rights

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should support the elimination of all forms of forced and compulsory labor.

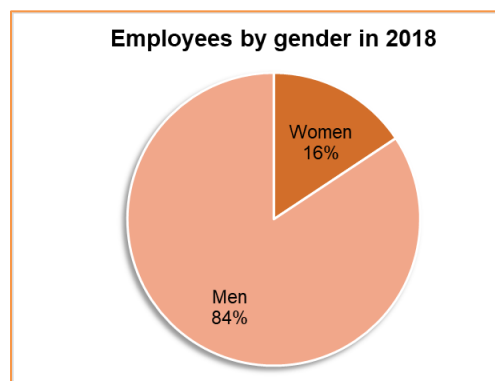
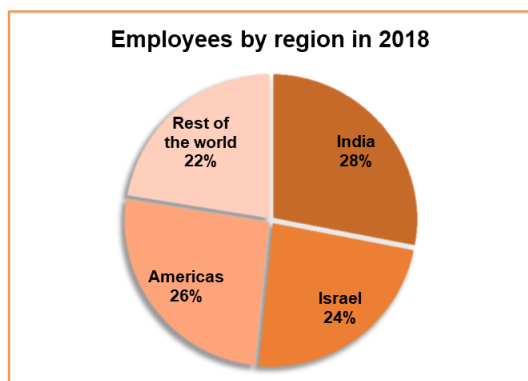
Principle 5: Businesses should support the effective abolition of child labor.

Principle 6: Businesses should support the elimination of discrimination in respect of employment and occupation.

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

We encourage employee engagement, commitment and performance by rewarding employees fairly and in line with their experience, capabilities and contribution. We offer personal and professional growth opportunities through training and development programs.

| Employees by region | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------------------|--------------|--------------|--------------|--------------|--------------|
| India | 1,392 | 1,281 | 1,202 | 1,177 | 1,078 |
| Israel | 981 | 761 | 1,029 | 1,123 | 906 |
| Americas | 766 | 820 | 954 | 984 | 998 |
| Rest of the world | 590 | 642 | 716 | 788 | 863 |
| All employees | 3,729 | 3,504 | 3,902 | 4,072 | 3,845 |



Engaging our employees

In mid-2018, we conducted a global survey to measure employee engagement, with participation of 90% of employees from 32 countries. The survey was offered in 13 languages, giving almost all employees the opportunity to respond in their own language.

Overall, engagement at Netafim was 91%, outperforming industry benchmarks.

The survey responses demonstrated that employees feel secure at Netafim, are familiar with our organizational strategy, have high confidence in Netafim's products and services, pride in the company and the brand, and feel they contribute to our success. We also found that employees have a deep connection to our values. Opportunities for improvement that we identified include improving our ability to adapt to changes some aspects of our recognition and reward policy.

Freedom of association

We support the right of employees to freedom of association and collective bargaining. Netafim employees are generally hired on personal contracts and are not represented by employee associations. Our respect for employee rights, access to management, and employee involvement in business decisions means that most Netafim employees typically have not felt the need to form or join an association to protect their rights. 11% of Netafim employees worldwide are members of employee associations.

Child and forced labor

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

Training and development

We provide our employees with training that helps improve their capabilities and skills in current and future roles. Our performance management system covers all global operations and helps ensure consistent performance development processes throughout the organization and equal opportunity to develop and advance for all employees.

Employee health and safety

We are committed to maintaining a safe and healthy work environment that is compliant with occupational health and safety regulations and applicable standards across all our operations. We offer comprehensive training in safety procedures for employees when they join the company and throughout their employment. All Netafim factories track safety performance, review safety incidents and implement corrective action as required.

| Netafim global safety performance | | | | | |
|-----------------------------------|-------|-------|-------|------|------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Injury rate | 3.07 | 1.94 | 1.67 | 1.6 | 1.0 |
| lost day rate | 33.20 | 24.14 | 21.26 | 20.9 | 21.9 |

Injury and lost day rates are calculated per 100 employees and based on production employees only. Injuries are those which incur lost workdays. Minor injuries are not noted. No fatalities as a results of workplace injuries in 2014-2018

Environmental stewardship

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

Environmental stewardship is core to Netafim's business. Our innovative drip irrigation systems positively impact the environment in many ways, including optimization of arable land use, reduction of energy consumption, GHG emissions and soil and water contamination, water conservation, and lower agrochemical consumption, all of which positively contribute to addressing the challenge of climate change. Our prime contribution to environmental stewardship is promoting awareness and the use of precision irrigation solutions for sustainable productivity, enabling farmers worldwide to grow more with less.

In addition, we strive to minimize our direct environmental impacts by conserving resources where possible in our supply chain operations. We conduct environmental risk assessments of the direct impacts of our production operations. These include conservation and rehabilitation of nature and biodiversity, air, water and soil pollution prevention, noise and odor prevention, greenhouse gas reduction, natural resource reduction, and water use and waste management reduction (sewage, hazardous waste and detergents). In addition, the EHS team maintains our ISO 14001 and ISO 18001 certifications in our three Israeli factories. Our EHS compliance includes two annual audits performed by external auditors, as well as preparatory internal audits.

