



**UN Global Compact LEAD
Communication on Progress
2014**

www.netafim.com



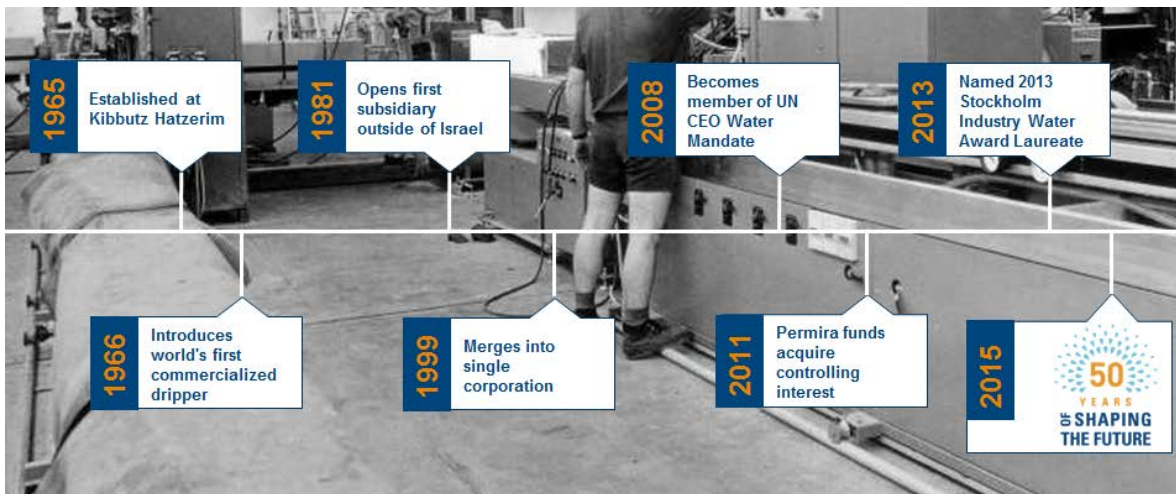
Contents	Page
<u>50 Years of Netafim</u>	3
<u>Statement of Commitment from our CEO</u>	4
<u>About Netafim</u>	5
<u>Criterion 1</u> : Mainstreaming into corporate functions and business units	7
<u>Criterion 2</u> : Value chain implementation	8
<u>Criterion 3</u> : Robust commitments, strategies and policies in the area of human rights	9
<u>Criterion 4</u> : Effective management systems to integrate human rights principles	10
<u>Criterion 5</u> : Effective monitoring and evaluation mechanisms of human rights integration	10
<u>Criterion 6</u> : Robust commitments, strategies and policies in the area of labor	11
<u>Criterion 7</u> : Effective management systems to integrate labor principles	12
<u>Criterion 8</u> : Effective monitoring and evaluation mechanisms of labor principle integration	15
<u>Criterion 9</u> : Commitments, strategies and policies in the area of environmental stewardship	16
<u>Criterion 10</u> : Effective management systems to integrate environmental principles	17
<u>Criterion 11</u> : Effective monitoring and evaluation mechanisms for environmental stewardship	20
<u>Criterion 12</u> : Commitments, strategies and policies in the area of anti-corruption	21
<u>Criterion 13</u> : Effective management systems to integrate the anti-corruption principle	21
<u>Criterion 14</u> : Effective monitoring and evaluation mechanisms for the integration of anti-corruption	21
<u>Criterion 15</u> : Core business contributions to UN goals and issues	22
<u>Criterion 16</u> : Strategic social investments and philanthropy	25
<u>Criterion 17</u> : Advocacy and public engagement	27
<u>Criterion 18</u> : Partnerships and collective action	28
<u>Criterion 19</u> : CEO commitment and leadership	31
<u>Criterion 20</u> : Board adoption and oversight	31
<u>Criterion 21</u> : Stakeholder engagement	32
<u>About this Report</u>	33

50 years of Netafim



In 1965, we introduced drip irrigation to change the face of agriculture worldwide. For the past 50 years, we've been leading the way in the expansion of drip irrigation across the globe. Today, we are helping to reach sustainability productivity in countries worldwide which will change and shape the future of agriculture.

Our drip irrigation innovations enable farmers to grow more crops with fewer resources. We're extremely proud of our achievements and will continue to realize our vision to drive mass adoption of drip irrigation to fight scarcity of water, land and food.



For our complete timeline, see our website: www.netafimlegacy.com/timeline

Statement of commitment from our CEO

This Communication on Progress report meets our annual reporting commitment to the UN Global Compact LEAD initiative, and serves as an update of our global sustainability policies and programs. We are pleased to confirm our ongoing support for conducting business in a way that positively benefits society and the environment.

In 2014, we reinforced our commitment to the UN Global Compact (UNCG) and the Ten Principles of Responsible Business, as well as the UN Global Compact LEAD initiative's additional criteria and requirements. We continue to publish a full Sustainability Report, based on the Global Reporting Initiative (GRI) framework, every two years. In our most recent 2014 report, we were proud to present our 2020 Sustainability Strategy. Our strategy includes a balanced set of objectives to guide us in all our activities.

We reaffirm our intention to maintain our adherence to UNGC goals and we are proud to be an active member. We regularly speak at UNGC network events, bringing our unique sustainable agriculture experience to the table for the benefit of other UNGC participants. Netafim was the first Israeli company to have endorsed the Global Compact CEO Water Mandate, an initiative designed to assist companies with water sustainability policies and practices. We participate in the CEO Water Mandate's Water and Human Rights Workstream.

We are committed to upholding the Ten Principles of the UN Global Compact, the LEAD initiative, and the Global Compact's CEO Water Mandate, and publicly reporting our progress each year. We ensure that our stakeholders are aware of our commitments and sustainability disclosures.

