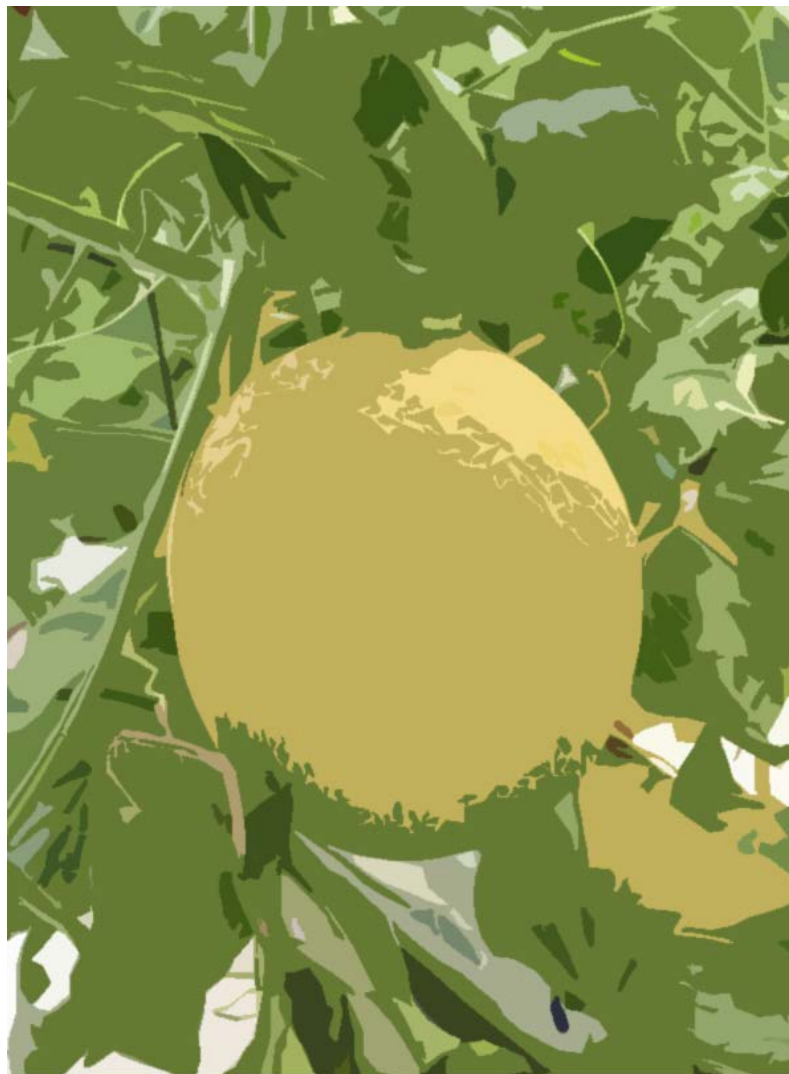




**UN Global Compact LEAD
Communication on Progress
2016**



www.netafim.com

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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

I am pleased to introduce our annual Communication on Progress, representing our commitment to the UN Global Compact (UNGC) and our membership of the UNGC LEAD initiative as well as 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.

As a global operation in the business of developing micro-irrigation systems, we play a role in enhancing food security, improving community economies as well as national economies, and preserving water and other resources as we improve agricultural productivity and optimize land use. With every kilometer of micro irrigation tubing that we deliver to farmers, we enhance our positive impact at the nexus of food, water, land and energy. Not only this, we make climate-smart agriculture accessible to entire communities through the work that we do.

We remain committed to doing all this in accordance with the UNGC's Ten Principles of Responsible Business, as well as the UN Global Compact LEAD initiative's criteria and requirements and publicly reporting our progress each year. We continue to publish a full Sustainability Report, based on the Global Reporting Initiative (GRI) framework, every two years. In our most recent 2015 report, we outlined our progress towards our strategic sustainability goals.

