ECI THE ELASTIC NETWORK™

ECI SUSTAINABILITY REPORT 2014

REINVENTING THE FUTURE

This report is written in accordance with the Global Reporting Initiative G4 Sustainability Guidelines Core option.

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Drawing by: Mika Gilboa, Israel, age 10

About this Report

This is ECI's fourth Sustainability Report covering the role we play in society as a global business, our business activities, and our impact on people, communities and the environment.

The report describes our approach to sustainability and the actions we have taken during 2014 to advance responsible and accountable practices.

Data in this report relates to the 2014 calendar year unless otherwise stated. The basis for data calculations is noted in the relevant sections of the report.

Relevant information and case studies from early 2015 are also included.

The scope of data in this report is all of the global business operations owned by ECI. External operations at sub-contracted vendors are excluded.

We report annually.

This report is written in accordance with the Global Reporting Initiative (GRI) G4 sustainability reporting guidelines, Core option, which we believe represents the most advanced sustainability reporting framework available today.

The Global Reporting Initiative is a not-for-profit multi-stakeholder organization which acts to increase the level of business transparency through sustainability reporting.

The main tool for assimilating sustainability reporting is the GRI reporting framework, which contains detailed guidelines for reporting on sustainability impact and provides a consistent structure that thousands of companies around the world can use to disclose their approach and performance related to sustainability.

The most recent version of the GRI framework, G4, was launched in May 2013. This is our third annual Sustainability Report written in line with G4 guidelines.

In the preparation of this report, we have considered input from our stakeholders, gathered throughout the year in a wide range of interactions.

The selection of content for this report was the result of a materiality process conducted in 2013 to determine the priority impacts of our business and stakeholder interests, and several interviews with managers across the world.

This report was not verified by an independent third party, as our internal data monitoring and tracking is internally audited and highly robust. In developing the content of this report, external consultants reviewed information provided. They visited our offices, scrutinized documentation and interviewed several managers.

Feedback

We hope this report will encourage dialogue between ECI and our stakeholders, especially customers, suppliers and employees. We welcome your feedback, queries and suggestions.

Please contact Eynat Rotfeld, CSR Manager, by email at **Eynat.Rotfeld@ecitele.com** or by telephone: +972-3-926-6507

Illustrations

This report is illustrated with winning drawings created by children of our employees in our "ECI in my Eyes" competition.

Drawing by: Amit Koren, Israel, age 6

Greetings from our President and CEO: Darryl Edwards

I am pleased to share with you our fourth Sustainability Report covering the progress we have made in 2014 in advancing sustainable internet and communications technologies while managing our business in a responsible manner. As a privately-owned business, our commitment to transparency is entirely voluntary. We believe that transparency is the foundation of trust in our business, and we strive to deliver the information that our stakeholders need.

2014 was the year in which we set the stage for our transition to the ELASTIC Network ™Company, following deep investigation into our core capabilities, market trends, customer needs and technological advancements. This process took several months of engagement internally and externally, asking questions, considering new insights, reviewing all possibilities. We were influenced by thought-leaders in the business and technology space, such as Nicholas Vitalari and Haydn Shaughnessy who wrote the book, **The Elastic Enterprise: The New Manifesto for Business Revolution.** In this book, the authors show how some of the best performing companies are elastic enterprises.

Elasticity means: flexibility, agility, interoperability, scalability, efficiency, security, open collaboration, real-time control, increased automation of routine tasks and more. Together with what we were hearing from the market, this inspired us all at ECI and we set ourselves the ambition of becoming a truly ELASTIC Network ™ Company for the benefit of our customers, their customers and a more connected and sustainable society.

I will add that the ELASTIC concept was not entirely new for ECI. We have always been a company that designed network solutions with customer flexibility and agility in mind. However, since reaffirming our place in the market as the ELASTIC Network ™Company, we have intensified our development of applied technologies that will help us and our customers grow together.

Our ELASTIC offerings for customers include our new generation network products such as "Apollo" and "Neptune" that are far more energy efficient in the use phase than their predecessors and an entirely new suite of applications that provide more advanced network capabilities than ever before, without the need to replace legacy equipment. Our adoption of SDN capabilities are providing customers with improved options, greater efficiencies and increased flexibility. In 2014, we also developed our cyber solutions to help customers address ongoing cyber threats and challenges that they face daily in their networks.

In 2014, we also maintained our commitment to responsible business, upholding the ten principles of the United Nations Global Compact and implementing ethical and responsible practices throughout our internal and extended supply chain networks. We have continued to perform well in terms of environmental and social impacts. Since 2010, we have reduced our absolute energy consumption by 54% and our absolute greenhouse gas emissions (Scope 1 and Scope 2) by 49%. Similarly, we are using 15% less water in our operations than we did in 2010 and we are generating 62% less waste. We have improved our safety performance during this same period, with less than a quarter of workplace injuries per year and a tenth of lost days due to injury, indicating reduced severity of injuries.

We continue to contribute to the advancement and wellbeing of our communities and in 2014, our employees volunteered almost 7,000 hours to serve the communities in which we operate.

I hope you find this report interesting and useful. As always, we welcome your views.

Today, the only thing constant is change itself. With the accelerating pace of business transformation, our customers find themselves pushed to change and adapt faster. ECI identified this industry trend long ago and set its sights on providing tailor-made products and services to make this change as seamless as possible.

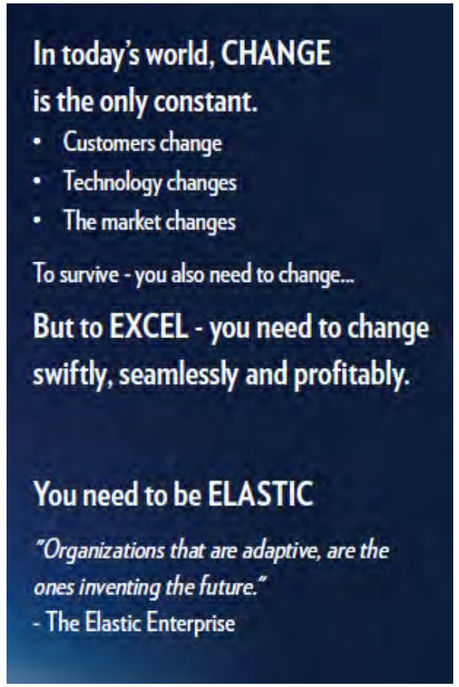
About ECI

Founded in 1961, ECI Telecom Ltd, headquartered in Israel, is a privately-owned provider of ELASTIC networks that scale and operate efficiently using open, secure and vendor agnostic technology.

ECI's ELASTIC solutions ensure open, future-proof, and secure communications. With ECI, customers have the luxury of choosing a network that can be tailor-made to their needs today as well as seamlessly and cost effectively upgraded to future requirements.

We serve over 250 customers, including Communications Service Providers (CSPs), leading wireline/wireless service providers, utilities companies as well as data center operators and cloud service providers worldwide, through an international sales force, local agents and resellers in over 25 regional sales and service centers.

ECI also maintains a network of resellers in over 70 countries. At the end of 2014, we employed over 1,600 people in 24 countries.



Drawing by: Hoshen Hasidim, Israel, age 12
(Text: The ECI family is always connected.)

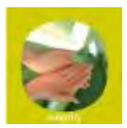
Our values

ECI employees share five basic values. In all activities, we conduct ourselves respectfully to promote these values and lead ECI to long-term, sustainable success and create opportunities for achievement and benefit to our stakeholders.

Respect for the Individual: We treat one another with respect and dignity, appreciating individual, cultural, and national differences. We seek to learn and therefore we listen to one another attentively and compassionately and communicate often and openly. We encourage individuals to express their views and use their talent to the fullest. Company policy prohibits discrimination against employees, stockholders, directors, officers, customers or suppliers on account of race, color, age, sex, religion or national origin. All persons are treated with dignity and respect.

Team Spirit: Our team spirit binds us together, transcending organizational, functional, and geographic boundaries. We work hard towards a common goal and deliver beyond expectations. We cooperate, collaborate, and empower one another in recognition that a global effort translates into exceptional solutions and services.

Innovation: We constantly strive to redefine the standard of excellence in everything we do. We are open to ideas that challenge the convention, seek diversity of views and drive innovation. We encourage both individuals and teams to constantly search for innovative technologies and creative business solutions and recognize their achievements.

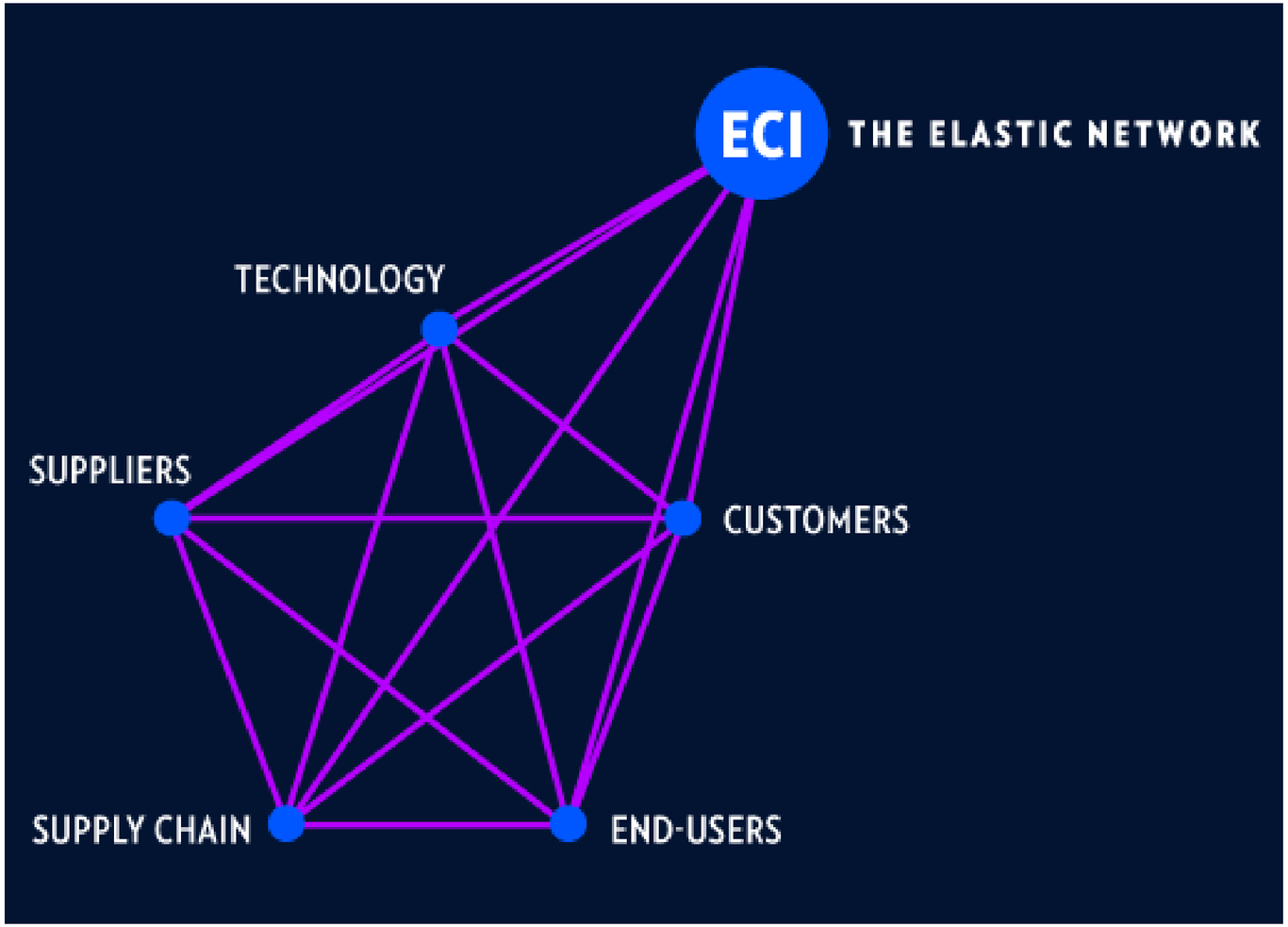


Integrity: We are committed to conduct ourselves in a manner consistent with the highest standards of integrity. We are honest, ethical, and fair in all our activities. We keep our word, deliver on our promises, and acknowledge our mistakes. Our personal and business conduct ensures that ECI is a company worthy of trust.