Ran Maidan

President and Chief Executive Officer

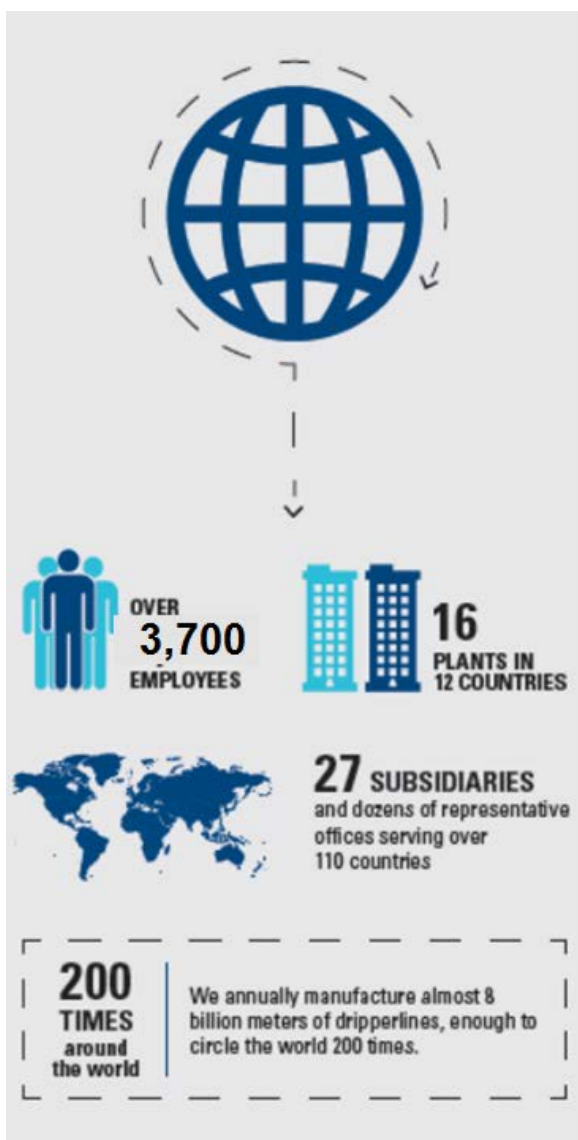
August, 2015



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 is privately owned by Permira, a European private equity firm, Kibbutz Hatzerim and Kibbutz Magal. Our global headquarters are in Tel Aviv, Israel.



OUR SOLUTIONS

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

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

MINING

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

Our Mission

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

We will provide our customers with world-class support to ensure outstanding results.

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

Our Vision

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

Our Values

Netafim spirit

Netafim continues to maintain a unique spirit of mutual cooperation, dedication, loyalty and support for our employees and clients.

Knowledge sharing

We share the knowledge, experience and innovative breakthroughs accumulated over five decades. Our familiarity with diverse cultures and growing methods, together with our presence in multiple countries, create an optimal infrastructure for continuous growth and development.

Quality commitment

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

Continuous learning

Our creativity, curiosity, desire for knowledge, and openness to new ideas enable us to change and enhance the drip irrigation market. We implement a learning culture to help transform new ideas into practical solutions. This is reflected by our continuous training programs and professional courses for employees, as well as our willingness to acquire knowledge from clients, suppliers and colleagues.

Environmental protection and quality of life

We are committed to developing water-saving methods and systems. We are full partners in promoting and increasing global food production for hungry populations. We take part in global efforts to protect the environment.

Criterion 1: Mainstreaming into corporate functions and business units

Our sustainability strategy and programs are directed by Netafim's Chief Sustainability Officer (CSO), who reports to the CEO. The CSO works across the entire organization, aligning sustainability with global business processes and interfacing with all global business units to embed our sustainability principles and policies in company practices to advance sustainable productivity. Our CSO also represents Netafim at global policy meetings and working groups of organizations with which we are closely engaged.

Responsibility for sustainable practices lies with Netafim's executive management team that defines our sustainability strategy and multi-year targets. Progress on sustainability issues is regularly reported to the executive management team. At all Netafim sites, local Human Resources managers are responsible for embedding sustainability practices and processes, managing sustainability communications, and advancing local programs for engaging employees in the community.

In 2014, we introduced our 2020 Sustainability Strategy. This was created after engaging with internal and external stakeholders to identify material sustainability impacts that are most important for our business and of greatest interest or concern to our stakeholders. We incorporated stakeholder feedback in the development of our sustainability strategy, which includes a balanced set of goals to guide us in all our endeavors through 2020. We are currently working to create measurable and specific quantitative targets in each area.

Make drip irrigation the accessible solution of choice for irrigated crops all over the world

<p>Help our customers achieve sustainable productivity</p>	<p>Increase awareness of the benefits of drip irrigation and access to drip around the world</p>	<p>Conduct our business ethically, responsibly and transparently</p>
<p> Technology and innovation Deliver affordable technology to enable mass adoption of drip irrigation</p>	<p> Access and education Raise awareness and educate farmers in the use of drip irrigation</p>	<p> Employee engagement Ensure employee engagement in our sustainability goals and ethical behavior</p>
<p> Agri-tech partnerships Engage in global partnerships to advance technology uptake and adaptation to local needs</p>	<p> Policy support Maintain active involvement in the UN and other forums to advance sustainable productivity policy</p>	<p> Lean supply chain Reduce our direct environmental impacts, and contribute to global efforts to mitigate climate change</p>
<p> Smallholder solutions Increase reach to smallholder farmers with tailored solutions</p>	<p> Private-sector collaboration Collaborate with major private-sector companies to drive sustainable productivity through their supply chain</p>	<p> End-of-life impact management Reduce our indirect environmental impacts through end-of-life dripperline recycling</p>

Criterion 2: Value chain implementation

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

Development

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

Sourcing

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

Manufacturing

We operate 16 plants worldwide that produce billions of meters of irrigation dripperlines and accessory products each year. Our manufacturing facilities are located close to our customers in local markets, helping us maintain a cost-efficient distribution infrastructure that minimizes transportation-related carbon emissions.