As part of our commitment, we play a full role in the UNGC network, actively participating in industry events, sharing our unique sustainable agriculture experience and engaging in working groups and forums to advance sustainable agriculture and human rights in the agricultural supply chain. At the same time, we continue to expand our business to reach more irrigable crops around the world while operating with integrity at all times.

Ran Maidan

President and Chief Executive Officer

August, 2017



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.

In 2016, Netafim was owned by Permira, a European private equity firm, Kibbutz Hatzetim and Kibbutz Magal. Our global headquarters are in Tel Aviv, Israel.

Our Footprint

> 4,500	17	29	> 110
employees in our total workforce	factories in 13 countries	commercial subsidiaries	countries served with our products

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

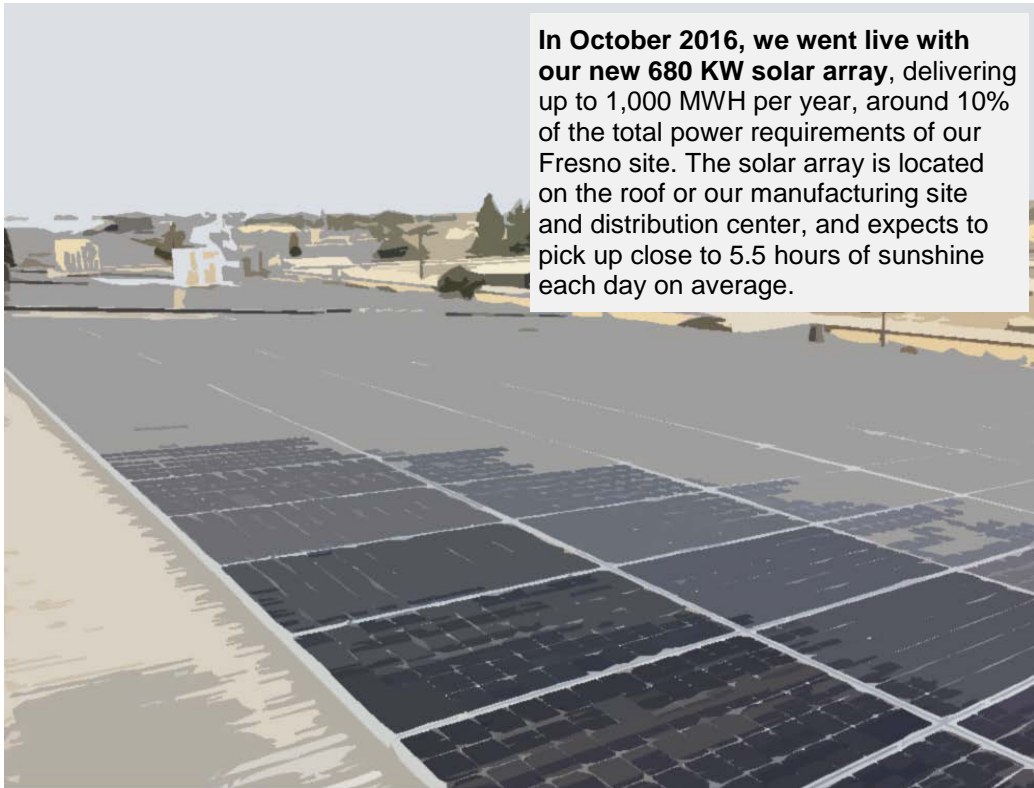
Our Products

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.

Some of our sustainability stories from 2016



Renewable energy in Fresno, California



In October 2016, we went live with our new 680 KW solar array, delivering up to 1,000 MWH per year, around 10% of the total power requirements of our Fresno site. The solar array is located on the roof of our manufacturing site and distribution center, and expects to pick up close to 5.5 hours of sunshine each day on average.

For more about how we advance environmental stewardship in our operations, see our responses under Criteria 9,10 and 11.

