



THE ELASTIC NETWORK

ECI SUSTAINABILITY REPORT 2017

THE FUTURE IS
ELASTIC



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This report has been prepared in accordance with GRI Standards, Core option. Our 2017 GRI Content Index can be downloaded from our website.

ABOUT THIS REPORT

This is ECI's seventh annual Sustainability Report covering the role we play in society as a global business and our impacts on people, communities and the environment. Data in this report relates to the 2017 calendar year with additional coverage of activities in early 2018. Our last report was published in 2017 covering 2016 performance. The scope of information in this report is all global business operations owned by ECI while operational performance data refers to our primary operations in Israel, India and China.

This report is written in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards, Core option, the most recent revision of the GRI reporting framework published in 2016. The selection of content for this report was informed by a materiality process conducted in 2013, reconfirmed by our management in 2017 as reflecting the priority sustainability impacts of our business and stakeholder interests. In the preparation of this report, we have considered additional input from our stakeholders gathered throughout the year in our regular interactions with them.

This report was not verified by an independent third party, as our data monitoring and tracking is robust

and confirmed through internal audits and quality certifications by third parties. In developing the content of this report, external consultants reviewed information provided during visits to our offices, documentation reviews and several management interviews.

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



MESSAGE FROM OUR CEO

I am pleased to introduce ECI's 2017 Sustainability Report. This is our seventh annual report, describing how we make a difference through the work that we do. It is a continuation of our ongoing journey to make a positive impact in society through enabling better, faster and more sustainable connectivity while operating responsibly.

During the past year, we have maintained a fast pace of innovation, being recognized by many industry leaders as offering best-in-class solutions alongside outstanding customer service. For example, we were named a top utility tech vendor in 2017 by CIO Applications. Our suite of cyber security solutions has been acclaimed multiple times, including selection as the best cyber security solution by the Utilities Technology Council. LightPULSE™ was recognized as the best optical test and measurement product with unmatched intelligent wavelength health management at Next Generation Optical Networking (NGON) Europe 2017. These recognitions place us firmly at the cutting edge of innovation in our industry – a testimony to our ability to anticipate and meet customer needs. This is our life-blood and we firmly intend to surprise and delight our customers with our advanced capabilities going forward, helping them achieve sustainable growth in a disruptive market environment.

In terms of innovation, our key efforts are now focused on the next big thing in connectivity. 5G promises to change the way we live our lives, offering unprecedented services and an unparalleled user experience, but 5G goes beyond capacity. It is not just another G, nor is it simply about radio, rather it will change networking as we know it. However, we must remember 5G will still need to operate in conjunction with 4G, and even 3G. It is paramount that network infrastructure be ELASTIC enough to enable the interworking and coexistence of generations. At ECI, we are starting to deliver our response to the challenges of 5G and expect to be a prominent enabler of this technology going forward.

In a dynamic market, we anchor our operations and behavior with our core values and adherence to high standards of ethical conduct throughout our value chain. In 2017, we expanded our workforce, invested more than 45,000 hours in the skill development of our people, achieved further energy and resource efficiencies and contributed to advancing our industry through partnerships, collaborations and technical open-source cooperation. We believe that the only way to survive and thrive long-term is by adopting a sustainable approach in everything we do.

I hope you will find this report interesting. As always, we welcome your feedback.

Darryl Edwards
President and CEO



ABOUT ECI

- ECI is a 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 hundreds of customers, including communications service providers (CSPs), utilities and critical infrastructures, as well as data center operators and cloud service providers worldwide, through an international sales force and local agents in nearly 30 regional sales and service centers. We also maintain a network of partners and channels in over 70 countries.
- Founded in 1961, ECI Telecom Ltd. is a privately-owned company, wholly-owned by ECI Holding

whose shares are held by the Swarth Group, a private equity company.

- We are headquartered in Israel and we maintain R&D centers in China, India and Israel. ECI employs more than 1,600 team members in 30 countries.
- ECI's Board of Directors ensures that strategy, risk management and operational controls are appropriately addressed in our business. The Board is composed of two Directors, both non-executive and non-independent. The Board of Directors maintains a Remuneration Committee, composed of both members of the Board that govern the administration of executive compensation and management of the stock options program within the company.
- Sustainability performance is reported regularly to the Board of Directors and the Board provides guidance on strategy and material focus.