| Environmental performance | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Change in 2018 | Change since 2013 |
|----------------------------------------------------------------------------------|---------|---------|---------|---------|---------|---------|----------------|-------------------|
| Electricity consumption (GJ/ ton raw material) | 3.10 | 3.19 | 3.14 | 3.20 | 3.13 | 3.35 | 7% | 8% |
| Greenhouse gas emissions (Scope 2 - tons CO ₂ e per ton raw material) | 0.54 | 0.55 | 0.53 | 0.53 | 0.51 | 0.54 | 6% | -1% |
| Water withdrawal (total m ³) | 144,528 | 120,107 | 124,535 | 130,270 | 152,047 | 154,396 | 2% | 7% |
| Total waste (tons) | 2,007 | 1,920 | 2,313 | 2,859 | 3,398 | 3,299 | -3% | 64% |
| Percentage of waste recycled | 72% | 67% | 60% | 68% | 73% | 73% | 0% | 1% |

Notes:

- Increase in consumption per raw material in 2018 is due to decrease in raw material usage, while maintaining production and resource consumption levels. Decrease in materials use due to a change in the mix of products and materials
- We report energy as electricity consumption. Use of other energy sources such as fuel are insignificant.
- Greenhouse gases include CO₂, CH₄ and N₂O
- Water withdrawal data covers all facilities worldwide as of 2016. Data for Brazil is not available prior 2016. Data for 2014 excludes Peru.
- Water withdrawal data for 2013 was updated in 2018 to reflect a more accurate data from Magal, Israel.
- All water is sourced from municipal supplies except Ribeirão Preto, Brazil, where water is drawn from an onsite well. Water withdrawal data for this factory is provided for the first time in 2016.
- Emissions for Israel and U.S. are tons CO₂e. Emissions for all other sites are tons CO₂.
- GHG data for 2013 was restated due to a change in the emissions factor used for U.S. facilities

Eliminating corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

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

Our Code of Business Conduct includes a requirement of all employees to report suspected breaches. Instructions for reporting violations or suspected breaches are provided to employees and appropriate training is conducted. Anonymous complaints are treated with equal importance. All reports are directed to Netafim's Chief Compliance Officer and Internal Auditor via mail, email or our Intranet portal and are thoroughly investigated. Action taken is reported to Netafim's Board of Directors. There are no reprisals against employees who report alleged breaches of the Code of Business Conduct. Our internal auditor monitors our risk management, compliance, control, and governance processes and collaborates with Netafim's third-party internal auditor to provide insight and recommendations to improve business processes.

CEO Water Mandate

The CEO Water Mandate is a special initiative of the UN Secretary-General and the UN Global Compact, providing a multi-stakeholder platform for the development, implementation, and disclosure of corporate water sustainability policies and practices. Netafim was one of the first companies to endorse the CEO Water Mandate in 2008. Just 140 companies around the world have endorsed this important initiative to date. This Report serves as Netafim's Communication on Progress for the CEO Water Mandate for 2018, in line with the CEO Water Mandate Transparency Policy. Netafim's CEO, Ran Maidan, confirms that Netafim continues to endorse and promote the CEO Water Mandate, and will continue to disclose transparently the company's water management performance.

Below is a table cross-referencing Netafim's progress updated in this report against the six core elements of the CEO Water Mandate.

| Water Mandate Principles | | Included in this report |
|--------------------------|---------------------------------------|--------------------------------------------------------------------------|
| Element 1: | Direct operations | Environmental stewardship |
| Element 2: | Supply chain and watershed management | Netafim suppliers are not involved in high water consumption industries. |
| Element 3: | Collective action | See below |
| Element 4: | Public policy | See below |
| Element 5: | Community engagement | Protecting human rights, Supporting water as a Human Right |
| Element 6: | Transparency | Environmental stewardship |

Elements 3, 4: Collective action and public policy

We share our knowledge and expertise in water conservation, access to water, and agricultural efficiency as part of the global dialogue for advancing sustainable development. Netafim actively engages with governments, academic institutions, environmental organizations and other businesses in a range of collaborative initiatives at local, regional and global levels. We participate in global conferences on water and food sustainability and are active in several UN frameworks. We are also involved in three primary areas of policy advancement relating to water and human rights, corporate water disclosure and engagement and collective action.

Advancing quality standards for drip irrigation

At Netafim, we share our knowledge and help advance standards across the industry, helping set global standards for the benefit of all farmers who use irrigation systems. Industry standards provide farmers with a tool to acquire and deploy irrigation systems that meet the most stringent quality standards and are manufactured in controlled and consistent processes. All Netafim products are manufactured in conformance with and certified to relevant ISO (International Standards Organization) published standards. Our Chief Sustainability Officer, Naty Barak, serves as the Chairperson for the ISO/TC 282 Water reuse Technical Committee for the development of a Standard to define the processes for re-use of wastewater in different ways, including drip irrigation. Netafim also participates in the Technical Committee, chaired by the Standards Institute of Israel (SII), ISO/TC 23/SC 18 (irrigation and drainage equipment and systems), to standardize irrigation equipment, sprinklers, durability and clogging test methods and more.

About this Report

This Communication on Progress follows the 10 reporting criteria of the UNGC framework and lays out our approach, policies and performance in the areas of human rights, ethics, society and the environment. All data relates to the 2018 calendar year unless otherwise stated.

We publish a full Sustainability Report, using the Global Reporting Initiative (GRI) framework, every two years in which we include our UNGC COP and CEO Water Mandate disclosure. In the interim years, we publish a standalone COP which also fulfills our communication requirement for the CEO Water Mandate.

In this report, we have included data from our global operations. Environmental and safety data relates to production facilities only. More information, including our 2017 Sustainability Report, can be found on Netafim's corporate website, www.netafim.com.



Contact Details

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

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Netafim welcomes feedback and suggestions regarding this Communication on Progress.

Thank you for your interest in this report!