Drip irrigation for rice

In 2016, we partnered with the Institute of Rice of the National Academy of Agrarian Sciences of Ukraine (NAAS) to hold The International Workshop on Modern Technologies of Rice Cultivation, Global Food and Environmental Safety in Ukraine. Sharing knowledge and creating partnerships is a way of life at Netafim, and the workshop built on our collaboration with the National Institute of Rice in the Ukraine and our joint development of three experimental plots of 79 hectares each for cultivation using drip irrigation.



Participants in The International Workshop on Modern Technologies of Rice Cultivation, Global Food and Environmental Safety, Ukraine, August 2016. Image: courtesy of Latifundist.com. For more about how we contribute to UN Goals and food security, see our responses under Criterion 15.

International Coffee and Cocoa Seminar

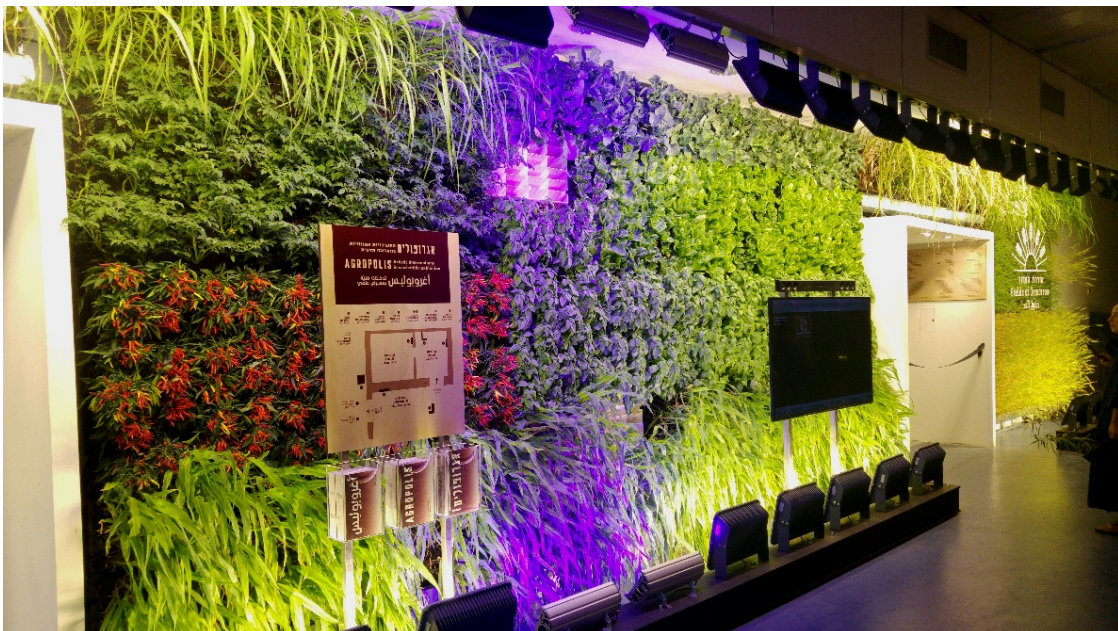
In early 2017, we hosted the first-ever **International Coffee & Cocoa Seminar (ICCS)** over three days in March 2017 in Brazil's Minas Gerais region.

A key focus at ICCS was the multiple benefits of Nutrigation™, including **coffee yields 30%-50% higher** than crops grown without Nutrigation™, and yields of cacao six times higher than the global average.



For more about how we contribute to UN Goals and food security, see our responses under Criterion 15.

Supporting agriculture education



In 2016, we supported the planning and construction of an agriculture exhibition at the **Bloomfield Science Museum in Jerusalem**. The exhibition, **Fields of Tomorrow**, tells the story of agriculture throughout history. The exhibition also includes living crops grown in a greenhouse and on a green wall. We provided funds, expertise and staff training over a 4-year period to keep this exhibition maintained and active.

For more about how we contribute to sustainability education, see our responses under Criterion 16.