Logistics and distribution

Our local manufacturing and assembly capabilities are complemented by a network of distribution facilities in several countries that supply our irrigation products and systems to dealers who represent Netafim around the world.

Customers

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

Communities

We create economic and social value for local communities through our operations and irrigation systems that help farmers grow more, higher quality produce while using less water, land and energy. This generates financial value for growers, their families and their communities, and positively impacts consumers worldwide through increased availability of better fruits and vegetables, reduced environmental impacts from agriculture, and reduced water stress on the planet.

Criterion 3: Robust commitments, strategies and policies in the area of human rights

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

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.

Our Code of Business Conduct is available on our website at: www.netafim.com/business-conduct-policies

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. Significant increases in drip irrigation usage in agriculture will more than double water availability for domestic use worldwide. We promote the uptake of drip irrigation through training and educating farming communities worldwide and collaborate with business partners, governments and organizations to provide financial support and assistance for drip irrigation system investments.



Criterion 4: Effective management systems to integrate the human rights principles

Our operations around the world are executed by our local, wholly-owned Netafim subsidiaries that are aligned within the frameworks of our global policies and ethical standards, including respecting human rights. In many regions, we work with dealer networks that market, sell and install our irrigation equipment and 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.

Ethics training

Employees worldwide participate in local training sessions and sign our Code of Business Conduct, signifying their understanding and acceptance. In 2014, we commenced training employees with a new program that supports the implementation of corporate culture and values as a supplement to our Code of Business Conduct. This includes a platform in which new employees sign the Code as part of their induction plan.

Protecting employees from sexual harassment

Trained sexual harassment trustees are appointed at each of our sites in Israel to ensure effective sexual harassment education and prevention programs, as well as to serve as a focal point for issues that may arise. These trustees meet quarterly to discuss issues and define action plans. We conduct regular sexual harassment prevention training (as required by law in certain locations), which raises awareness and provides tools for helping managers and employees prevent sexual harassment incidents. In 2014, 147 managers participated in sexual harassment training.

Criterion 5: Effective monitoring and evaluation mechanisms of human rights integration

We encourage employees, customers, suppliers, distributors and all other business partners to report suspected violations of ethical conduct, legal compliance or human rights abuse through our whistleblower policy.

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

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

Our whistleblower policy is available on [our corporate website](#).

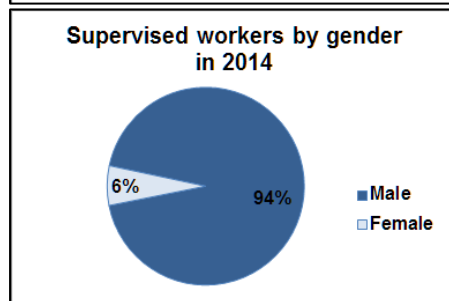
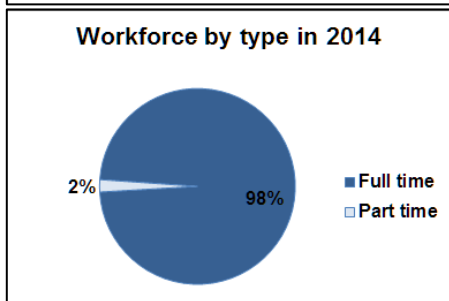
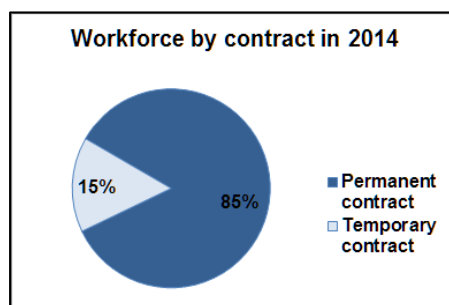
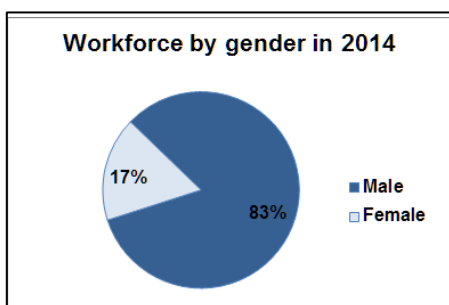
Criterion 6: Robust commitments, strategies and policies in the area of labor

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

We encourage employee engagement, commitment and performance by rewarding employees fairly and in line with their experience, capabilities and contribution and offer personal and professional growth opportunities through structured training and development programs. We provide frameworks for employees to participate in voluntary activities that support local communities.

Since 2010, our employee base has increased every year and in 2014, the number of employees globally increased by 14% (versus 2013).

Employees by region	2010	2011	2012	2013	2014
India	999	1,106	1,212	1,209	1,392
Israel	774	831	822	977	981
Americas	546	567	592	683	766
Rest of world	352	366	368	410	590
Total employees	2,671	2,870	2,994	3,279	3,729



Notes

- Data for India in 2014 is correct for end March 2015 as data reflecting end December 2014 was unavailable. Prior to 2014, regional split of sales staff was estimated. This estimate has been revised for these years to reflect improved HR systems data.
- Supervised employees relate to contracted employees that are not part of our permanent direct workforce.