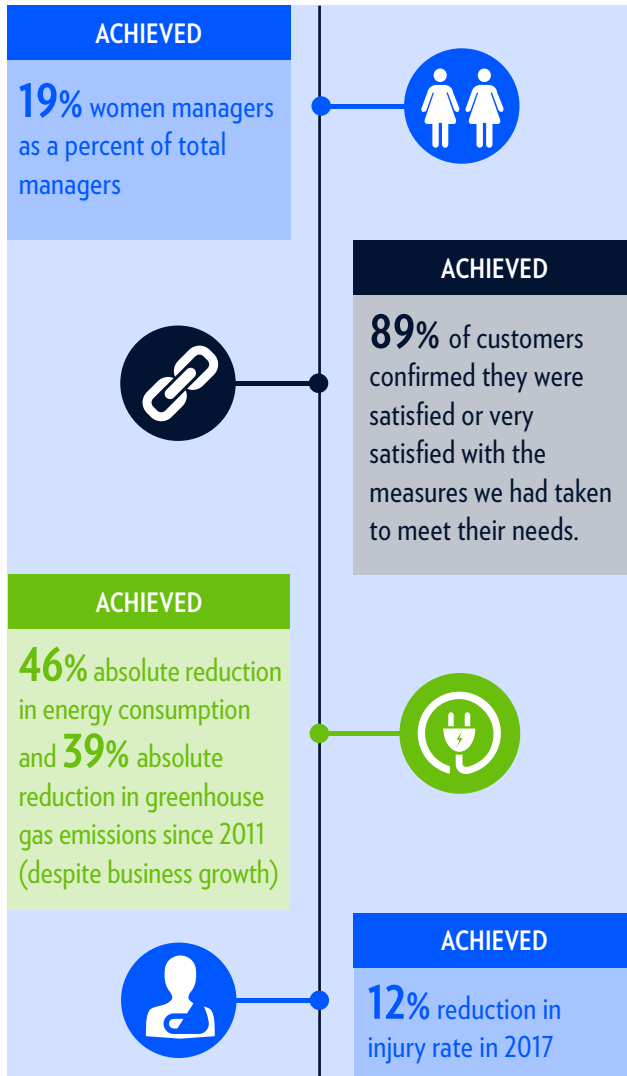
ECI has more than 55 years of experience in delivering connectivity solutions to our customers.

OUR VALUES

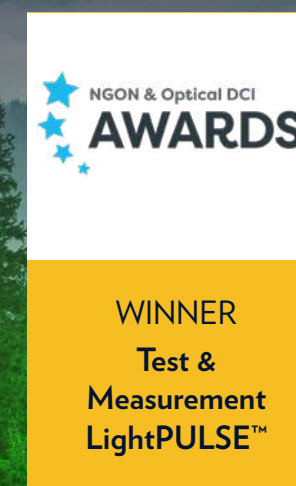
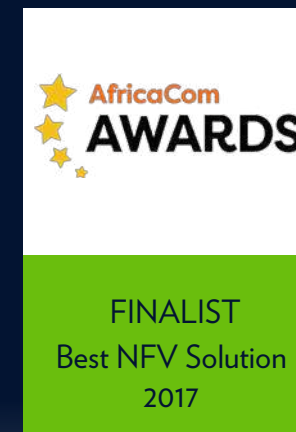
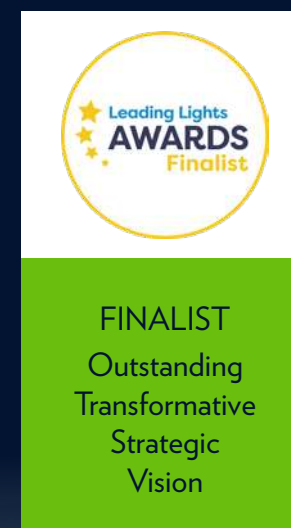
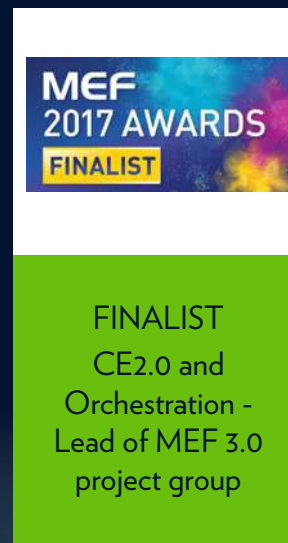
- **RESPECT FOR THE INDIVIDUAL:** We treat one another with respect and dignity, appreciating individual, cultural, and national differences.
- **CUSTOMER-CENTRIC:** We build lasting relationships with our customers by listening, understanding, and anticipating their needs.
- **INNOVATION:** We are open to ideas that challenge convention, seek diversity of views and drive innovation.
- **INTEGRITY:** We are committed to conduct ourselves in a manner consistent with the highest standards of integrity.
- **TEAM SPIRIT:** We cooperate, collaborate, and empower one another in a global effort that translates into exceptional solutions and services.