Supporting farmers in India

In 2016, we again invested in training our extended sales teams, and in local farmer training. We conducted **552** days of training for **138** dealers and **800** dealer employees, sharing our knowledge and expertise on agronomy, products, installation and maintenance procedures and more.

We held more than **2,500** farmer meetings reaching more than **125,000** farmers and conducted nearly **30** factory visits for about **679** farmers, dealers and potential customers and partners.

Our Netafim Agricultural Financing Agency (**NAFA**) in India provides fast financing solutions to new smallholder customers who otherwise could not afford drip irrigation, and cannot secure loans or financing support by other means.

Since 2013, **47,000** farmers from 8 states in India have benefited from loans totaling **\$73 million**, that have enabled the installation of drip irrigation across **55,000** hectares

For more about how we contribute to advancing sustainability through partnerships, see our responses under Criterion 18.



Modeling drip irrigation and farming in India



In 2016, Netafim collaborated in a Model Village initiative across 1,100 hectares in the villages of Erravelli and Narsannapet, Telangana state, India. The project transformed infrastructure, education, housing and other amenities to create models for farming villages in India. We supplied drip irrigation equipment and trained the local community of farmers in all aspects of irrigation and advanced agricultural practices. 1,000 farmers benefited from new fertigation and automation equipment for drip irrigation and are now enjoying delivering high-quality high-yield crops.



For more about how we contribute to advancing sustainability through partnerships, see our responses under Criterion 18.

Criterion 1: Mainstreaming sustainability

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. In 2016 and 2017 we adapted certain targets to reflect feedback received from our stakeholders.

Netafim’s Sustainability Strategy: Make smart irrigation solutions the accessible and preferred choice for irrigated crops all over the world

ACTION	EDUCATION	OUR BACKBONE
Help farmers achieve sustainable livelihoods	Increase awareness of the benefits of drip, and increase its access for farmers worldwide	Conduct our business ethically, responsibly and transparently
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.	Access and education Raise awareness and educate farmers in the use of drip irrigation to help them grow more with less.	Employee engagement Develop our employees, improve their wellbeing, and engage them in our sustainability goals and ethical approach.
Target: Continue to develop new products and methods.	Target: At least 2,000 annual training events for farmers.	Target: Maintain employee engagement score of 4 or above.
Agri-tech partnerships Engage in partnerships to advance technology uptake and to adapt to the needs of local farmers.	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.	Lean supply chain Reduce our direct environmental impacts and contribute to global efforts to mitigate climate change.
Target: Create collaborative opportunities for the development and applications of drip irrigation technologies.	Target: Continue our support and activities for promoting the adoption of policies enabling the use of drip irrigation.	Target: <ul style="list-style-type: none"> • Maintain electricity consumption per ton raw material at 2015 level, or reduce. • Increase % of recycled waste to 75% by 2020.
Advance knowledge sharing Increase practical support and technology knowledge sharing for small and large farmers to enable tailored irrigation solutions.	Private sector collaboration Collaborate with private sector companies, NGOs and the government sector to promote smart irrigation solutions throughout the entire food value chain.	Product development for climate change Focus product development priorities on smart irrigation solutions for crops that have the biggest impact on climate change.
Target: Drive an increase in the percentage of micro irrigation of total irrigated land from 5% to 10% by 2020.	Target: Develop and deepen collaboration with private sector companies to implement new irrigation initiatives in their supply chains.	Target: Introduce new initiatives for the top three crops by 2020.

Criterion 2: Value chain

Our value chain consists of six stages through which we generate value for our stakeholders.

>>>Development

We employ a team of 50 R&D professionals who work 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 advance research in agriculture and sustainable productivity.

>>>>Sourcing

We work with a wide range of suppliers of raw materials, products and services with whom we have a long-standing 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 17 plants worldwide that produce billions of meters of irrigation dripperlines and accessory products each year. Our manufacturing facilities are 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 advance 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, many of whom rely on farming as their sole source of income and primary livelihood, 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.

Our sustainability strategy and programs are directed by Netafim's Chief Sustainability Officer, Naty Barak, who reports to Netafim's President and CEO.