Criterion 7: Effective management systems to integrate labor principles

Diversity and equal opportunity

We place great importance on local workforce empowerment, with the objective to support growth by hiring locally. We value differences in gender, nationality, religion, age, sexual orientation, physical ability, and all other aspects of diversity.

Netafim is an equal opportunity employer, and welcomes both women and men in all roles. This often presents a challenge in the agricultural business which has been traditionally male-dominated. In Netafim India, where 37% of our workforce is located, the overwhelming majority of jobs requires either physically challenging work (in production), or field work, including traveling alone to remote locations (for sales). Traditionally, these positions are less appealing to women, and therefore, the percentage of women in our Indian operations is low (9%). However, we have been working hard to change this in recent years and the percentage of women has more than quadrupled since 2011 when only 2% of our Netafim India employees were women. Most women in Netafim India are currently employed in administrative positions within the HR, IT and accounting departments, but we welcome women to apply for all available jobs.

In all other regions, women represent more than 20% of the workforce. Most women are employed in technical and administrative positions, with some engaged in manufacturing or field roles.

Employees by region and gender	2014		
	Male	Female	Total
India	1,269	123	1,392
Israel	772	209	981
Americas	586	180	766
Rest of the world	461	129	590
Total employees	3,088	641	3,729
Women in workforce		17%	

Employee reward and recognition

We reward employees fairly, equitably and competitively in accordance with local market conditions in the countries in which we operate. All employees receive a base salary equal to or higher than the local minimum wage as determined by law where applicable.

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

Freedom of association

We support the right of employees to freedom of association and collective bargaining. 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. Around 10% 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 aim to provide our employees with training that will help improve their capabilities and skills in current and future roles. In India, for example, we conduct a major technical training program every two years to refresh employee knowledge, and help develop job skills. The program is conducted by Netafim experts from Israel and India, and covers new technologies, research, products, trends and agronomic developments. In 2014, we held our third technical training, which involved 230 employees during five days of training.

Our performance management system covers all global operations and helps ensure consistent performance development processes throughout the organization and provides employees with equal opportunity to develop and advance.

Our Performance Reward Process is designed to harness the professional and personal strengths of our employees in order to meet our business objectives and improve business performance.

Training and development	2013	2014
Employees trained	1,150	648
Training hours	12,957	6,484
Average training hours per employee	9.94	3.69

Note:

- Training data for our entire workforce is not currently available. 2014 data includes operations in Australia, Brazil, Israel, Mexico, Peru and South Africa. This represents approximately 47% of our global workforce. Data for 2013 includes operations in Brazil, India, Peru, and South Africa.

Health and safety

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

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

Injuries	Injuries			Injury Rate		
	2012	2013	2014	2012	2013	2014
Israel	28	32	23	2.73	3.22	4.32
India	0	5	6	0.00	0.97	2.97
Americas	9	22	4	2.16	4.89	0.96
Rest of world	5	5	6	1.95	1.78	5.04
Total	42	64	39	1.91	2.86	3.07

Lost days	Lost days			Lost day rate		
	2012	2013	2014	2012	2013	2014
Israel	442	707	333	43.16	71.06	62.59
India	0	9	16	0.00	1.75	7.92
Americas	24	63	36	5.76	14.00	8.61
Rest of world	15	84	37	5.87	29.84	31.09
Total	481	863	422	21.83	38.54	33.20

Notes:

- In 2014, we changed our measurement of safety date to include only production sites and exclude office and field based roles. As a result, 2014 data refers to production facilities although data in previous years refers to all sites. Therefore a direct year on year comparison in 2014 is not possible. Similarly, due to site changes, the scope of safety data for different locations has changed.
- 2014 data does not include Chile and Australia. These were included in 2012 and 2013.
- 2014 data includes new facilities Peru and Spain which began operation in mid-2013.
- Injuries are those which incur lost workdays. Minor injuries are not noted.
- Injuries are calculated per 100 employees.

Employee communication

We update employees on global developments in sustainable agriculture, our business strategy and performance, and our organizational processes and procedures. Internal communications includes several communications channels.

Roundtables: Employees participate in roundtable meetings with our CEO and other executives. About 15 to 20 employees participate in each meeting and in Israel, we held around 10 roundtable meetings in 2014.

Management forum: About 30 global business unit managers convene twice a year in Israel for the management forum, in addition to holding quarterly phone conferences.

Global Leadership Conference (GLC): Once a year, all business unit and local country managers meet to share best internal practices and to align goals and targets.

Employee newsletters: We publish a quarterly global newsletter. Newsletters are also issued at local country level.

Criterion 8: Effective monitoring and evaluation mechanisms of labor principles integration

Performance evaluation

All Netafim employees participate in an annual performance evaluation that includes a review of performance versus targets and setting objectives for the following year. Our performance evaluation has a global format that reflects the link between performance and reward, and places emphasis on individual and organizational objectives. In 2014, 94% of employees participated in a performance review (excluding India where data is not currently available).

Each year we recognize outstanding employees who received the highest performance evaluation. They are awarded a special bonus that is presented to them by Netafim's CEO or by their local business unit head in an award ceremony.

Employees participating in performance evaluations	2012	2013	2014
	90%	88%	94%

Employees participating in performance evaluations	2014	
	Male	Female
Management	336	88
Non-management	1,369	393
Total by gender	1,705	481
Total by group	2,186	
Percentage of total employees	94%	

Note:

- 2014 data covers global operations excluding India. Data for previous years covers production sites and large offices in Israel, India, Australia, U.S., South Africa, Peru and Brazil.

Employee satisfaction survey

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

Our next employee satisfaction survey is planned for October 2015.