Customer-centric: We are dedicated to creating value for our worldwide customers by developing and providing technologically advanced solutions and services. We build lasting relationships with our customers by listening, understanding, and anticipating our customers' needs. We are easy to do business with and always strive to be responsive and professional. ECI customers can trust our commitment to their success.

Drawing by: Mohamed Iyaaz, India, age 4

Creating value



We create value for our owners and our stakeholders throughout our value chain and global supply network, making a valuable economic and social contribution in the many countries where we do business.

It starts with creating the best ELASTIC technologies that are transforming the way we live, work, connect and enjoy our life. We maintain research and development facilities in Israel, India and China and we strive to continuously work at the cutting edge of today's knowledge and tomorrow's imagination.

To go to market, we rely on large numbers of suppliers who provide us with goods and services. We work collaboratively with our suppliers, maintaining long-standing relationships that enable us to provide the products and services our customers need.

We maintain a network of local subsidiaries in several countries around the world. They stay close to our customers and understand their expectations, partnering with them to grow their offerings competitively in their global markets.

We employ over 1,600 people directly, and hundreds more who are engaged in the development and supply of our products to our customers. We no longer manufacture directly but ensure the professional management of our supply needs throughout our outsourced manufacturing operations in Israel and China.

Through our customers and service providers in all our markets, the number of end-users who enjoy our ELASTIC networks now reaches billions.

Priority sustainability issues

In 2014, we engaged with many stakeholder groups as we developed our new business strategy and ELASTIC approach for the coming years. We engaged with a wide range of customers, industry groups, business partners and internal networks. The result is a revised set of 12 material priority sustainability issues that we have adopted as the focus for our business and for our reporting.

In today's changing world, we must be flexible and innovative, creating ELASTIC networks which enable customers to succeed.

This means:

- Meeting and anticipating customer needs
- Partnering to deliver the best solutions
- Providing outstanding customer service

In this period of increased cost cutting and challenged revenue streams, we must help our customers provide best value by continuously improving the resource efficiency of our products and services. At the same time, we should aim for maximum resource efficiency in our operations to maintain a cost-efficient business and display sustainability leadership.

This means:

- Improving the resource efficiency of our products
- Reducing our energy consumption
- Reducing waste and increasing recycling

Our employees are vital to our success. We aim to provide a positive, safe and inclusive workplace where employees grow and develop and are engaged with our mission and values, working together to achieve our sustainable business objectives.

This means:

- Engaging and developing employees
- Employee health, safety and wellbeing
- Engaging employees to support our communities

We must embed ethical conduct at all levels of our business and through our supply chain to maintain trust with stakeholders and safeguard against business and reputational risk.

This means:

- Maintaining integrity and ethical conduct
- Upholding human rights
- Driving ethical standards throughout our supply chain

Expert insights

Luis Neves
Chairman, Global e-Sustainability Initiative (GeSI)

"Since the beginning of the industrial revolution, human activity has driven annual greenhouse gas (GHG) emissions higher by nearly 30,000%. The main factor behind this increase is the burning of fossil fuels. In 1750, CO_2 emissions measured 11 megatons; by the end of World War II, they had reached 4,200 megatons. Unprecedented economic prosperity pushed them to nearly 32,000 megatons by 2009.

According to a report of the Intergovernmental Panel on Climate Change, GHG emissions must drop by 40-70% by 2050 to keep the global temperature rise below the 2° C cap set in UN climate talks. The opposite is happening. On average, global emissions rose by 2.2% every year between 2000 and 2010.

In our landmark report, **SMARTer 2020**, we found out that ICT can enable a 16.5% reduction of global GHG emissions through the implementation of ICT-based solutions in various sectors, allowing both environmental benefits and economic savings. Emission reductions may come from virtualization initiatives such as cloud computing and video conferencing or through efficiency gains such as optimization of network data transport and digital solutions that transform the way we work and live.

In this context, companies such as ECI have a very important role to play. Their contribution to the pace of development of the ICT sector and its technology innovation will continue to be a significant factor in improving the quality of life in a sustainable manner."

GeSI is a membership organization for Information and Communication Technology (ICT) companies and organizations around the globe and a leading source of information, resources and best practices for achieving integrated social and environmental sustainability through ICT.See more at http://gesi.org

Deborah Leipziger
Author, Consultant, and Lecturer

"Over the course of more than 25 years working in the field of business and society, I am often asked about the most significant trend I have witnessed. Having worked on codes and standards in many countries and with companies all over the world, I consider the UN Guiding Principles on Business and Human Rights to be one of the most important contributions to the field of business and society. In 2011, the UN Human Rights Council endorsed the Guiding Principles developed by John Ruggie in consultations with stakeholders all over the world.

What makes the Guiding Principles so important?

First: the Guiding Principles create a framework which specifies the role of governments or states to protect human rights. Corporations have a duty to respect human rights.

Second: the Guiding Principles state that companies should conduct due diligence to understand how their operations, services, or products might have an adverse impact on human rights.

Third: the Guiding Principles are well integrated with many other standards and initiatives, including the OECD Guidelines for Multinational Enterprises, the Global Reporting Initiative, and ISO 26000, among others.

With its focus on prevention and remediation of human rights abuses, the Guiding Principles are poised to have a significant impact on helping companies to develop proactive policies and mechanisms to address human rights."

Deborah Leipziger advises companies, governments and UN agencies on social innovation, human rights and business, and sustainability. Professor Leipziger is a Senior Fellow in Social Innovation at the Lewis Institute at Babson, and teaches at the Bard MBA in Sustainability program and other business schools. The third edition of her book, The Corporate Responsibility Code Book will be published in 2015. For more information: www.deborahleipziger.com

Margo Mosher
Manager, SustainAbility

"The private sector has a crucial role to play in working towards a sustainable economy. Businesses and their global supply chains have significant impacts, both positive and negative, on our society, environment, and economy and there is a great opportunity for businesses to add value and positively influence stakeholders throughout the value chain.

By integrating sustainability into their strategy, operations, and culture and transparently sharing the results of such work through reporting, businesses can help shape our future. Reporting is a powerful tool that can drive change. Numerous tools exist to support such transparency efforts such as the IIRC's Integrated Reporting framework which can enable companies to think in an integrated way and better understand their business model.

The GRI's G4 framework aims to help companies focus on the most important issues. By reporting on the most material areas of performance in an interconnected way companies can build trust with stakeholders, signal to investors the value of their work, exchange knowledge and best practices with peers, and perhaps most importantly, improve performance and create more value that progresses us toward a sustainable future."

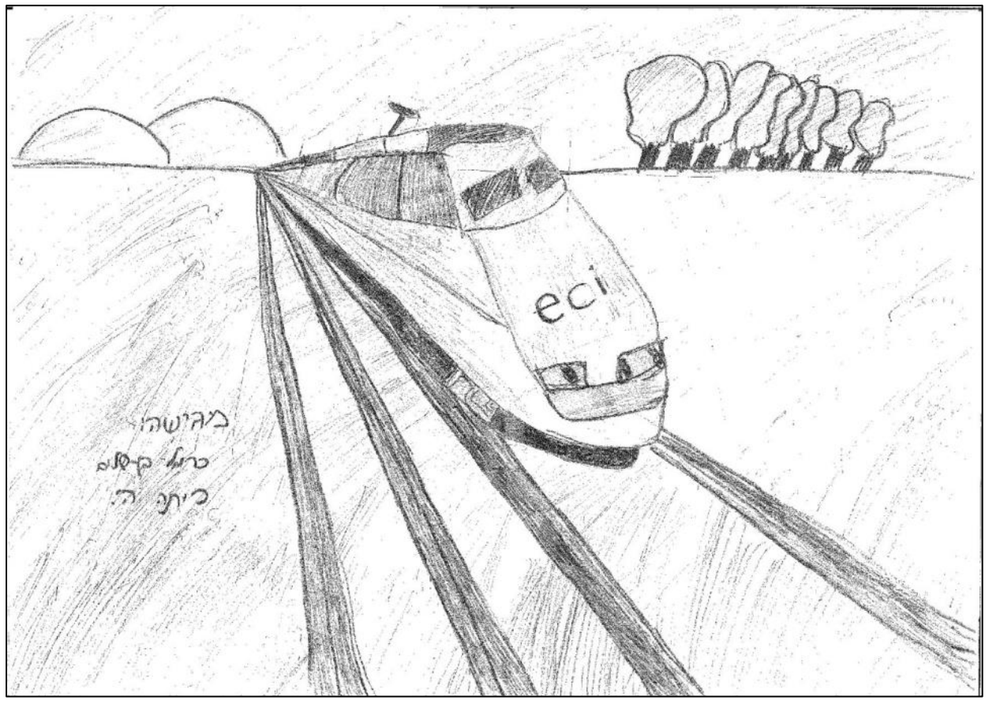
SustainAbility is a think tank and strategic advisory firm working to catalyze business leadership on sustainability. SustainAbility was founded by activists John Elkington and Julia Hailes in 1987. For more information: www.sustainability.com

Sustainability dashboard

54% reduction in energy consumption 2011-2014	**49%** reduction in CO2e emissions 2011-2014
15% reduction in water consumption 2011-2014	**62%** less waste generated in 2014 versus 2010

Environmental and supply chain performance	2011	2012	2013	2014
Energy consumption	-13%	-30%	-52%	-54%
CO2e emissions (Scope 1 & 2)	-12%	-18%	-50%	-49%
CO2e emissions (Scope 3)	N/A	-45%	-56%	-52%
Water consumption	-2%	-6%	-7%	-15%
Waste generated	-31%	-65%	-61%	-62%
Waste to landfill	-39%	-81%	-56%	-60%
Waste recycled (as % of total waste)	31%	57%	12%	19%
Supply chain audits of key suppliers	3	10	5	6
EcoVadis Score	N/A	N/A	Silver	Gold
Employee and community performance				
Women employees	23%	23%	25%	25%
Women managers	16%	18%	18%	19%
Lost time injury rate	0.061	0.192	0.236	0.102
Lost day rate	0.052	0.032	0.067	0.026
Volunteer hours per employee (average)	5.78	8.01	6.68	7.71

Data refers to Israel operations unless otherwise stated. Percentages are cumulative change in annual performance since 2010 (with the exception of Scope 3 emissions which are from 2011).



Drawing by: Carmel Ben-Shalom, Israel, age 10

ELASTICITY

"Most of our customers follow us with each new generation of technology. That's because they know that we design our systems with them in mind, so that they can have the fastest response time to technology developments in the industry with the greatest flexibility to exploit new opportunities in the market. As we expand our latest generation of products, we see our ELASTIC approach as the way for us to continue to meet and anticipate customer needs. This is the foundation of sustainable business growth."

Sorin Lupu
EVP, Global Sales and Marketing

Jimmy Mizrahi
EVP Portfolio Business

"One of the ways we are aiming to deliver sustainable business for ourselves and for our customers is through interoperability. This means, we help customers move into the future and adopt new technology with their legacy equipment. Our solutions are interoperable and connect at different levels, meaning that customers can continue to grow and develop without having to replace complete network infrastructures. This is the future. It's ELASTIC. It's also environmentally responsible."

	Material Topic	Material Aspect (G4)	Performance Indicators (G4)
Elasticity expresses our sustainable approach to doing business because it's how we help our customers achieve their objectives in the marketplace. Taking advantage of the newest, fastest, most efficient technologies, while retaining compatibility with old ones, means that we deliver the best capability with the fewest resources.	Meeting and anticipating customer needs	Economic: Indirect economic impacts	G4-EC8
	Partnering to deliver the best technology		
	Providing outstanding customer service	Social: Product responsibility: Product and Service Labeling	G4-PR5

Elasticity is future proof. ECI is committed to building solutions which will evolve with the needs of its customers:

investing now is investing in the future.

Meeting and anticipating customer needs

ECI has always taken the view that we must meet and anticipate customer needs with each new generation of technology and we have always designed our offerings with the success, flexibility and agility of our customers in mind. The pace of technology advancement and uptake of a digital society where social consumption of entertainment such as video streaming, remote working, integrated networks and the Internet of Things, where digital connects everything, places unprecedented demands on capacity data traffic speed and security capabilities. ECI is continuously developing our portfolio of solutions to help customers deploy and scale new technology while retaining the capability to continue to utilize their legacy networks.