Naty represents Netafim at global policy meetings and working groups of organizations with which we engage.

A Sustainability Steering Team comprising several company Directors sets our strategy and multi-year targets in each area of the business.

At 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.

Criterion 3: Commitments, strategies and policies - 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 welcome all 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 we implement comprehensive training programs for our staff to prevent sexual discrimination and sexual harassment.

Our Code of Business Conduct is available on our website at:

www.netafim.com/business-conduct-policies

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.

Supporting water as a Human Right



Naty Barak, Chief Sustainability Officer, Netafim

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 system investments.

Criterion 4: Integrating human rights principles

Our operations around the world are executed by our local, wholly-owned 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.

New employees sign our Code of Business Conduct, signifying their understanding and acceptance, as part of their induction plan. All employees receive periodical refresher training at the sites where they are located.

Criterion 5: Monitoring and evaluation mechanisms for human rights

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.

In early 2017, we updated whistleblower accessibility with an online submission option, in addition to phone, email or mail.

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

HOW CAN WE APPLY TO THE WHISTLEBLOWER

As part of the process of refreshing our policies for exposing wrongdoing at Netafim, we have developed an online mechanism enabling anonymous reporting of activity that is not in line with company policy.

4 ways to contact us:

<p style="font-size: x-small; margin: 5px 0;">http://net.netafim.com The report is submitted to our Chief Compliance Officer (Oritan Goldstein) and Internal Auditor (Lital Hatal Report)</p>	<p style="font-size: x-small; margin: 5px 0;">Calling a "hotline" for confidential and anonymous calls. This number is +372 2 60 4195</p>	<p style="font-size: x-small; margin: 5px 0;">by regular mail to Corporate Compliance Officer/Internal Auditor Netafim Ltd. 10 Derech Heshbon Tel-Aviv, Israel</p>	<p style="font-size: x-small; margin: 5px 0;">by email Whistleblower@netafim.com</p>
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PROCEDURE ESSENCE

- The Netafim group of companies is committed to high ethical standards and strict compliance with applicable law in all its operations.
- Netafim requires all employees to report illegal activity or activities not in compliance with Netafim policies in order to assist Netafim in detecting fraud and unethical or inappropriate conduct.
- Examples for unlawful or inappropriate conduct:
 - Giving or receiving a gift in order to influence an action or obtain an improper advantage.
 - Giving or receiving a payment or benefit in kind, without a clear contractual obligation to do so.
 - Using confidential information of the Company for personal benefit.
- An employee who has a good faith belief that a violation of law or a failure of compliance may occur, is occurring or has occurred, has a duty to come forward and file a report.
- It is a violation of our Corporate Code of Ethics to submit a report that is known to be false.
- Each report will be investigated.
- Netafim does not retaliate and shall not discriminate of any kind against employees for complaints submitted under this Policy which are made in good faith.

Please note that Netafim encourages such reporting, and each employee who files a report will receive full protection and backing from the company in all related matters.

Netafim's Chief Compliance Officer and Internal Auditor, who are entrusted with dealing with such matters, will examine each report in relation to its character and complexity.

* The employee may sign the report to the above mentioned addressees or remain anonymous.