Criterion 9: Commitments, strategies and policies in the area of environmental stewardship

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

We also strive to minimize our direct environmental impacts by conserving resources where possible in our supply chain operations.

Environmental policy

We aim to bring about proactive, sustained improvement in our environmental performance and minimize negative environmental impacts caused by our products and operations. At the same time, we comply with environmental legislation and applicable regulations in every country in which we operate. We quantify our environmental impacts and minimize resource consumption in manufacturing and supply chain operations, reusing and recycling materials, and carrying out responsible waste management. We partner with key stakeholders to ensure that our environmental impacts are addressed at each stage of the supply process.



Criterion 10: Effective management systems to integrate environmental principles

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

In Israel, our largest manufacturing center, environmental activities are managed by a dedicated environmental officer at each of our three factories, who together form the Environment and Quality Forum. An Environmental, Health and Safety (EHS) manager is responsible for aligning processes and work plans between the plants.

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

We conduct environmental risk assessments of the direct impacts of our production operations. These include conservation and rehabilitation of nature and biodiversity, air, water and soil pollution prevention, noise and odor prevention, greenhouse gas reduction, natural resource reduction, and water use and waste management reduction (sewage, 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.

In 2014, we introduced a new data collection system for environmental data. Data is now available for production facilities only which are responsible for almost all our electricity and water consumption and our waste production. In previous years, data included some offices attached to production facilities.

Environmental performance highlights in 2014 versus 2013

- 6%** total GHG emissions
- 1%** GHG emissions per ton of raw material
- 17%** total water withdrawal
- 9%** water withdrawal per ton of raw material
- 23%** total waste generated
- 60%** of total waste was reused or recycled

Reducing energy consumption

Energy consumption (GJ)	2012	2013	2014	Change in 2014 (%)
Electricity purchased from grid	328,840	331,188	327,457	-1%
Energy intensity (GJ per ton raw materials)	3.180	3.102	3.205	3%

Notes:

- 2014 data includes Netafim production facilities worldwide except Chile where data is unavailable this year. In previous years, Chile represented about 2% of our total electricity consumption.
- 2014 data includes Peru and Spain, new sites not previously included.
- Data is converted to gigajoules using the GRI Indicators Protocol set guidelines.
- We report only electricity consumption as direct use of other energy sources such as fuel is minor and not considered material for Netafim.

Reducing greenhouse gas emissions

Greenhouse gas emissions (tons CO ₂ e)	2012	2013	2014	Change in 2014 (%)
Scope 2 indirect energy	60,484	56,393	52,946	-6%
Greenhouse gas emissions intensity (tons CO ₂ e per ton raw materials)	0.61	0.56	0.55	-1%

Notes:

- 2014 data includes all Netafim production facilities worldwide except Chile. In previous years, this site represented about 2% of our total emissions.
- 2014 data includes Peru and Spain, new sites not previously included.
- 2012 and 2013 data is restated due to a change in the emissions factor for U.S. facilities.
- Emissions for Israel and U.S. are in tons CO₂e. Emissions for all other sites are in tons CO₂. Israel and U.S. facilities represent 75% of total emissions.
- Emissions for Israel are calculated using factors provided by the local electricity company. Emissions for U.S. are calculated using EPA emissions factors for California. Emissions for all other countries are calculated using IEA emissions factors.
- Our greenhouse gas emissions intensity ratio includes Scope 2 emissions. Greenhouse gases include CO₂, CH₄ and N₂O.

Reducing water use

Water withdrawal (m ³)	2012	2013	2014	Change in 2014 (%)
Total water withdrawal	140,450	144,528	120,107	-17%
Water intensity (m ³ per ton raw materials)	1.36	1.35	1.23	-9%

Notes:

- 2014 data includes Netafim production facilities except Chile, Peru and Brazil (Ribeirão Preto). Data for Chile was included in previous years and represented about 2% of total water withdrawal. Peru is a new site not previously included.
- 2014 data includes Spain, a new site not previously included.
- All water is sourced from municipal supplies except Ribeirão Preto, Brazil, where water is drawn from an onsite well. We are currently unable to provide accurate data for Ribeirão Preto, Brazil.

Reducing waste and increasing recycling

Hazardous and non-hazardous waste (tons)	2012	2013	2014	Change in 2014 (%)
Reuse/Recycling	1,291	1,445	920	-36%
Landfill	561	562	625	11%
Total waste	1,852	2,007	1,545	-23%
Percentage of waste recycled/reused	70%	72%	60%	-17%

Notes:

- 2014 data includes waste to landfill and recycling only. In previous years we reported waste disposed of by other methods. In 2013, this was 4% of total waste.
- 2014 data includes Netafim production facilities worldwide except Brazil, Australia and Chile. In 2013, Brazil and Chile represented about 3% of our total waste. Data for Australia was not available in 2013.

Reducing raw material use (increasing recycled content)

The main raw material in our operations is polyethylene (PE), which is used for manufacturing dripperlines and emitters. With our ongoing improvements in technology and the consistency of dripperline wall thickness, we can achieve greater efficiency in the amount of raw material used per meter of dripperline.

We use recycled PE in manufacturing our dripperlines. All recycled raw materials undergo strict quality checks, and are confirmed to be suitable for use based on our rigorous standards.

Recycling dripperlines

We are constantly looking for ways to identify a safe and environmentally favorable solution for the disposal of end-of-life dripperlines. Many of our thick-walled dripperlines maintain an in-field shelf-life of over 15 years, while thin-walled dripperlines, the majority of our production, need to be replaced either annually or biannually. Drillerlines become contaminated after use, since they are often exposed to extreme weather conditions and soil contamination. We are always looking at various ways to protect the environment by conducting field collection and recycling of used dripperlines and the suitable reuse of plastic materials after cleaning and decontamination.