Our core offerings include:

Neptune - Native Packet Transport: Neptune provides customers with a solution that is able to cost-effectively handle different configurations of network traffic. The ability of Neptune to support both legacy and new services enables customers to adopt next generation packet technology without the expense and disruption of replacing their existing network.

Apollo – High Bandwidth Optical Transport: This is our fiber optic transport solution that provides high bandwidth capacity to serve the most complex data centers in the world due to the high level of traffic that can be transported on single fiber cables. Using Apollo, our customers can continue to expand their businesses while minimizing energy and materials consumption.

SmartLIGHT ™ for Software Defined Network (SDN): Our latest technology offering is an SDN deployment platform that enables customers to engage with highly dynamic networks while optimizing both efficiency and flexibility. SDN enables service providers to take advantage of higher broadband capabilities to deliver more diverse and innovative offerings to customers. The ability to program and automate networks increases the efficiency and flexibility of service provider networks, thereby simplifying deployment and operation and reducing costs. During the past year, we have maintained our pace of development with a new suite of applications (LightAPPS™). LightAPPS™ delivers all the benefits of SDN: Visibility, Efficiency, Automation and Programmability to an existing installed base that can be enhanced with real-time capabilities in the future and enable customers to increase network management automation with no loss of network control.

ECI's Professional Services suite: Part of the SmartLight framework, our Professional Services include a set of consulting, planning and designing, building, training, managing and controlling, and maintaining and operating services to simplify day-to-day operations for future growth of our customers.

Current and planned ELASTIC SDN applications improve speed, reliability, energy efficiency and automated network control to meet current and future customer needs, for example:

LightSEC™ is our comprehensive cyber security solution. It leverages ECI's network expertise along with best of breed security components (hardware and software based), to provide the industry one of the most comprehensive security solutions` which includes: Network anomaly detection, big data analytics, strong authentication, DDOS protection, encryption protocols and firewalls, NAT, SCADA DPI and more.

LightSOFT® is our single network management system (NMS). It simultaneously provisions, monitors, and controls many network layers with multiple transmission technologies, providing a holistic solution for our customers network management challenges. It is simple, smart, scalable, and centralized with on-demand service provisioning and pinpoint bandwidth allocation which dramatically reduce the equipment and operating costs usually incurred by multiple management systems.

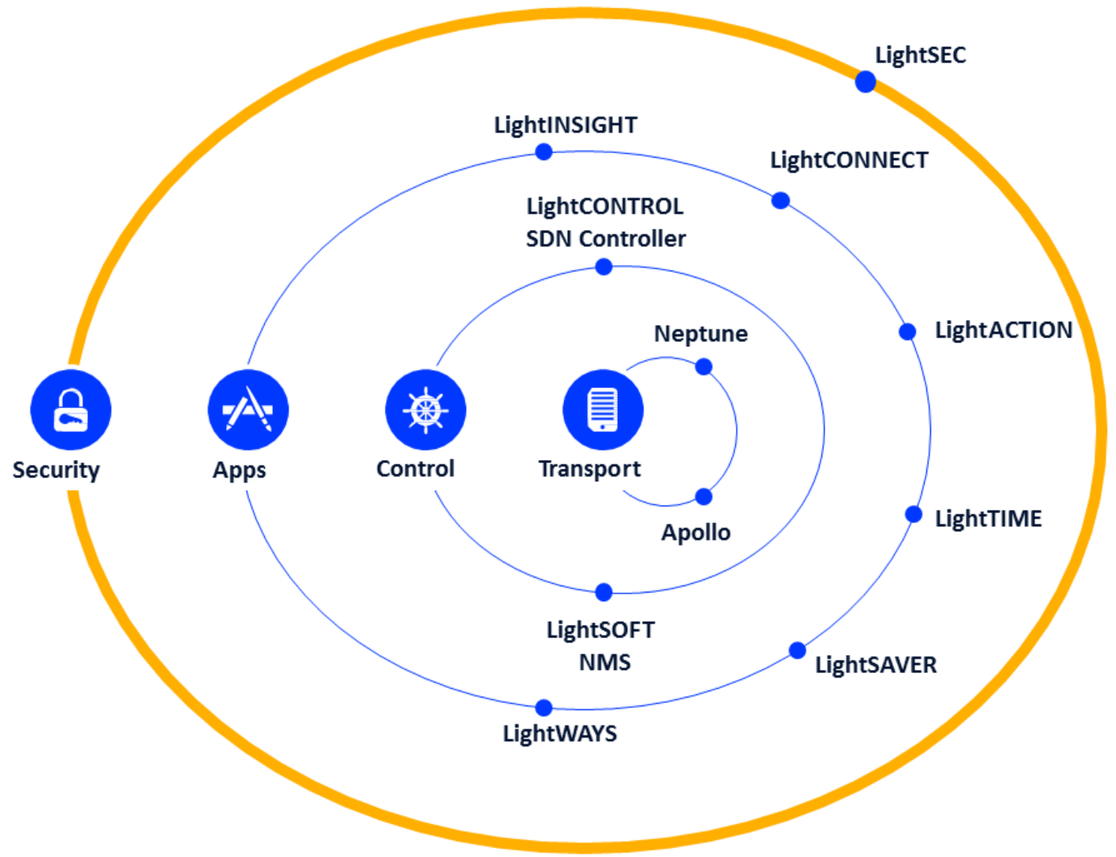
"LightAPPS™ are a cornerstone of ECI's ELASTIC network vision. ELASTIC networks scale and operate more efficiently by using open, secure and vendor agnostic technology. The goal is to enable ECI customers to quickly adapt to the rapidly evolving market around them. That means benefiting now from SDN applications on the current installed base as well as on future SDN networks." **Gali Malkiel, Head of Software and SDN Applications**

Meeting and anticipating customer needs in different markets

Mexico

The national digital inclusion strategy advanced by the Mexican government makes accessibility and connectivity a top priority to boost economic advancement. Our customer, an electricity provider in Mexico, maintains a network of power lines that reaches 97% of Mexico's 120 million population. In the past two years, ECI has been working with this customer to enable deployment of this network of power lines for distribution of fiber optic digital communications throughout Mexico in order to supply internet connectivity to the vast majority of the population at affordable prices. We have already established around 4,000 communications sites across Mexico.

In 2014, we further advanced our collaboration with our customer through support for implementing network controls with our LightAPPS™ SDN applications for network management. This provided the company with capability to define end-to-end services through the multi-layer environment effectively. In order to transition to LightAPPS™, we had to reconfigure network definitions and protocols and align the infrastructure to a channel based environment. LightAPPS™ helps our customer significantly reduce service deployment time, improve network resource efficiency and shrink the time spent on routine tasks. We worked on this transition with the company to create a seamless change with zero loss of customer or network data. Millions of Mexican citizens can now enjoy the most advanced digital services available delivered by an ELASTIC network that is optimized for resource consumption and bandwidth capabilities.



India

We have supported a major customer in becoming the first company to successfully deploy a 3G LTE network in the country. 3G technology was the first to support smartphones and LTE (Long Term Evolution) is the most advanced technology available today, providing the fastest cellular data network available. Our customer, which is one of the largest telecommunications companies in world, has always been a pioneer in the Indian market, introducing Indian users to 3G, and now to LTE, enabling unprecedented quality and speed of connectivity to millions of local users. In a country with almost 1 billion mobile phone users, the potential for our customer to transform the quality of life and open up new digital possibilities with its advanced technology is tremendous. ECI assisted the company in rolling out 3G networks in recent years, and in 2014, we completed deployment of 3G LTE in six major Indian cities with a total population of more than 6.5 million people.

Partnering to deliver the best solutions

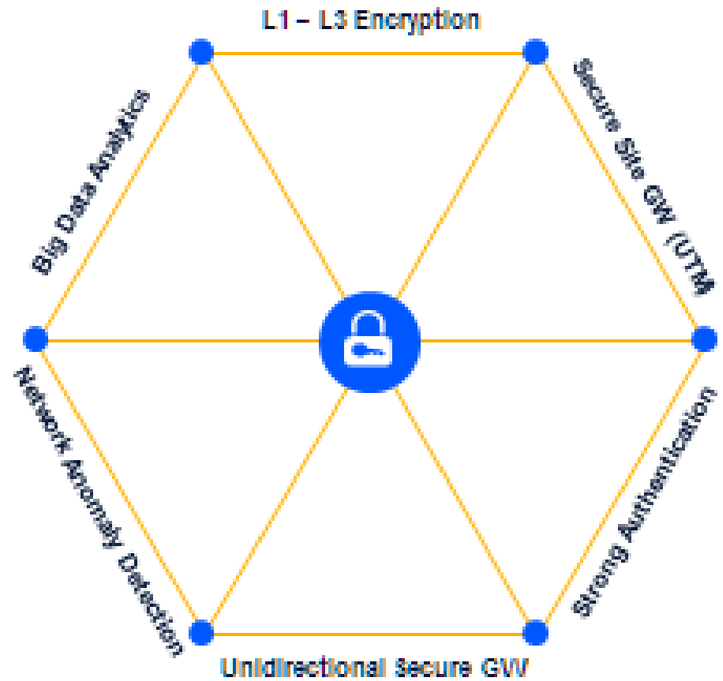
In response to the growing need of our customers for built-in network security and protection from cyber threats, in 2014, we launched our new dedicated Cyber Security Division to provide a comprehensive response to network and operational security needs. We now have a team working on continued developments and supporting uptake of our best-in-class solutions. Our cyber solutions are elastic: they operate both with ECI technology and on other platforms that our customers deploy, offering complete flexibility together with all-round protection.

Cyber Security is not new to ECI – our products have historically included certain levels of built-in cyber protection as part of our general approach and service. However, we decided to develop cyber protection in a more strategic way, helping customers address increasingly critical vulnerabilities to provide a full cyber solution at every level of the network, including network anomaly detection, analytics, Big Data Cyber Analytics, DPI, SCADA protection, SSH Interception, firewall and more.

Our new cyber security suite provides holistic protection for both operation and IT networks. Our Neptune (NPT) product features technology from best of breed strategic partners including Check Point Software Technologies, bringing proven security, easy deployment and effective management for NPT customers that can accommodate all business models without requiring any additional hardware.

"Our customers face constant cyber security threats from multiple and largely unpredictable sources. We know we cannot stop security threats, but we can help our customers reduce their level of risk and exposure. Our offering is one of the most comprehensive cyber security solutions available on the market. It is built to secure all levels of the network in a modular architecture which is available as a pluggable NFV blade on ECI equipment or as a stand-alone appliance in multi-vendor environments, giving our customers optimum protection with optimum flexibility."
Yuval Illuz, General Manager, Cyber Solutions

"ECI has taken a very unique approach by implementing multiple security appliances in a virtualized way and Check Point is excited to be partnering with ECI Telecom in its security innovation."
Alon Kantor, VP Business Development, Check Point Software Technologies



Partnering to deliver the best solutions in different markets

Greece

In Greece, we partnered with the Swedish multinational communication technology and services company Ericsson to create an education network for more than 90 universities and research institutes throughout Greece. The requirement was for GRNET, the state-owned Greek Research and Technology Network, to build a platform that would help advance academic and research collaboration and enhance knowledge sharing and research capabilities.

ECI has experience of creating such advanced educational networks. In 2012, we installed the German Research Network (DFN-Verein) network and in 2013, we completed the Swiss education network (Switch). However, in Greece, we understood that our program could be best supported by partnering with Ericsson who managed all the field installations and service requirements of the network while we supplied the hardware, software and connectivity multi-layer transport platform for all data traffic.

GRNET's new network replaces an original installation that was more than 8 years old and had become insufficient to meet all data traffic needs. Now, Greek researchers can enjoy one of the most advanced network platforms available, with up to 100G connectivity to help make research more efficient and drive education and innovation.

Israel

A feature of our collaborative and partnering approach is our membership of different consortia that advance technology development in different aspects of communications and connectivity. One such consortium is Neptune, a three-year network programming consortium supported by the Office of the Chief Scientist in Israel, which commenced activity in mid-2014.

Neptune aims to develop efficient methods to automate and programmatically manage service provider networks, irrespective of their underlying network technologies. ECI brings a wealth of expertise in the field of software defined networks (SDN) to help advance network programming and new solutions for the Israeli telecommunications industry to support a move away from set-top boxes to software solutions that enable fast introduction of new user services, real-time network resource optimization and overall cost reductions.