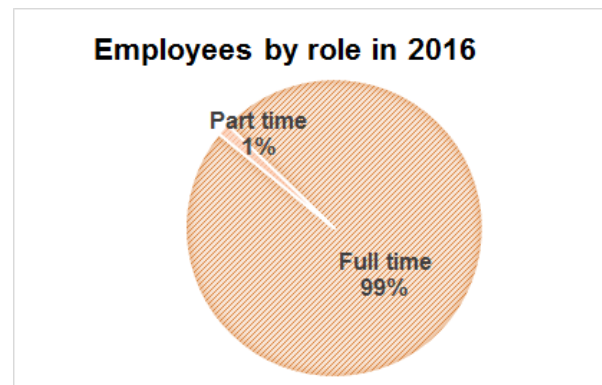
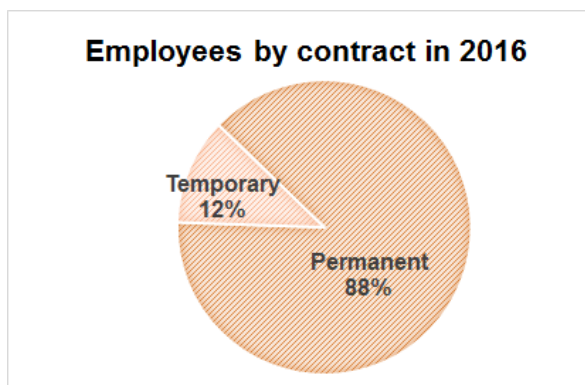
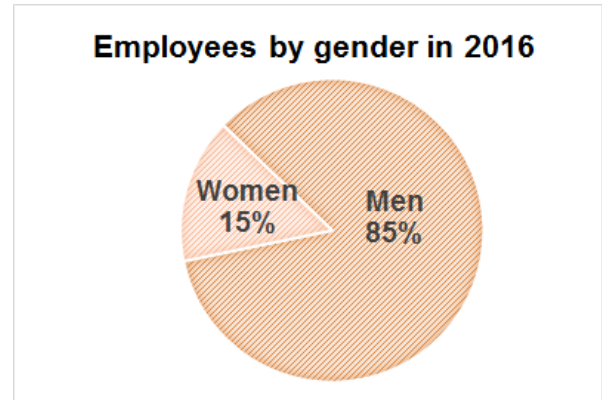
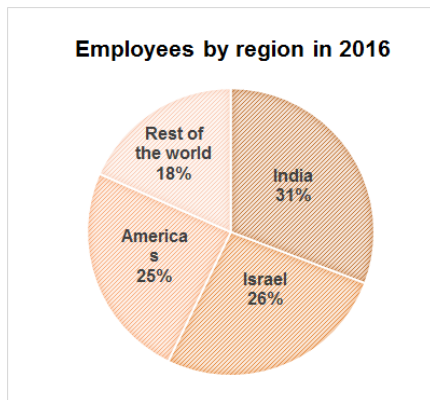
Criterion 6: Commitments, strategies and policies - labor standards

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.

Our employees

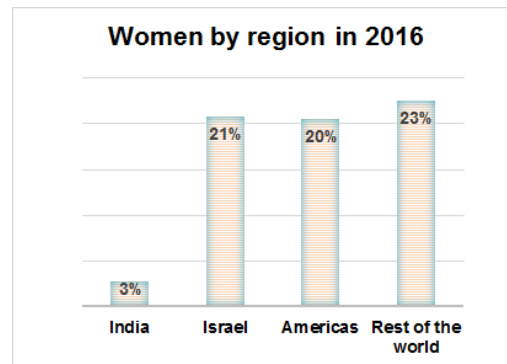
Employees by region	2010	2011	2012	2013	2014	2015	2016
India	999	1,106	1,212	1,209	1,392	1,281	1,202
Israel	774	831	822	977	981	761	1,029
Americas	546	567	592	683	766	820	954
Rest of the world	352	366	368	410	590	642	716
All employees	2,671	2,870	2,994	3,279	3,729	3,504	3,902



Criterion 7: Management systems to integrate labor principles

Gender balance

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 31% of our workforce is located, the overwhelming majority of roles 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 remains low at 3%. 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.

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. 12% of Netafim employees worldwide are members of employee associations.

Employees covered by collective bargaining agreements	2016		
	Men	Women	Total
India	124	6	130
Israel	0	0	0
Americas	128	29	157
Rest of the world	151	21	171
All employees	403	56	458

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.