Dripperline collection is complex and expensive both for the farmer and our operations. Drillerlines must be removed from the field, packaged and shipped to a safe disposal or recycling center. In addition, regulatory requirements in different countries limit collection and disposal flexibility. We regularly inform our customers regarding our efforts to collect used dripperlines and offer financial incentives for their collaboration.



Criterion 11: Effective monitoring and evaluation mechanisms for environmental stewardship

In 2013, we engaged with internal and external stakeholders to identify our most material impacts. Using their feedback, we created our 2020 Sustainability Strategy which includes environmental objectives. We are in the process of creating quantitative targets for these objectives.

In 2014, we implemented a global system to help us monitor our environmental impacts at all our production facilities worldwide. This system centralizes all critical environmental data and allows us to evaluate progress both at a site level and at a company level.



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

Our commitment to fight corruption and advance anti-corruption practices is embedded in our Code of Business Conduct and is rooted in the values upon which Netafim was founded. We work to implement this approach throughout our operations worldwide both internally and externally with partners, suppliers and customers. We observe local anti-corruption laws and regulations such as the UK Anti-Bribery Act and the U.S. Foreign Corrupt Practices Act (FCPA). We ensure that employees are updated and thoroughly trained regarding their responsibilities to uphold anti-corruption practices.

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

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

Anti-corruption procedures (Code of Business Conduct)

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

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

Criterion 14: Effective monitoring and evaluation mechanisms for the integration of anti-corruption

Our Code of Business Conduct includes a strict requirement of all employees to report suspected breaches. Instructions for preparing a report regarding violations or suspected breaches are provided to employees, appropriate training is offered, and reminders are communicated. Anonymous complaints are treated with equal importance. All reports are directed to the Netafim General Counsel via mail, email or our Intranet portal and are thoroughly investigated. Action taken is reported to Netafim's Board of Directors. We ensure that 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.

Criterion 15: Core business contributions to UN goals and issues

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

Netafim products - growing more with less

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

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

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

Farmers using our drip irrigation systems achieve up to 50%-100% increase in income and up to 40% reduction in production costs, turning economic stress into sustainable opportunity.

Drip irrigation for rice

Rice is a major crop of which the majority is grown by smallholder farmers. The average age of rice farmers is rising and younger generations have no desire to work in such labor-intensive jobs. The decreasing number of rice farmers is a major issue worldwide, as rice is the main source of nutrition in many regions. As rice supplies become more difficult to maintain, governments are seeking new ways to increase production. Drip irrigation is a solution to increasing rice yields while using fewer resources, resulting in lower cost for land preparation and fertilizers, lower greenhouse gas emissions and less physical labor.

Best growing conditions for rice: We launched a research program to find the best growing conditions and drip irrigation techniques for producing high quality rice yields. This research tests the use of drip irrigation for rice growing in new areas and under new conditions (specifically identifying the most suitable seed varieties for the local climate). We currently have collaborative research initiatives for rice irrigation in many countries including Japan, China, Thailand, Australia, Ukraine, and Spain.



Reducing the arsenic content in rice: The use of flood irrigation has an effect of increasing arsenic absorption from the soil by rice plants. Arsenic exposure has been associated with certain cancer risks if ingested in high quantities. Through our research with the University of Pisa in Italy, researchers were able to reduce the arsenic content of drip irrigated rice to almost zero. This year, we will expand this research to seven countries in Europe and the Middle East to test whether these results can be replicated.

A focus on villages in India: Our main rice irrigation activities are based in India. We collaborate with universities and government institutions in India to test the best rice growing methods. In 2015, we will launch a pilot program in collaboration with the Tamil Nadu government, involving two or three villages with about 600 farmers. The objective is to see how large-scale rice irrigation can improve rice cultivation for entire villages, instead of focusing on individual smallholders. The pilot program requires a change in traditional rice growing methods, including a move from planting plants to planting seeds, but will avoid disruption to village life and enable annual crop rotation to be maintained.

Training farmers and dealers in India



Site visit to Netafim India production facility

In order to provide the best agronomic support for customers, Netafim India invests substantial time and resources training dealers and farmers. We believe this investment helps raise awareness of drip technology and can change farming practices in India. In 2014, we conducted a total of 434 days training for our 162 dealers and 810 dealer employees, teaching them about our products and installation and maintenance procedures. We also held more than 2,500 farmer meetings reaching more than 150,000 farmers and conducted nearly 50 factory visits for 994 farmers and 64 dealers to see real progress made in drip irrigation.

Supporting the elderly in Kenya

In Kenya, our products are helping to support the residents of St. Mary's Home for the Elderly. The Home relies on charitable donations to support more than 40 elderly women. It is situated in a major agricultural hub in the heart of Kenya, which has little or no rain for several months each year. In early 2015, the Kenya Women Finance Trust (KWFT) donated our drip irrigation kit to St. Mary's Home. The Home now has a continuous supply of produce to help feed the residents.



"The tomatoes, managu (a traditional vegetable) and kales grown under drip are full of vitamins and we have seen a reduction in sickness among the women." **Joseph Muhoro, Chairman of St. Mary's Home for the Elderly**

Criterion 16: Strategic social investments and philanthropy

We strive to support community empowerment and economic development. Drip irrigation products provide a basis for improving livelihoods and enabling communities to do more with less. By donating our products and providing training to local communities, Netafim makes a contribution to the quality of life and sustainability in communities worldwide. In 2014, Netafim employees volunteered more than 10,000 hours in support of local communities around the world.