ECI chairs the Neptune consortium which is made up of nine Israeli telecom equipment vendors, one service provider, and ten Israeli institutes of higher learning. We have established four sub-teams, each with a specific research focus as to progress Neptune's aims. Each team meets weekly to share progress and agree next steps. ECI also chairs the SDN team, focusing on new SDN-enabled network architectures and supporting processes. Overall, we expect to dedicate about 10 man years of work to the consortium as well as additional research resources.

"Partnerships and collaboration in the development of new technology are essential in today's dynamic environment. The ability to learn from others and share with others is an essential business approach. For example, we have been participating in open source communities to advance our own capabilities while sharing our expertise with others. In the age of ELASTIC networks, an open approach brings benefit to all."

Tali Rosenwaks, Executive Vice President & Head of Global Technology Division

Providing outstanding customer service

The key to providing outstanding service to customers is knowing what they need and how they perceive our interactions with them. We have always conducted customer surveys, but in 2014, we felt we needed even deeper insights into where we may improve to provide the basis for further improvements in our attentiveness and responsiveness to customers.

Therefore, in 2014, we launched our most extensive customer experience survey ever, which included both a comprehensive online survey and also face to face interviews with multiple senior contact points at each customer. The interviews were conducted on our behalf by an independent researcher, Ipsos. A total of 229 respondents from 50 major customers participated in our survey, and one of the most the encouraging results was that 68% of respondents believe that ECI is Best in Class for service. This result places ECI among the top performers in this category. We achieved a Customer Loyalty Index of 76 points out of 100, four points higher than the industry average according to the Ipsos database.

In terms of where we can improve, a key insight that we gained from customers is their desire to see greater innovation coming from ECI. Our new ELASTIC Networks approach launched in 2014 is an initial part of our response to this expectation.

Service Excellence: Additionally, we maintain our drive to achieve service excellence, and have intensified our proactive communication responses to customer problems. 75% of our service team worldwide participated in refresher and new technical training in different areas of expertise in 2014 We have restructured our internal processes to ensure quick response and resolution by our technical staff and we have invested in pre-upgrade diagnostics, to ensure that all upgrade activities are based on far greater detailed knowledge of current technical configurations. We also conduct an improved post-upgrade analysis to ensure all aspects of the system are working well before handover to the customer.

A result of these efforts is that in 2014, we achieved 91% zero defect upgrades. Upgrading equipment and networks is always a sensitive aspect of our operations – customers fear loss or disruption to their operations either during or post-upgrade or both. Achieving a virtually seamless upgrade process gives our customers the confidence to upgrade their networks to enhance their capabilities.

Feedback from large customers in different countries

"This is a very good initiative by ECI. They had always done web surveys in the past which we have participated in, but that felt more like a formality and none of us gave a proper dedicated time to the survey. We would keep filling in bits and pieces as and when we got the time in the midst of other things. But when you have a face-to-face interaction like this, you keep aside some dedicated time where you can focus on the interview."

"In a web survey there may have been questions which we misinterpreted. In a face-to-face survey, we always have the liberty to clarify with the interviewer in case of any confusion or ambiguity. So, all in all, this is a great initiative which must be continued.

"The survey shows how engaged ECI is with customer support when they are doing these kind of interviews."

"Their research indicates they value their customers and the relationships." This is the most important thing in the world. I wish we had a department which could do this. It's nice that an organization is objective about its clients voicing an opinion, via a third party, showing maturity and openness to learn from criticism."

"The results will truly help ECI as the respondents are clearly more focused and give more considered response than in internet surveys, which often are completed while doing other tasks or left unanswered. Also, customers are able to talk about the issues they find relevant from their point of view and with their own words, which are not always covered in the survey questionnaires."

"The key to our customers' success is delivering outstanding service. This is also the key to our success." **Boaz Yardeni, EVP Operations and Services**

Recognition for quality and excellence

In 2014, ECI was awarded an honorable mention in the annual National Quality and Excellence Award. This is the most prestigious award of its kind in Israel, supported by the Office of the Prime Minister, the National Standards Institute and the Israeli Society for Quality.

In 2014, more than 50 companies took part in the awards, which required submission of a highly detailed description of all company processes and practices across the business and several days of onsite audits by the team of judges. The award is made for strong performance and leadership in quality, strategic planning, customer focus, process management, Human Resources management and knowledge management.

Our investment and strong track record in corporate responsibility including our local leadership in business transparency and reporting was an important element of our submission.

EFFICIENCY

"Very rapidly over the past few years, the traditional landscape for communications technologies has changed. New players have entered the market with new solutions and traditional communications providers have seen profits erode. That's why it's so critical that we support our customers with ELASTIC networks that can scale automatically and adapt to meet changing needs. Efficiency is an essential ingredient of ELASTIC networks and success in the changing technology landscape."

Tali Rosenwaks, EVP of Global Technology Division.

Boaz Yardeni, EVP of Operations and Services

"Technology changes almost by the minute but the overarching needs of our business and of our customers remain constant. Achieving the best results with the fewest resources to enable speed, agility and efficiency have governed our thinking for years and remain valid today. Doing this while delivering outstanding service is a recipe for sustainability. Reducing our resource consumption and that of our network solutions is a way of life at ECI."

	Material Topic	Material Aspect (G4)	Performance Indicators (G4)
Efficiency expresses our sustainable approach to doing business because it's how we keep our operational costs down and improve our speed of operation. At the same time, efficiency of our products reflects the needs of our customers to compete more effectively by using fewer resources while using our network solutions.	Improving the resource efficiency of our products	Environmental: Products and services	G4-EN27
	Reducing our energy consumption	Environmental: Energy	G4-EN4, G4-EN5, G4-EN6
	Reducing waste and increasing recycling	Environmental: Effluents and waste	G4-EN23

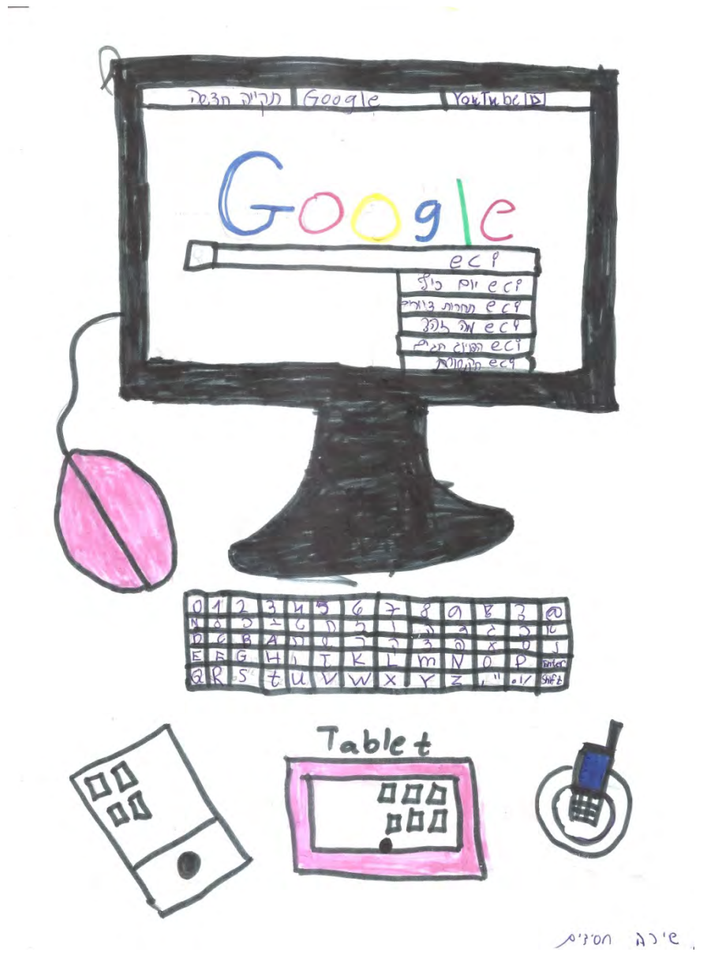
"In traditional models, the enterprise is structured to produce for a given capacity. Efficiency comes from wringing increasing levels of output from that capacity." **The Elastic Enterprise, 2012**

Improving the resource efficiency of our products

Over the years, we have exploited technology innovation and aligned our own product development to make broadband connectivity bigger, faster, more flexible and more reliable. We have expanded the capacity of our fiber optic cables to over 25 terabytes per second using flexible spectrum technology with 128 channels of 33GHz. We are one of the first companies to offer this speed and capability through fiber cables. Of course, as we load the fiber more, the power required to run the network, both connecting customers and in customer operations, is significantly reduced.

Powering data center connectivity: One of the most important applications of our high-speed broadband is its use in connecting commercial data-centers with each other, and in connecting enterprise customers to data centers to access managed services and for data storage backup. Not only do we at ECI provide solutions for high-speed, low-power connectivity, we also provide a solution to increase the energy efficiency of the hardware employed in data centers. Due to proprietary cooling and ventilation systems, our data center equipment can run at higher temperatures than alternative technology – typically our equipment works well at an elevated 55 degrees Celsius versus an industry practice of around 40 degrees.

Localizing repairs: We continue to see efficiencies throughout our value chain, and in 2013, we began a program to improve our environmental impacts through transitioning our product repair service to local vendors where possible. Previously all equipment repairs were routed to our main development laboratory in Israel. Working with local vendors reduced back and forth transportation of equipment which improved the speed of repairs and service to customers. In 2013, we decentralized repairs to India, Brazil and UK, and in 2014 we expanded this program to include a qualified local vendor in China. So far, we have achieved a 90% local repair rate in India and are progressing toward this level in other countries.



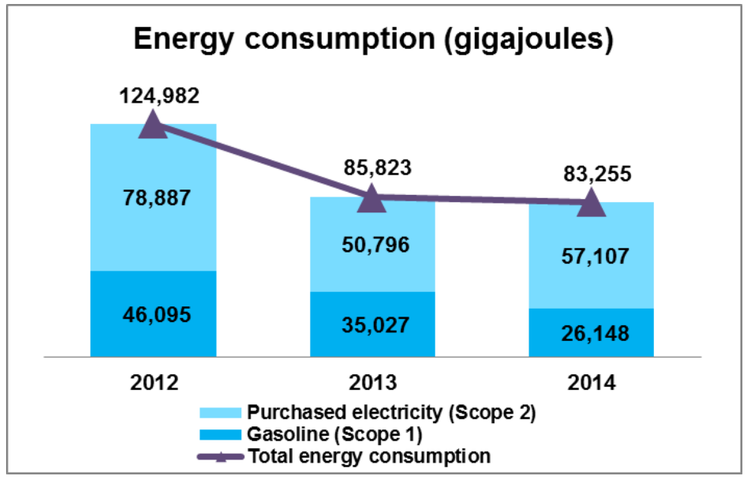
Drawing by: Shira Hasidim, Israel, age 10

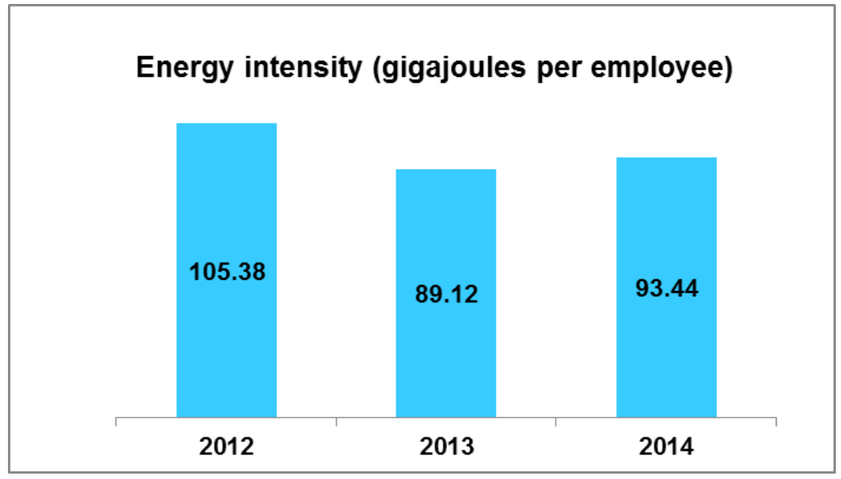
"In 2005, 95W of power and 800cm² of circuit board space was required to transmit a 10 Gigabyte per second signal. In 2015, this same 10 Gigabyte signal requires only 10W of power and 65cm² of board space. This is a 10-fold efficiency improvement in both power and our footprint. And, at ECI, we are convinced that this is only the beginning. We are continuously seeking greater ways to make our customers' networks more efficient."
Jonathan Homa, Director, Portfolio Marketing