Health and safety

We maintain a safe and healthy work environment for all employees and comply with all applicable occupational health and safety regulations and international standards. We perform regular surveys of noise, hazardous materials, air quality and radiation. We 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 in several 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 (full or part-time) 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				Rate change in 2016
	2013	2014	2015	2016	2013	2014	2015	2016	
Israel	32	23	19	18	3.22	4.32	3.23	2.84	-12%
India	5	6	0	0	0.97	2.97	0.00	0.00	-
Americas	22	4	11	7	4.89	0.96	1.88	1.60	-15%
Rest of world	5	6	3	5	1.78	5.04	1.17	1.52	30%
Total	64	39	33	30	2.86	3.07	1.94	1.76	-9%
Lost days	Lost days				Lost day rate				Rate change in 2016
	2013	2014	2015	2016	2013	2014	2015	2016	
Israel	707	333	166	236	71.06	62.59	28.23	37.17	32%
India	9	16	0	0	1.75	7.92	0.00	0.00	-
Americas	63	36	191	258	14.00	8.61	32.68	59.14	81%
Rest of world	84	37	53	27	29.84	31.09	20.62	8.04	-61%
Total	863	422	410	521	38.54	33.20	24.14	30.57	27%

Note: Injury and lost day rates are calculated per 100 employees and based on production employees only.

Employee communications

We update employees on global developments in sustainable agriculture, Netafim's business strategy and performance, and organizational changes via different channels:

- **Roundtables:** Employees participate in roundtable meetings with our CEO and other executives in Israel. In 2016, 75% of employees in Israel participated in 15 roundtables.
- **Management Forum:** 30 global business unit managers convene annually in Israel for the Management Forum. Additional meetings take place on a local level for each region and as quarterly phone conferences.
- **Global Leadership Conference (GLC):** All business unit and local country managers meet annually to share best internal practices and to align goals and targets.
- **Employee newsletters, digital screens and emails:** we keep our employees informed through emails and digital screens at most sites worldwide. In addition, we publish a periodical global newsletter, as well as local newsletters issued at the country level.
- **Internal social network:** In 2015, we launched Yammer, an internal social network that also facilitates knowledge sharing and participation in forums on a range of topics.

Criterion 8: Monitoring and evaluation of labor principles

Performance Review Process

All Netafim employees participate in an annual Performance Review Process (PRP) reflecting employee performance against Netafim's new organizational framework, including our updated values and leadership competencies, as well as against individual specific objectives and targets.

Employees participating in performance reviews	2016		
	Men	Women	Total
India	893	21	914
Israel	708	198	906
Americas	655	172	827
Rest of the world	538	153	691
All employees	2,794	544	3,338
Percentage	85%	90%	86%

In 2016, we concluded a two-year project to implement an online PRP platform across all our operations worldwide. The online platform encourages consistency in the management of the PRP process across our global organization and enables better dialogue between managers and employees across geographical boundaries, improved performance tracking, and planning of training programs to meet individual and organizational needs. 86% of employees participated in a performance review in 2016.

Employee satisfaction survey

Engaging with our employees to understand their sense of belonging at Netafim and their satisfaction with their working environment is critical to our ability to provide employees with what they need to succeed and be happy. In 2015, we again conducted a global employee engagement survey in which 93.3% of our employees participated. Our overall average engagement score was 4.0 (out of a possible 5). Against all benchmarks, this is a strong level of engagement, and we aspire to maintain and even improve this score.

Criterion 9: Commitments, strategies and policies – environment



Environmental stewardship is core to Netafim's business. Our 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.

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: Integrating environmental principles

Responsibility for environmental management at Netafim is led by our Vice President of Global Operations, 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.

Environmental performance 2013-2016	2013	2014	2015	2016	Change in 2016
Electricity consumption (GJ/ ton raw material)	3.10	3.19	3.14	3.18	1%
Greenhouse gas emissions (Scope 2) (tons CO ₂ e per ton raw material)	0.53	0.52	0.53	0.52	-1%
Water withdrawal (total m ³)	144,528	120,107	124,535	130,270	5%
Total waste (tons)	2,007	1,920	2,313	2,802	21%
Percentage of waste recycled	72%	67%	60%	67%	12%

Notes:

- 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 for 2014 excludes Peru.
- 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

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 certain types of dripperlines. All recycled raw materials undergo strict quality checks, and are confirmed 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, are replaced every one to three years. 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.