Global community investment (\$)	2014
Cash donations	35,756
Product donations (cost value)	84,000
Total	119,756

Sustainability education in Israel

In Israel, we developed a training kit for kindergarten and elementary school children. The kit is used by our employees to inform school pupils about sustainable agriculture in schools that their children and grandchildren attend.

The kit includes a demonstration irrigation system and gives pupils a 'hands-on' experience of drip irrigation. The children build the irrigation system and together with their teacher, they are responsible for operating the system to irrigate flowers planted during the session.

To date, this kit has been available to our employees in Israel. We plan to make this available in Italy in the coming year.



Supporting food education in Australia

In 2014, Netafim Australia continued to support sustainable food education by donating drip irrigation systems to school kitchen gardens. Kitchen gardens facilitate food education in an enjoyable way, offering new experiences that fully involve children, parents and teachers. We also launched a retail product for schools although the majority of the kits in schools to date have been donated. Netafim Australia is a recommended supplier of the Stephanie Alexander Kitchen Garden Foundation, a not-for-profit organization which supports food education in schools in an effort to address childhood obesity.

Today, there are kits in place in around 60 primary schools in Australia and New Zealand. Netafim Australia also donated a variety of fruit trees, herbs and irrigation equipment to numerous primary schools. We also trained pupils, parents and staff in installation of drip irrigation systems, irrigation scheduling and maintenance to achieve optimal performance.

"We believe that every Australian child deserves access to fresh vegetables and so we hope that every Australian school will develop its own vegetable garden. So far, kids are taking real pride in reaping the fruits of their labor." **Stuart Upton, Marketing and Product Manager, Australia and New Zealand**

"Netafim drip irrigation kit was easy to put together and the plants are loving it. Thanks Netafim." **Deb K., Seaforth Kitchen Garden, Australia**



Seaforth Primary School Kitchen Garden, Australia

Criterion 17: Advocacy and public engagement

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. As such, we actively engage with governments, academic institutions, environmental organizations and other businesses in a range of collaborative initiatives at local, regional and global levels. We participate in global conferences on water and food sustainability and are active in several UN frameworks including the UNGC LEAD platform and CEO Water Mandate. These inter-connected platforms allow us to participate in multi-stakeholder projects and working groups including the Sustainable Agriculture Business Principles Core Advisory Group of the UNGC program. We are also involved in three primary areas of policy advancement relating to water and human rights, corporate water disclosure and engagement and collective action.

Netafim India: Best Irrigation Solution Provider of the Year

Netafim India was awarded the "Best Irrigation Solution Provider of Year" in the Technology Excellence category at the Brands Academy Business and Service Excellence Awards 2014. Brands Academy is a premier brand management consultancy in India. The award involves three selection stages, including an onsite audit. The technology category included companies with both agricultural and non-agricultural technology solutions.

"We are proud to receive this award. Receiving the award in the 'Technology Excellence' category shows that Netafim is a market leader in irrigation technology and innovation. This is thanks to the dedicated employees of Netafim worldwide who work day and night to help Netafim achieve such technological excellence." **Avinash Thakur, Head of Marketing and Business Development, Netafim India**



Criterion 18: Partnerships and collective action

In order to make drip irrigation accessible to farmers around the world and to encourage mass adoption, we collaborate with business partners, governments and organizations.

Training farmers in Kenya with USAID

In 2013, we launched the Financing Drip Irrigation Systems training project in Kenya to improve access to drip irrigation, together with our local distributor. This training project is part of a USAID-funded framework, Feed the Future Partnering for Innovation Program. The project provides training for smallholder farmers to improve yields and crop efficiency.

The two-year project offers family farmer drip kit that includes the installation of our Family Drip System (FDS™) as well as access to micro financing and training centers. The training centers are staffed by local agronomists who help farmers create optimal growing conditions for a variety of local crops. Buyers in Europe are already partnering with Kenyan farmers who use drip irrigation and other sustainable farming protocols, creating a low-risk business opportunity. This project goes well beyond irrigation: it empowers African women farmers. At least half of all trainees in the program must be women.

Since the launch, 5,000 farmers have received training and 500 farmers purchased the FDS™ kit. We also secured financing for farmers through local banks. With greater earnings, the farmers can pay off their loans and benefit from sustainable crops and a stable income. We are looking to expand this project and reach even more farmers in 2015, in order to create greater economic empowerment and growth in Kenya.

One farmer who benefited from the project is William Mwendu. William uses our FDS kit to irrigate his crop of kale, tomatoes and eggplant on his two acre plot of land.

"People often thought that on the Coast of Kenya one could not grow good yield vegetables but with modern farming like drip irrigation, I am able to use less water, at the right time and at the plant's desired amount. The drip irrigation system helps me save on labor, since all I need to do is just open a water tap for my plants to receive the water and nutrients. My crops are doing great and I look forward to going to the market place soon as I most definitely expect to attract the best prices." **William Mwendu, farmer, Kilifi, Kenya.**

Family Drip System (FDS™)

Our FDS™ is a unique, gravity-based drip irrigation system for small-scale family farming. It is suitable for plots of land ranging from 250m² to 1,000m² and it requires no electricity or energy source. FDS™ maximizes high-quality yields with existing resources, enabling smallholders to increase productivity and achieve self-sufficiency.

Transforming community irrigation in India



Demonstration plot in the community irrigation project, Karnataka, India

We are often engaged in supporting transformational initiatives that change the landscape of farming in particular regions and significantly improve the local economy and quality of life. One such current project is an initiative advanced by the Water Resources Department of Karnataka, a state in the south western region of India. Karnataka's community irrigation program is the largest of its kind in India, covering 59 villages in the area and affecting 15,000 farmers. Karnataka suffers from drought during its dry season, when land irrigated by traditional canal irrigation systems lies fallow. By using drip irrigation, the initiative is able to double the land area originally planned for the program, due to the enhanced water use efficiency of drip systems.