Reducing our resource consumption

Energy and emissions

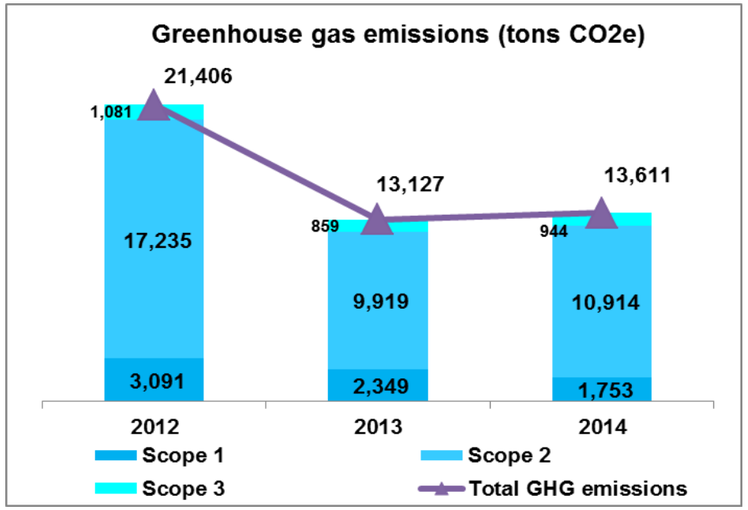
In 2014, our total energy consumption reduced by 3%, bringing our cumulative reduction in energy consumption to 54% since 2010. However, in 2014, electricity consumption increased due to intensive market activity and new product launches that required higher levels of product development and testing in our R&D labs than in previous years. We continue to minimize our operational power consumption through use of LED lighting, on/off sensors throughout our operations for lighting and HVAC, replacement of chillers for cooling our buildings and more efficient electrical appliances.

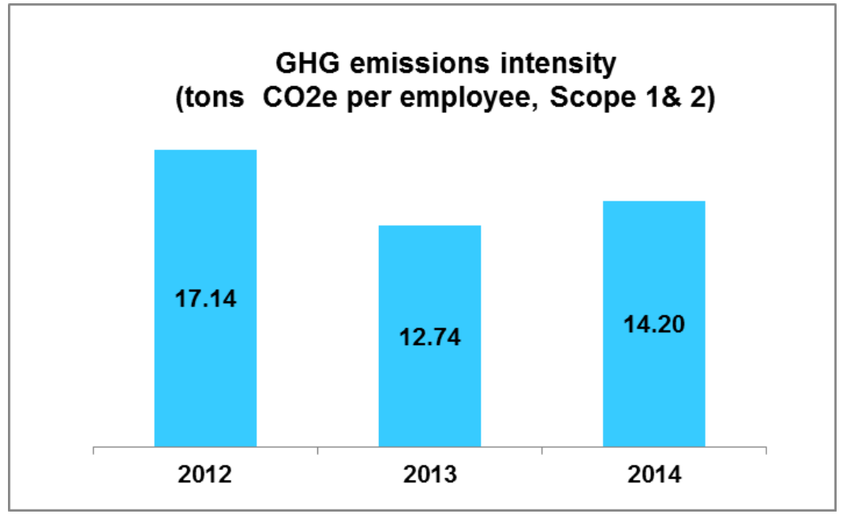




In 2014, our direct and indirect greenhouse gas emissions (Scope 1 and 2) increased by 3%, the result of increased electricity consumption, partially offset by more favorable grid-based emission factors in Israel due to a higher proportion of natural gas in electricity production. We also travelled more as we advanced our business in 2014, generating 10% more Scope 3 emissions in long haul business flights.

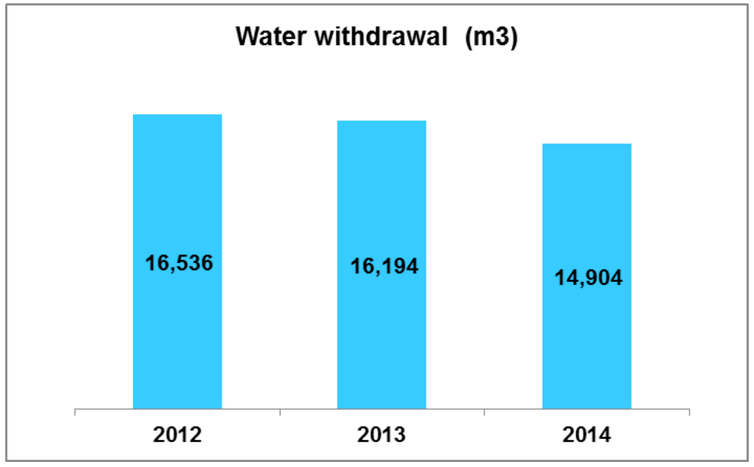
Since 2009, our Scope 1 & 2 greenhouse gas emissions have reduced by 49% on an absolute basis.

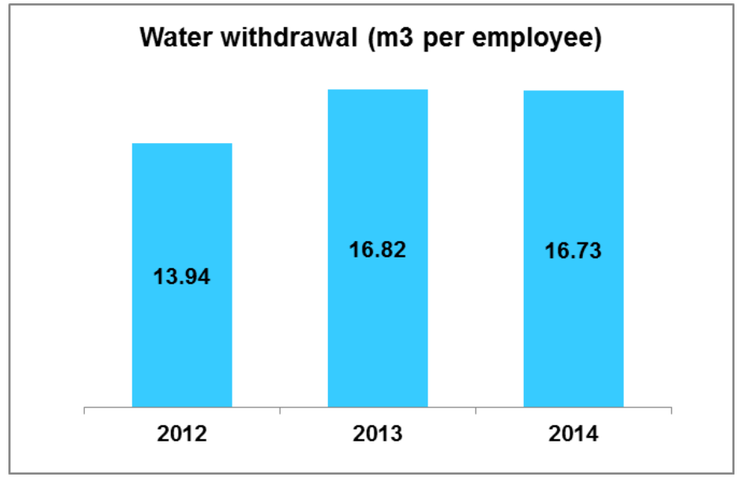




Water and waste

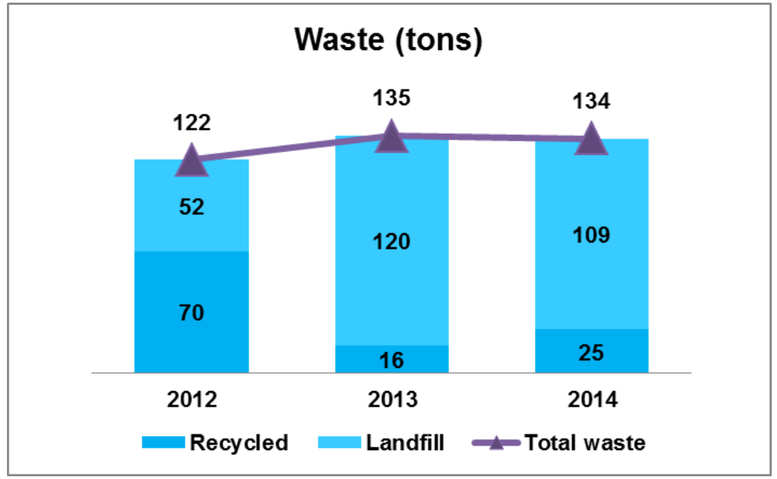
In 2014, our water consumption reduced by 8%, bringing our total reduction in water consumption to 15% since 2010. We continue to minimize our water use through water-saving equipment in employee restrooms, recycling water from our HVAC system for gardening and greater awareness by employees. Additionally, we recently developed a system to recycle the water used during weekly tests of our fire extinguishing equipment.

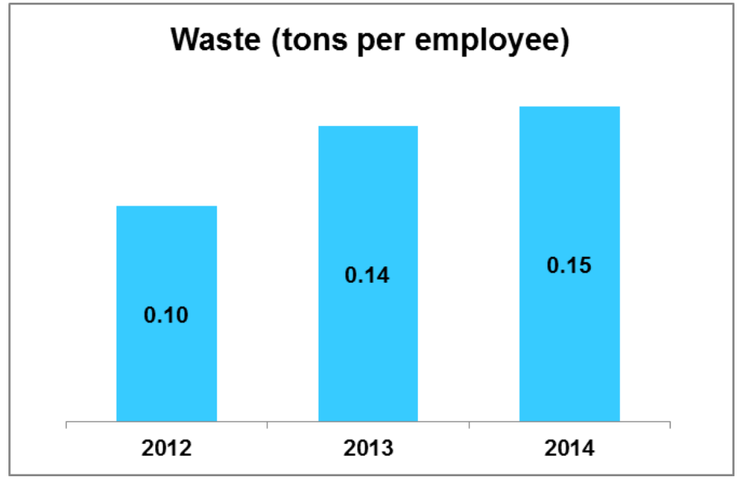




In 2014 we generated 1% less waste, bringing our total reduction in waste to 62% since 2010.

In 2014, we recycled 19% of our waste, 7% more than in 2013 as a proportion of total waste. We continue to recycle all electronic equipment, carton and paper and small amounts of organic waste generated through employee dining facilities. Waste that we cannot easily recycle is generally construction waste generated through refurbishment or changes to our office buildings. Overall, our waste levels remain modest.





EMPLOYEES

"Our new corporate strategy and branding is based on the proven concept of elastic enterprises and ELASTIC networks. In many ways, there is a similarity here with our approach to managing human resources and providing tools for our employees.

At one level, we need to be elastic enough as an organization to provide employees with the right opportunities at the right time to enable them to be fully productive and fully motivated, and learn and grow. On the other hand, we must stay true to a core set of values and culture that define ECI and the way we work.

One of the things we have realized in the past couple of years is that, sometimes you need to go back to basics in order to accelerate people's development and growth. Therefore, we have placed emphasis on a refresher of basic management behaviors. We've created an internal Do's and Don'ts of management behavior encompassing fundamental elements of management core skills, communications, ethics and values.

We have been providing managers with refresher courses in these behaviors and encouraging them to cascade them down to their teams. In order to be an elastic enterprise, we need to reinforce the roots of our culture. This has been a key theme during 2014."

Adi Bildner, VP, Head of Global Human Resources

Our approach to employees expresses our desire to create a nurturing and supportive, open and flexible workplace where each employee has the encouragement and the capability to contribute at her or his best. We also recognize that supporting social causes is a very strong motivator for employees and we bear this in mind as we engage with local communities. Through our employees, we can succeed at innovation and at creating truly ELASTIC networks for our customers.	**Material Topic**	**Material Aspect (G4)**	**Performance Indicators (G4)**
	Engaging and developing employees	Social: Labor practices and decent work: Employment Training and education	 G4-LA1 G4-LA9, G4-LA10, G4-LA11
	Employee health, safety and wellbeing	Social: Labor practices and decent work: Occupational health and safety	G4-LA6
	Engaging employees to support our communities	Social: Society: Local communities	G4-SO1

Engaging and developing employees

Employee feedback: We continuously check the pulse of our employee opinion with short surveys. Our most recent survey was focused on how employees are engaged with our goals and objectives, and how they feel we are living our values. In general, employees felt that the work at ECI is meaningful and challenging, and there is a high level of trust in management. Employees expressed a desire to have greater influence in decision-making and more communication about activities and developments.

Performance reviews: In 2014, we transformed the way we approach and conduct performance reviews. In the past, the annual review would result in a performance score. Our new approach is to increase the frequency of the review conversation to four times per year, and abandon the need to give a score, replacing this with a more meaningful conversation about meeting goals and development needs. We believe the performance review process should be empowering and motivational for managers and employees, and by focusing on the conversation and not the score, we enable more frequent and productive interactions. At the same time, our Human Resources Business Partners coach managers in conducting this new type of review conversation. In 2014, 76% of managers and employees took part in this new process.

Investing in team leaders: In 2014, we introduced a new five-day program to help improve the business understanding and management capabilities of our team leaders**.** We have around 100 team leaders in the company, mainly in R&D roles, and most have had no formal management training. This is the first time we have invested specifically in this group of employees, who often have a critical role in ensuring our projects develop on time and in the right way and in collaboration with diverse groups of employees. The training is delivered by senior managers and human resources managers, a demonstration of the importance of the internal conversation and collaboration as part of the process.