In the U.S., we operate a successful recycling operation, through Netafim Recycling, a wholly owned subsidiary of Netafim Irrigation, our U.S. subsidiary. After collecting used dripperlines from farming operations in California, Netafim Recycling processes these plastics following an advanced technological process which has been perfected for the last 10 years, whereas Netafim Recycling washes, grinds, sterilizes and re-pelletizes used dripperlines into reusable material that can be added in small percentages into virgin raw material. This helps farmers removing old driplines from the field, providing farmers with disposal convenience and cost saving, while protecting the environment and reducing waste in landfills.

Criterion 11: Monitoring and evaluation of environmental stewardship

We maintain a global system to 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. See our data reported under Criterion 10.

Criterion 12: Commitments, strategies and policies - anti-corruption

Our commitment to fighting corruption and advancing anti-corruption practices is embedded in our Code of Business Conduct and is rooted in the values upon which Netafim was founded. We 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 relevant employees are updated and trained in their responsibilities to uphold anti-corruption practices.

Criterion 13: 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: Monitoring and evaluation mechanisms for anti-corruption

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.

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. We see our role as beyond selling drip irrigation systems to farmers – we address infrastructures that support the awareness, understanding, capability and economic viability of implementing drip irrigation systems. Our activities support and advance nine of the 17 UN Sustainable Development Goals:



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.

Criterion 16: Strategic social investments and philanthropy

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 (\$)	2014	2015	2016
Cash donations	35,756	268,404	402,541
Product donations (cost value)	84,000	98,799	176,541
Total	119,756	367,203	579,083

Notes:

- 2014 data relates to our operations in Israel, Australia and Brazil, which represent 32% of our global workforce. 2015-2016 data includes eight countries representing 79% of our global workforce.
- Cash donations include employee charitable donations made in some countries.

Investing in sustainability education

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. In 2016, 74 employees from Netafim in Israel volunteered in this program, reaching more than 2,600 children.

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. 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 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.

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. Standards provide a common language for determining quality, and for measuring and testing, so that farmers everywhere can understand what to expect from drip irrigation. 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.

Criterion 18: Partnerships and collective action

We advance the availability and accessibility of drip irrigation solutions to farmers around the world through our collaborations with business partners, governments and organizations. Some examples of our collaborations are listed below.

We are active in the UN Global Compact LEAD initiative including **The Food and Agriculture Business (FAB) Principles** - a UNGC Core Advisory Group comprised of 30 business and civil society representatives. The group guides businesses on ways to make a positive impact on agriculture and food system sustainability, and to align their contributions with UN priorities and the post-2015 Sustainable Development Agenda.

We are affiliate members in the SAI platform and participate in advancing sustainable agriculture practices.



Sustainable Agriculture Initiative Platform
The global food value chain initiative for sustainable agriculture

We also support the **Grow Africa Partnership**, founded jointly by the African Union (AU), The New Partnership for Africa's Development (NEPAD) and the World Economic Forum in 2011. The Grow Africa Partnership comprises over 200 companies and governments in 12 countries who have made formal commitments to invest in agriculture.

GROWAFRICA

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 aligned with sustainable development principles. All reviews of our business activity by the Board of Directors include our impacts on sustainable development. 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 priority 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 influence agricultural policy play a big role in advancing 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 support 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, as well as transparent and ethical standards.

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.

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 2016, 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	Criterion 10
Element 2:	Supply chain and watershed management	Criterion 2
Element 3:	Collective action	Criterion 17
Element 4:	Public policy	Criterion 17
Element 5:	Community engagement	Criterion 16
Element 6:	Transparency	About this 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 2016 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 LEAD 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 2015 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!

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