Netafim India is installing drip irrigation across 11,700 hectares of the total 24,000 hectares included in the initiative that is due for completion in 2015. Our system is fully automated with pre-set irrigation schedules for ease of use and management by farmers. In addition, we are providing a full crop management package for farmers with training on how to cultivate the most commercially profitable crops and how to get the most from their land and equipment. We also assist farmers gain access to seeds and fertilizers as well as a stable market for their crops.

A successful outcome for the Karnataka project will be a turning point for the region and a model for reapplication in several other areas of India.

“We have been leaders in drip irrigation for 50 years, and through our work in groundbreaking projects such as this, we will continue to deliver solutions which generate change and shape the future of agriculture.” **Ran Maidan, President and CEO, Netafim**

Sustainable reforestation in Peru



UN CEO Water Mandate field trip participants at the Reforesta project in Peru

In 2014, we organized a field trip for participants of the UN CEO Water Mandate working conference in Lima, Peru to a Reforesta reforestation project where Netafim provided irrigation technology. Reforesta is a private reforestation company in Peru, with a focus on social and environmental responsibility. This project involves reforestation of an arid area which is to become a suburb of Lima. Some of the trees planted will be used as sustainable commercial timber while the rest will remain to improve the landscape in the new suburb. The plantations will be irrigated using recycled waste water, with 550 m³ of water recycled daily. To date, 25,083 trees have been planted covering over 40 acres of reforested land.

“We are proud to be part of this Reforesta project. In addition to creating a sustainable and pleasant urban environment, this project has economic significance for Peru. The country’s timber demands are growing, with wood imports expected to reach \$2 billion per year by the end of the decade, making the availability of local, sustainable sources of timber an important economic factor for the country.” **Naty Barak, Chief Sustainability Officer, Netafim**

Criterion 19: CEO commitment and leadership

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

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

Criterion 20: Board adoption and oversight

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

The Board of Directors receives regular updates on sustainability strategy and performance.



Criterion 21: Stakeholder engagement

Stakeholders are individuals or groups who are affected by and influence our business operations. Our stakeholder consultations have influenced the development of our Sustainability Strategy and our most important sustainability issues.

Primary stakeholder interactions				
	Customers	Employees	Distributors, partners and suppliers	Policy makers and influencers
Who	Farmers, growers and irrigation managers are at the heart of our business.	Our employees are an inseparable part of our success and the source of our innovative spirit.	Our global network of distributors, suppliers and R&D partners help bring our technology to our customers.	Those who determine and influence agricultural policy play a big role in determining agricultural sustainability.
How	Our ongoing dialogue includes customer meetings, conferences, workshops, training and education programs, and many field trials.	We engage through meetings, performance discussions, and internal communications processes.	Our interaction with our distributors, suppliers and partners takes place daily in the course of our global business.	We engage with policy makers and diverse associations to positively influence sustainable agriculture policy decisions.
What	Our customers' key interests include: resource efficiency, crop yield and quality, excellent service, recycling, and sustainable productivity.	Our employees seek professional development, fair compensation and benefits, a safe and healthy workplace, and meaningful work.	Our distributors, suppliers and partners seek collaborative long-term relationships and fair and honest interactions.	Policy makers and influential organizations seek reliable information to support informed decision making, and our commitment to transparent and ethical behavior.

In addition, other stakeholders of Netafim include our owner-shareholders from whom we take strategic direction. We formally report our performance to our shareholders. We also engage, as appropriate, with a diverse range of social and environmental organizations that support the needs of different groups throughout our value chain, including local communities in the countries where we operate.

Stakeholder consultation

In early 2014, for the first time, in line with the development of our Sustainability Strategy, we conducted a structured stakeholder engagement process with global experts in sustainability and with local stakeholders in Israel. Representatives of the public sector, community organizations, local business and environmental groups participated in a round table dialogue in Israel. In the meeting, we asked participants to share their thoughts about the highest priority sustainability issues for Netafim. We were overwhelmed by the richness of the dialogue and the value of the ideas and suggestions made by our stakeholders. Further details can be found in our 2013 Sustainability Report.

About this report

This Communication on Progress follows the 21 reporting criteria of the UNGC LEAD 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 2014 calendar year unless otherwise stated.

In this report, we have included data from our global operations. Environmental and safety data relates to production facilities only.

More information, including our 2013 Sustainability Report, can be found on Netafim's corporate global website, www.netafim.com, and the websites of Netafim local companies (accessible from the Netafim global site).

Contact Details

This Communication on Progress will not be printed in hard copy. It will be made available 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.

Netafim Ltd.

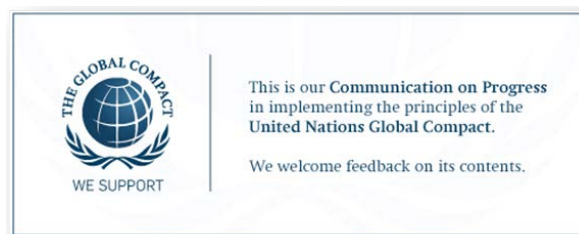
10 Derech Hashalom
Tel Aviv 67892 Israel
Tel: +972-8-647-3222
Fax: +972- 8-647-3028

Contact Person

Naty Barak
Chief Sustainability Officer
Netafim Ltd.Tel: +972-8-647-3215
E- mail: naty.barak@netafim.com

Netafim welcomes feedback and suggestions regarding this Communication on Progress.

Thank you!



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