Employee recognition: We use our annual Global Excellence Program and Excellence Award to underpin our culture of excellence and to express appreciation for employees and teams whose contribution over the past year has been outstanding. Employees nominate colleagues for the award. In 2014, our award focus was customer-orientation, collaboration and innovation. 29 employees and 5 teams received an award.

Drawing by: Ananya Misra, India, age 5

"2014 has been a vital year of investment in employee development and training with multiple activities across the organization to help managers and employees become even more engaged and even more productive. We expanded existing programs, such as our Seven Habits of Highly Effective People and improved several core organizational processes. We believe this is essential to deliver our goals for the coming years." **Revital Karni, Training Manager**

Embedding the Seven Habits of Highly Effective People

In 2014, we ran a pilot two-day workshop to train managers in the “Seven Habits of Highly Effective People” framework based on the proven principles presented in Dr. Stephen R. Covey's best-selling business book. Participants learn how to take initiative, balance key priorities, improve interpersonal communication, leverage creative collaboration and apply principles for achieving a balanced life. Participants learn and use processes and tools to apply the Seven Habits at work and in their personal lives.

Following the success of the initial program, we expanded our implementation and to date, more than 100 managers have participated in this transformational training in Israel and India, including 100% of managers in India. Feedback from managers confirms that this program helps them prioritize, align work and life activities and manage relationships more effectively. By embedding the program company-wide, we also create a shared culture that forms part of the way we work, helping us to be more collaborative and more considerate of each other's needs.

On the other hand, the Seven Habits program forces participants to confront imbalances in their work and personal lives, and this process has not been without challenge for many. Therefore, in order to maintain the momentum of the initial training, and help individuals adopt the program to meet their own needs, we have established internal support groups that meet quarterly to enable Seven Habits graduates to refresh their learning and share experiences with colleagues.

In 2015, we also trained 12 managers to become internal Seven Habits trainers so that we can expand the program in a cost-effective way to the next stage, which will include most ECI employees. Our plan is for each of our 12 trainers to run a program every two or three months. In this way, we aim to create a critical mass of highly effective people at ECI that will help us reinvent the future. At the same time, these individuals are learning new tools that they can apply in their personal lives as well.

Drawing by: Danielle Koren, Israel, age 4

"For me, the main thing about the course is that you work on your own personal traits and behaviors. As soon as you make a change at the individual level, it quickly translates into improvements in the workplace. My personal goals became relevant in the workplace, I found myself to be more effective and easier to work with. For me, my personal life and my work life are connected. At the same time, we realize that for some people it takes longer than others. For some, it is more difficult to step out of their comfort zone. As a company, we need to be patient and give them their time to make changes at their own pace." **Yael Ashuach, HR Business Partner and Head of Training and Organizational Development**

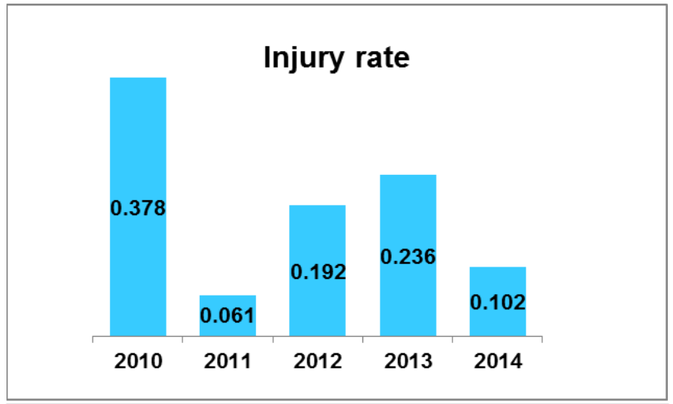
Employee health, safety and wellbeing

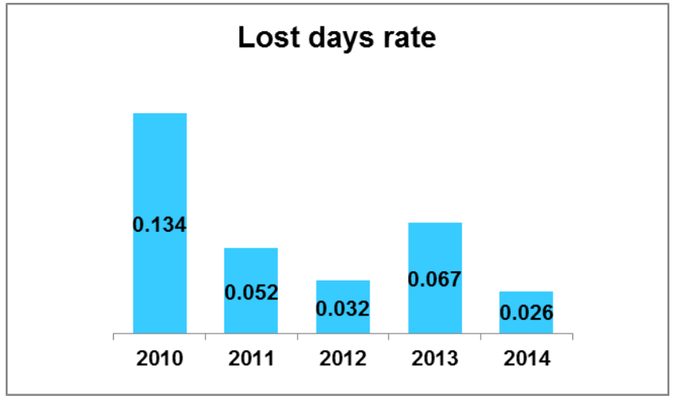
We continue to invest in the health and safety of our workforce and were pleased that our cumulative efforts yielded positive results in 2014, with a 57% reduction in injury rate and corresponding significant 62% reduction in injury severity. We are confident that this indicates deeper embedding of a safety culture. Even so, we intend to continue the pace of training, communications, safety audits, stop checks and corrective actions to ensure that safety remains top-of-mind at all times.

Specifically in 2014, we performed additional safety checks on laser equipment, and completed a full hazards survey. We also updated our safety procedures in Israel to align with new regulations that require assignment of safety resources in our operations.

In 2014, we performed 5 internal audits and welcomed 3 external safety audits from the National Standards Institute to re-certify ECI against OHSAS 18001 and SA8000 standards. The external audits uncovered 15 minor corrective actions relating to checks of generators, testing of firefighting systems and employee communication relating to transportation. Internal audits uncovered 11 minor corrective actions. To date, all actions were completed.

To promote health and wellbeing, we held sports tournaments and a sports day for employees, and an annual health day with health checks, lectures and impromptu exercise sessions throughout the offices. 342 employees took part in our global health quiz.





Note: Injury data refers to Israel operations only.

In 2014, we were honored to be among a small number of companies to receive the Transport Safety Excellence Award from the most prominent road safety campaigner in Israel. Or Yarok ("Green Light") is a non-profit organization that promotes safer driving in Israel. The award is granted to companies that make road safety a priority, beyond legal regulations, and excel in improving awareness and good road safety practices through employee training and activities in the community. Or Yarok reviewed the practices of 400 companies in Israel and selected 11 to receive the award.

Engaging employees to support our communities

We encourage our employees to get involved and offer support in the local communities in which we operate. Our Community Investment Policy places emphasis on empowerment of underprivileged populations. Around the world, ECI employees and their families volunteer in community activities which support our policy and are in line with their interests, availability, and capability. We enable employees to volunteer during paid working hours and recognize volunteers for the contribution they make. In 2014, employee volunteering in Israel totaled almost 7,000 hours.

On Good Deeds Day each year, we encourage a special effort from employees around the world. Our employees in Mumbai in India raised funds to support rural schools and a shelter for orphans, as well as donating computer equipment to a local school. In Bangalore, employees raised funds to support a local village school by purchasing a range of equipment for the school and visiting for a day to spend some time with local school children.

In Israel, where more than 50% of our employees live and work, we partner with several non-profit organizations to deliver effective social investment programs, taking into account community needs, and executing programs using our facilities, resources, and employees. Our activities include community empowerment, education and support for youth advancement.

- **Helping to reduce food waste and food insecurity** by volunteering with Israel's National Foodbank, Leket Israel, by harvesting tons of nutritious food in agricultural fields, to be donated to those in need. In addition, we distribute food parcels twice a year for 300 families.
- **Helping schoolchildren make progress** with our annual program of adopting a class of fourth grade children who visit our offices for weekly reading sessions with ECI volunteers. We also provide assistance in mathematics, English and Hebrew studies to sixth and seventh grade schoolchildren.
- **Inspiring youth** by providing lessons in technological subjects at a local youth village in partnership with the Different Lesson Association, which matches managers in companies with the educational needs of youth, to provide inspiration and practical help.
- **Breaking the glass ceiling**: This program is designed to assist young girls from disadvantaged backgrounds and support them up to high school matriculation. The young girls visit ECI throughout the year and meet with women managers in different roles to gain practical help and inspiration.
- **Mentoring non-profit organizations:** Since 2010, ECI managers serve as volunteer mentors for CEOs of non-profit organizations.

Drawing by: Lihi Yashar, Israel, age 8

Doing good deeds

Our annual Good Deeds Day in 2014 saw participation of hundreds of employees across continents involved in activities to support our local communities.

Israel

India: Bangalore

India: Mumbai

Advancing cyber and computer education

In 2014, we engaged with a program to promote cyber and computer education in the periphery through donations and involvement in activities for students via a non-profit organization called Magshimim, supported by a philanthropic foundation and the Israel Ministry of Defense. Exceptional students from the periphery take part in the program during their last 3 years at school, participating in weekly classes, field trips and additional activities such as seminars and workshops during school holidays. Students learn a range of subjects related to cyber and computers.

The program is designed to give exceptional students in the periphery of Israel exposure to cyber security technologies in order to enhance their chances of selection for cyber units in the Israel Defense Forces and careers in the flourishing hi-tech industry in Israel.

In the summer of 2014, we hosted students for one week at our development facility in the south of Israel. During this week, students were given the opportunity to experience cyber activities including hands-on security testing of ECI equipment. Our managers also act as technical advisors to the organizations, for example advising on internet connectivity requirements.

In 2015, Tali Rosenwaks, EVP, Head of Global Technology Division, was awarded a Certificate of Appreciation for ECI's contribution to Magshimim.

"ECI believes that one of the major strengths of Israel is its hi-tech industry and specifically, cyber. Therefore, we aim to support and advance technological education in Israel, especially in peripheral areas where resources are less available. Increasing technological education expands the potential talent pool in the periphery, so we need to start early on, when kids are in school, to help them gain vocational skills that will support both their careers and our ability to recruit. Promoting technology education in the periphery gives these students a chance and helps develop the area, which is likely to encourage more companies to consider working in the periphery."

Tali Rosenwaks, EVP, Head of Global Technology Division

ETHICS

"An ethical culture goes beyond compliance. By-the-book compliance is never fully effective. We need all our employees to be aware of the behaviors that we expect of ourselves as an ethical and responsible organization that takes accountability for its actions. This means creating an open culture in which ethical issues can be freely discussed, reviewed and shared as learning opportunities for all. In fact, at ECI, we have not suffered significant breaches of our code of conduct at any time in our recent history. However, in today's transparent and interconnected world, it only takes one employee to step out of line and we could face serious business disruption. Therefore, we make every effort to ensure all employees understand what's ethical and behave accordingly. It's more than safeguarding our business. It simply feels like the right thing to do."

Arnie Taragin, VP and General Counsel

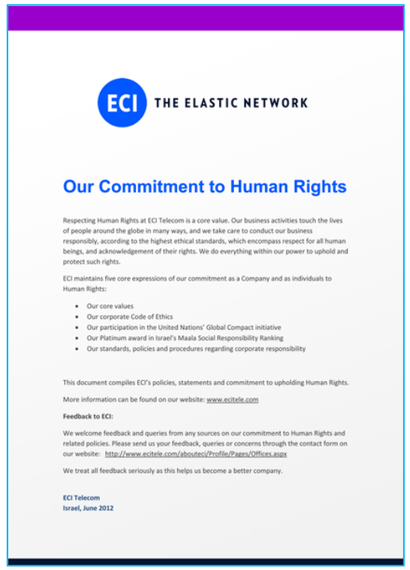
	Material Topic	Material Aspect (G4)	Performance Indicators (G4)
Ethics expresses the way we live our values and behave in line with our Code of Ethics. We actively support a culture of inclusiveness, equal opportunity and respect for individuals and their rights.	Maintaining integrity and ethical conduct	Governance	General Standard Disclosure G4-34
	Upholding human rights	Social: Human rights: Supplier human rights assessment	G4-HR10
	Driving ethical standards throughout our supply chain	Social: Labor practices and decent work: Supplier assessment for labor practices Environmental: Supplier environmental assessment	General Standard Disclosure G4-12 G4-LA14 G4-EN-32

Ethics and Human Rights

Code of Ethics: Our Code of Ethics is a guide to the standards of ethical behavior we expect from all employees in our business, including full compliance with laws and regulations in the countries in which we do business. All employees confirm to abide by our Code of Ethics when joining the company and receive detailed training in a dedicated online module which requires confirmation of understanding and agreement upon completion. Our Code of Ethics is available in seven languages to all employees on our internal website, and can be read on our corporate website by other stakeholders. Several channels are open to employees to report suspected ethical breaches. We investigate all issues, including those reported anonymously, and encourage employees to speak out without fear of reprisal. Our Ethics Council continues to meet regularly to ensure communications and training in ethical principles, and deal with ethical issues as they arise.

Human Rights Commitment: We remain committed to upholding human rights in our workplace and through our value chain in line with our Human Rights Commitment which defines our approach. The Commitment can be downloaded from the Corporate Responsibility section of our website.

Conflict minerals: We aim to ensure zero use of conflict minerals in our supply chain. We have requested information from our suppliers concerning the origin of the metals used in the manufacture of products for ECI. We follow procedures established by the Electronic Industry Citizenship Coalition (EICC) and by the Organization for Economic Cooperation and Development (OECD). To date we have received feedback from around 35% of suppliers that confirm responsible sourcing of metals. We aim to ensure complete traceability of all metal components.



Human Rights in our supply chain: Among the thousands of suppliers that provide goods and services to ECI, two long-term partner suppliers that provide turnkey outsourced manufacturing services are the core focus of our activities to audit environmental and social aspects of their operations including attention to the rights of employees in their operations. Both of these suppliers (in Israel and China) are large organizations that practice and communicate their sustainability performance. We conduct audits at their manufacturing sites several times a year and strictly follow-up identified corrective actions. There were no major or critical findings at either vendor in 2014.

Supporting diversity in the periphery: Another form of maintaining human rights is the inclusive aspect of our operations. Not only do we practice inclusion and diversity in our workforce, welcoming all based on merit, we maintain a development site in Israel's periphery in the south of the country, employing around 150 engineers and technicians. We make special efforts to recruit local employees, reaching out to smaller villages and towns, offering additional training and support where required, to contribute to alleviating the high unemployment levels in the region.

Corporate Governance

Board of Directors

We maintain the highest standards of corporate governance and our Board of Directors is actively engaged in ensuring that strategy, risk management and operational controls are appropriately addressed in our business at all times. We observe applicable laws and regulations wherever we operate. Our regular internal and third party audits ensure that we maintain strictest attention to compliance and compliance education within our business.

Our board of directors is composed of two male members, both of whom are non-executive and non-independent. The Chairman of the Board is Mr. Shaul Shani, founder of the Swarth Group and chief shareholder of ECI. The Board of Directors maintains one Board Committee, the Remuneration Committee, composed of the two members of the Board. The purpose of this committee is to govern the administration of executive compensation and associated benefits and options, and management of the stock options program within the company.

We regularly report our sustainability performance to the Board of Directors and receive guidance on strategy and areas of material focus.

Sustainability Management

Our Head of Quality Management leads our overall sustainability strategy and action plans. We present comprehensive internal reports to our Executive Management Team twice a year. At these meetings, performance is assessed and future plans are agreed.

Our corporate sustainability team supports employee education, communication and implementation of responsible business and sustainability strategy throughout our business around the world, working with local management teams as required.

ECI Executive Management

Sustainability Rankings

Platinum Plus ranking in Israel
In the 2015 ranking in Israel, performed by Business for Social Responsibility in Israel ("Maala"), we once again achieved the highest possible ranking of Platinum Plus. We have participated in this ranking in Israel since its inception in 2004, and since 2008, we have consistently achieved the highest possible ranking each year.

Maala is a not-for-profit organization promoting corporate social responsibility in Israel. The annual ranking based on self-declared performance in five areas: ethics, responsible workplace, community investment, governance and environmental protection. Large, public and private companies representing over 50% of business in Israel participate in this ranking.

Gold Ranking with EcoVadis
In our most recent annual assessment by the EcoVadis organization, which we complete at the request of certain customers, we improved our score from Silver (58%) to Gold (63%). The Gold ranking, according to EcoVadis, an internationally recognized supplier evaluation and accreditation sustainable development platform, is achieved by only 5% of companies assessed. The assessment covers four categories of responsible business: environment, labor practices, fair business practices and sustainable procurement.

Drawing by: Eyal Rabany, Israel, age 11

Drawing by: Dana Levi, Israel, age 9

UN Global Compact

ECI confirmed participation in the United Nations Global Compact (UNGC) in 2002, the first company in Israel to do so. This report includes our annual Communication on Progress (COP). For further details about the UN Global Compact and our history of COP reports, please see the UN Global Compact website: https://www.unglobalcompact.org/what-is-gc/participants/3081 . The table below shows the correlation of our GRI G4 disclosures with the UNGC principles.

Principle	Global Compact Principles	GRI G4 Aspects / Disclosures	Our Commitment
1	Businesses should support and respect the protection of internationally proclaimed human rights.	• Human Rights Aspects	Respecting human rights at ECI is a core value. Our business activities touch the lives of people around the globe in many ways, and we take care to conduct our business responsibly according to the highest ethical standards, which encompass respect for all human beings, and acknowledgement of their rights. Our Commitment to Human Rights is publicly available on our website. We work with suppliers in our supply chain to ensure they are aware of our standards relating to human rights and encourage them to adopt similar standards. We are certified to social standard SA8000 that supports human rights protection in the supply chain.
2	Businesses should make sure that they are not complicit in human rights abuses.	• Human Rights Aspects • Local Communities Aspects	
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	• G4-11 • Freedom of Association and Collective Bargaining Aspect • Labor/Management Relations Aspect	We respect the right of employees to freedom of association and collective bargaining. We maintain collaborative, open and positive relationships with employees and aim to ensure they are aware of their rights.
4	Businesses should support the elimination of all forms of forced and compulsory labor.	• Forced and Compulsory Labor Aspect	We do not engage in or condone forced labor. ECI employees are employed on the basis of employment contracts which employees sign at their own free will.
5	Businesses should support the effective abolition of child labor.	• Child Labor Aspect	We respect and support the rights of children. We do not employ children in any part of our business.
6	Businesses should support the elimination of discrimination in respect of employment and occupation.	• G4-10 • Labor Practices and Decent Work Aspects	We maintain a policy of equal opportunity and promote diversity among our workforce around the world. Recruitment and human resources policies are designed to nurture inclusive practices for new and current employees in all matters relating to their employment with ECI.
7	Businesses should support a precautionary approach to environmental challenges.	• Environmental Aspects	We provide customers worldwide with network telecom infrastructure that enables them to address current and future business challenges, and in doing so, consider environmental impacts through the use of environmentally-friendly technology and technology-driven infrastructure. We are committed to achieving high standards of environmental quality and maintain environmental and health & safety systems in line with the highest global standards available.
8	Businesses should undertake initiatives to promote greater environmental responsibility.	• Environmental Aspects	
9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	• Environmental Aspects	
10	Businesses should work against corruption in all its forms, including extortion and bribery.	• Anti-Corruption Aspect • Public Policy Aspect	We are committed to behaving with integrity and act against all forms of corruption.

GRI G4 CONTENT INDEX

G4	General Standard Disclosure	Response / Page / Link	External Assurance
G4-1	CEO statement	**Page 4**	None
G4-3	Name of reporting organization.	ECI Telecom Ltd.	None
G4-4	Products.	We are the ELASTIC Network ™ Company. See our website for Solutions, Products and Services: www2.ecitele.com/OurOffering/Products/Pages/Software_Defined_Networks.aspx	None
G4-5	HQ location.	Israel	None
G4-6	Countries of operation.	Headquarters in Israel, R&D centers in China, India and Israel.	None
G4-7	Legal form.	ECI Telecom Ltd is a private company, wholly-owned by ECI Holding whose shares are held by the Swarth Group, a private equity company, and Ashmore Investment Management Ltd, one of the world's leading investment managers.	None
G4-8	Markets served.	We maintain sales in over 25 countries. See all our global offices on our website: www.ecitele.com/about/#block2	None
G4-9	Scale of the organization.	We serve over 250 customers, mainly wireline and wireless service providers worldwide, through an international sales force, local agents and resellers in over 25 regional sales and service centers and a network of resellers in over 70 countries. In 2014, we employed over 1,600 people in over 20 countries. As a private company, we do not disclose details of revenues or market capitalization.	None
G4-10	Number of employees	We report our full-time, permanent employees, worldwide, and report temporary and supervised employees for our Israel operations only. See tables on **page 38** for total employees by gender and by region. Full-time permanent employees are by far the majority of our workforce. At any given time, we employ small numbers of individuals on temporary contracts or as supervised employees at our different locations. There are no significant variations in or employee numbers due to seasonality.	None
G4-11	Employees covered by collective bargaining agreements.	In 2014, 34 ECI employees in Israel were covered by collective bargaining agreements. This represents 4% of employees in Israel. This data is not available for employees in our global offices.	None
G4-12	Describe supply chain.	**Page 7**: Creating value	None
G4-13	Significant changes during the reporting period	There were no significant changes during the reporting period, beyond routine restructuring for improved efficiency.	None
G4-14	Precautionary approach	We take a proactive approach to risk management with regard to climate change and environmental impacts and perform regular reviews of risks in our operations and supply chain.	None
G4-15	External charters	We support the Carbon Disclosure Project and submit our data to the CDP annually. We also adopt several ISO standards, including ISO14001, and other standards such as TL 9000, OSHAS 18001 and SA8000.	None
G4-16	Memberships of associations.	We participate in the United National Global Compact and, in Israel, we are members of the not-for-profit organization, Maala and have participated in an annual CSR ranking since 2008.	None
G4-17	Entities included	ECI Telecom Ltd and all local subsidiary offices are included in the organizations consolidated financial statements. These can be viewed on our website at: http://www.ecitele.com/abouteci/Profile/Pages/Offices.aspx . For the purpose of this report, we have focused our reporting of environmental data on our operations in Israel only, where almost 55% of our people are employed. Our offices in other countries are smaller and use small amounts of electricity for office heating and cooling, and minimal amounts of vehicle fuel. Other indirect consumption (Scope 3) is not tracked in these countries at this point. For other data – Human Resources data – we include our global operations unless otherwise noted.	None
G4-18	Process for defining the report content	**Page 8:** Priority Sustainability Issues. This report was informed by our material issues in a process which considered the principles for defining report content: materiality, stakeholder inclusiveness, sustainability context and completeness.	None
G4-19	Material Aspects	**Page 8:** Priority Sustainability Issues.	None
G4-20	Aspect Boundary within the organization.	**Page 39**	None
G4-21	Aspect Boundary outside the organization.		None
G4-22	Restatements of information.	Certain EHS data has been restated due to changing reporting methodologies and updated employee data.	None
G4-23	Significant changes from previous reporting periods	There are no significant changes from previous reporting periods in the Scope and Aspect Boundaries.	None

G4	General Standard Disclosure	Response / Page / Link	External Assurance
G4-24	**List of stakeholder groups engaged by the organization.**	**Our stakeholders include: owners, customers, employees, suppliers, governments and local communities in the locations where we operate. We maintain regular dialogue with stakeholders in order to understand their needs and communicate with them transparently about our sustainability impacts and performance.**	
G4-25	Basis for identification and selection of stakeholders with whom to engage.	The basis for identification and selection of stakeholders is based on our primary business interactions with employees, customers and suppliers. These are the groups with whom we interact on a daily basis and have the greatest impact on our business. In addition, we interact and engage with other stakeholders, including industry organizations and governmental authorities.	
G4-26	Approach to stakeholder engagement,	**Page 39**. In addition to ongoing interaction with our stakeholders, we requested input from three external experts in the preparation of this report and their commentaries are included in **page 9.**	
G4-27	Report key topics and concerns that have been raised through stakeholder engagement.	**Page 39**. The issues that our stakeholders have raised are reflected in our material Aspects. See our response above to G4-26 for specific issues raised.	
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	**Page 3:** About this report	
G4-29	Date of most recent previous report.	2013	
G4-30	Reporting cycle.	**Page 3:** About this report	
G4-31	Contact point for questions regarding the report or its contents.	**Page 3:** About this report	
G4-32	The ‘in accordance’ option, the GRI Content Index and assurance.	**Page 3.** About this report. This report has not been externally assured.	
G4-33	Policy and current practice with regard to external assurance.	**Page 3:** About this report	
G4-34	Governance structure of the organization	**Page 31**: Corporate Governance	
G4-56	Organization’s values	**Page 6**: Our Values **Page 30**: Ethics and Human Rights	

Material Aspects as listed in G4-19	DMA and Indicators	Indicator detail	Page / Link	Omissions	External Assurance
Indirect Economic Impacts	G4-EC8	Indirect economic impacts	Several examples reported in the section entitled ELASTICITY, starting on **page 11.**		None
Procurement Practices	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	In India, China and Israel we make most of our purchases of local requirements locally. We estimate this to be more than 80% of our purchases. Our outsourced manufacturers operate under turnkey conditions and make their own purchasing decisions. Local office and administrative purchases are all locally based.		None
Energy	G4-EN3	Energy consumption (Scope 1+2)	**Page 41**		None
	G4-EN4	Energy consumption outside of the organization	**Page 41**		None
	G4-EN5	Energy intensity	**Page 41**		None
	G4-EN6	Reduction of energy consumption	**Page 41**		None
Water	G4-EN8	Water withdrawal by source	**Page 41**		None
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	**Page 41**		None
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	**Page 41**		None
	G4-EN18	Greenhouse gas (GHG) emissions intensity	**Page 41**		None
Effluents and Waste	G4-EN23	Total weight of waste by type and disposal method	**Page 41**		None
Products and Services	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	**Page 18**: Efficiency		None
Supplier Environmental Assessment	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	At present, we screen current strategic turnkey suppliers. There were no new suppliers in 2014.		None
Occupational Health and Safety	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	**Page 40**		None
Training and Education	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	**Page 22**: Employees		None
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	**Page 40**		None
Supplier Labor Practices Assessment	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	At present, we screen current strategic turnkey suppliers. There were no new suppliers in 2014.		None
Supplier Human Rights Assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	At present, we screen current strategic turnkey suppliers. There were no new suppliers in 2014.		None
Local Communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	54%. This represents the percentage of employees in our operations in Israel where we have regular community involvement activities. Other ECI sites worldwide are small and have more sporadic community engagement activities.		None
Product and Service Labeling	G4-PR5	Results of surveys measuring customer satisfaction	**Page 16**: Providing outstanding customer service		None

Data responses to GRI Standard Disclosures

G4-10

Employees by gender (worldwide)	2012	2013	2014
Male	1,597	1,325	1,267
Female	465	405	377
Total employees	**2,062**	**1,730**	**1,644**

Employees by contract	2014		
	Male	Female	Total
Permanent contract	1088	321	1409
Temporary contract	6	4	10
Total employees	**1094**	**325**	**1419**

Employees by type	2014		
	Male	Female	Total
Full time	1078	285	1363
Part time	16	40	56
Total employees	**723**	**240**	**1419**

Employees by region and gender	2012			2013			2014			
	Male	Female	Total	Male	Female	Total	Male	Female	Total	% of total employees
China	189	86	275	154	72	226	156	61	217	13%
India	292	44	336	260	38	298	272	39	311	19%
Israel	911	275	1,186	723	240	963	666	225	891	54%
Rest of world	205	60	265	188	55	243	173	52	225	14%
Total employees	**1,597**	**465**	**2,062**	**1,325**	**405**	**1,730**	**1,267**	**377**	**1,644**	100%
Percentage male - female	**77%**	**23%**		**77%**	**23%**		**77%**	**23%**		

Workforce by employees and supervised workers and by gender	2012			2013			2014		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Employees	1,392	405	1,797	1,137	350	1,487	1,094	325	1,419
Supervised workers	11	4	15	63	16	79	43	13	56
Total employees and supervised workers	**1,403**	**409**	**1,812**	**1,200**	**366**	**1,566**	**1,137**	**338**	**1,475**

Notes:

Unless otherwise stated, data is for ECI operations in Israel, China and India. Employees in these three countries represent 86% of our total workforce.

Prior to 2014, data for employees by contract and employees by type was available for Israel only.

Data for supervised workers for 2012 and 2013 is for Israel only. In 2014, data includes Israel, China and India, of which 82% are in Israel.

G4- 19, G4-20, G4-21

Material Topic	Material Aspect (G4)	Performance Indicators (G4)	Internal	External	Notes
Meeting and anticipating customer needs	Indirect economic impacts	G4-EC8	✓	✓	Our ability to serve customers has a direct impact in the market, benefiting end users by providing them with new connectivity and capabilities.
Partnering to deliver the best technology			✓	✓	
Providing outstanding customer service	Product and Service Labeling	G4-PR5	✓	✓	
Improving the resource efficiency of our products	Environmental: Products and services	G4-EN27		✓	Efficient products enable customers to compete more effectively.
Reducing our energy consumption	Environmental: Energy	G4-EN4, G4-EN5, G4-EN6	✓		Reducing energy impacts our costs.
Reducing waste and increasing recycling	Environmental: Effluents and waste	G4-EN23		✓	Reducing waste places less of a burden on landfill and materials sourcing.
Engaging and developing employees	Social: Labor practices and decent work:		✓		Providing employees with opportunities and a safe workplace is critical for us to maintain the resources we need to conduct our business.
	Employment	G4-LA1	✓		
	Training and education	G4-LA9, G4-LA10, G4-LA11	✓		
Employee health, safety and wellbeing	Social: Occupational health and safety	G4-LA6	✓		
Engaging employees to support our communities	Social: Local communities	G4-SO1		✓	Investing in local communities helps them thrive.
Maintaining integrity and ethical conduct	Governance	General Standard Disclosure G4-34	✓		Good governance protects our business against risk.
Upholding human rights	Human rights: Supplier human rights assessment	G4-HR10		✓	The way we drive ethical practices through our supply chain impacts the societies and communities in which our suppliers live and work.
Driving ethical standards throughout our supply chain	Supply chain	General Standard Disclosure G4-12		✓	
	Social: Labor practices and decent work: Supplier assessment for labor practices	G4-LA14		✓	
	Environmental: Supplier environmental assessment	G4-EN-32		✓	

G4-26

We make efforts to understand our stakeholders and be responsive to their needs. Through internal meetings and discussions, we analyze the feedback we receive from our stakeholders to distil the most significant issues that inform our sustainability programs. We engage with our primary stakeholders as detailed in the table below.

Owners	ECI's owners are represented on our Board of Directors. Through our Executive Management, they are involved in development of sustainable performance planning and updated on a regular basis at Board Meetings. The key issues raised by the Board of Directors are business expansion and sustainable profitable growth, expanding market presence and innovation.
Customers	Our customers drive our business strategy. Many of our customers are leaders in sustainable performance and demand similar standards from ECI. We engage daily, weekly and monthly with customers to discuss business developments, product specifications and sustainable performance. We host our customers for discussions and audits of our operations. We reach out to new customers through participation in trade shows, conferences and industry meetings. We ensure that we are abreast of regulatory requirements that our customers face and respond accordingly. The key issues raised by customers are innovation, product performance, reliability and service, and resource efficiency to positively impact on competitiveness.
Employees	Our employees are the source of our success and ability to continue to deliver sustainable solutions. We engage our employees in developing sustainable solutions through strong internal communications programs, annual performance reviews, business updates, community volunteering, and informal conversations at all levels. Key issues raised by employees are job security, fair compensation and benefits, and opportunities to develop.
Suppliers	We maintain long-term partnership relationships with key suppliers who are critical to our ability to deliver sustainable bandwidth for our customers. Our most strategic suppliers are involved in our product development and implementation teams, and share in the decision-making process on many levels. Other suppliers are encouraged to offer suggestions for improvement and different ways of working in our monthly or quarterly discussions with them. Key issues raised by suppliers are requirements of ECI in relation to ethical performance, and assessments.
Government	We engage with government bodies in areas in which we work for the purposes of gaining the relevant authorizations for our business, and also in areas of research and development. Governments look to ECI to uphold the law and all local regulations and also collaborate in partnerships for sustainable development, where we possess the relevant expertise.
Local communities	We recognize that we have a responsibility to make a difference in the local communities in which we operate through supporting local social and environmental causes and enabling and encouraging our employees to volunteer. We engage with social and environmental community partners as needed to advance joint programs of mutual interest. In general the expectations raised by community partners relate to the level of our investment and involvement in supporting local communities.

G4-LA6

Injury rate	2009	2010	2011	2012	2013	2014
Total number of injuries	9	16	2	5	5	2
Injury frequency rate	0.205	0.378	0.061	0.192	0.236	0.102

Injury severity rate	2009	2010	2011	2012	2013	2014
Number of lost days due to injury	231	258	78	38	65	23
Injury severity rate	0.116	0.134	0.052	0.032	0.067	0.026

Absenteeism	2012		2013		2014	
	Male	Female	Male	Female	Male	Female
Number of abseentism days	7,850	3,740	6,850	3,250	5,070	2,700
Absenteeism rate (by gender)	0.020	0.032	0.021	0.032	0.016	0.029
Absenteeism rate (all employees)	**0.022**		**0.023**		**0.019**	

Notes:

Injury data is available for Israel only.

Injury rates are calculated on the basis of 100,000 working hours. Safety data excludes road traffic incidents.

G4-LA11

Performance and career development reviews	2012	2013	2014
Percentage of employees	95%	87%	76%

Details of performance reviews in 2014	2014	
	Male	Female
Management	67%	70%
Non-management	77%	80%
Total by gender	**75%**	**79%**

Notes:

Data is for ECI operations in Israel, China and India. Employees in these three countries represent 86% of our total workforce.

Prior to 2014, data was not available by gender and employee category.

G4-EN3

Energy consumption (GJ)	2010	2011	2012	2013	2014	Change from 2013
Gasoline (Scope 1)	84,865	72,019	46,095	35,027	26,148	-25%
Electricity purchased from grid (Scope 2)	94,482	83,478	78,887	50,796	57,107	12%
Total energy consumption	**179,347**	**155,497**	**124,982**	**85,823**	**83,255**	**-3%**

Notes:
This data includes ECI facilities in Israel only.
Data is converted to gigajoules using the GRI Indicators Protocol set guidelines.
ECI does not use heating, cooling and steam.

G4-EN5

Energy intensity (GJ per employee)	2010	2011	2012	2013	2014	Change from 2013
Gasoline (Scope 1)	44.09	48.01	38.87	36.37	29.35	-19%
Electricity purchased from grid (Scope 2)	49.08	55.65	66.52	52.75	64.09	22%
Total energy intensity	**93.17**	**103.66**	**105.38**	**89.12**	**93.44**	**5%**

G4-EN8

Water withdrawal (m3)	2010	2011	2012	2013	2014	Change from 2013
Total water withdrawal	17,506	17,116	16,536	16,194	14,904	-8%
Water withdrawal: m3 per employee	9.09	11.41	13.94	16.82	16.73	-1%

Notes:
This data includes ECI facilities in Israel only.
All water is sourced from municipal water supplies

G4-EN15, G4-EN16, G4-EN17

Greenhouse gas emissions (tons CO2e)	2010	2011	2012	2013	2014	Change from 2013
Scope 1 emissions (Gasoline)	5,691	4,830	3,091	2,349	1,735	-26%
Scope 2 emissions (Electricity)	19,054	16,997	17,235	9,919	10,914	10%
Scope 3 emissions (Business flights)	N/A	1,951	1,081	859	944	10%
Total greenhouse gas emissions	**24,745**	**23,777**	**21,406**	**13,127**	**13,593**	**4%**

Notes:
This data includes ECI facilities in Israel only.
Greenhouse gases included in the calculation of CO2e are CO2, CH4 and N2O.
Scope 1 emission factors use DEFRA 2014 Emission Factors.
Scope 2 emissions factors use IEC emission factors.
Scope 3 emissions use International Civil Aviation Organization emissions factors.

G4-EN18

Greenhouse gas emissions intensity (tons CO2e / employee)	2010	2011	2012	2013	2014	Change from 2013
Scope 1 emissions (Gasoline)	2.96	3.22	2.61	2.44	1.95	-20%
Scope 2 emissions (Electricity)	9.90	11.33	14.53	10.30	12.25	19%
Total greenhouse gas emissions	**12.85**	**14.55**	**17.14**	**12.74**	**14.20**	**11%**

Notes:
This data includes ECI facilities in Israel only.
Greenhouse gases included in the calculation of CO2e are CO2, CH4 and N2O.

G4-EN23

Hazardous and non-hazardous waste in tons	2010	2011	2012	2013	2014	Change from 2013
Recycled	80	76	70	16	25	57%
Landfill	270	166	52	120	109	-9%
Total waste	**350**	**242**	**122**	**135**	**134**	**-1%**

Notes:
This data includes ECI facilities in Israel only.

THANK YOU FOR YOUR INTEREST!

ECI THE ELASTIC NETWORK™