2017 SUSTAINABILITY HIGHLIGHTS



RECOGNITION FROM THE INDUSTRY – A SELECTION FROM 2017



2017 SUSTAINABILITY DASHBOARD

Notes:

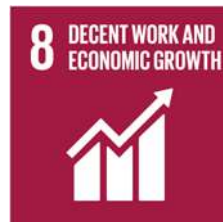
- Environmental data covers Israel, India and China for 2015-2017. Prior to 2015, Israel only.
- Safety data covers Israel, India and China for 2014-2017. Prior to 2014, Israel only.
- For environmental data calculations, see also Environmental Performance section.
- Employee and community data covers Israel, India and China, except for total employees worldwide, which is global.

EMPLOYEES AND COMMUNITY	2011	2012	2013	2014	2015	2016	2017
Employees (worldwide)	2,671	2,062	1,730	1,644	1,669	1,706	1,661
Women employees	22.7%	23.2%	23.4%	22.9%	22.7%	22.6%	23.0%
Women managers	16%	20%	17%	17%	22%	20%	19%
Lost time injury rate	0.059	0.159	0.207	0.062	0.153	0.155	0.137
Lost day rate	0.050	0.027	0.059	0.710	0.398	2.286	1.286
Total training hours	N/A	N/A	N/A	24,500	28,500	40,000	45,500
Average volunteered hours per employee	5.78	8.01	6.68	7.71	5.10	7.34	5.49

ENVIRONMENT AND SUPPLY CHAIN	2011	2012	2013	2014	2015	2016	2017
Energy consumption (GJ)	155,497	124,982	85,823	83,255	75,984	83,867	83,253
Energy consumption per employee (GJ)	100.3	87.7	78.2	88.1	51.0	57.3	54.0
CO ₂ e emissions Scope 1 & 2 (tons)	21,826	19,153	12,268	12,649	11,912	13,105	13,227
CO ₂ e emissions per employee	14.07	13.44	11.18	13.39	8.00	8.96	8.58
CO ₂ e emissions Scope 3 (Israel, flights) (tons)	1,951	1,081	859	944	1,158	1,072	1,021
Water withdrawal (m ³)	17,116	16,536	16,194	17,285	18,100	19,033	20,856
Water withdrawal per employee (m ³)	11.04	11.60	14.76	18.29	12.16	13.01	13.53
Total waste generated (tons)	242	122	135	134	127	135	189
Waste to landfill (tons)	166	52	120	109	100	112	166
Recycled waste (% of total waste)	31%	57%	12%	19%	22%	18%	13%
Supply chain audits of key suppliers	3	10	5	6	5	6	4
EcoVadis Score	N/A	N/A	N/A	Silver	Gold	Gold	Gold

SUSTAINABILITY PRIORITIES

Our material sustainability priorities align primarily with five of the UN's Sustainable Development Goals for 2030. These priorities were developed in 2013, and validated through internal review, monitoring of trends in our industry and ongoing engagement with customers, suppliers and industry associations in our markets. In 2016, we held a round table consultation with external stakeholders representing our customers, suppliers, civil society and academia and in 2017, our management reconfirmed these topics again after an internal review of market trends, peer activity and new stakeholder inputs during the year. Overall, we maintain our focus on 12 priority issues.



Material Sustainability Priorities



ELASTICITY

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



EFFICIENCY

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



EMPLOYEES

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



ETHICS

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

STAKEHOLDER CONSULTATION

We engage with stakeholder groups and individuals with whom ECI has a direct relationship that impacts their quality of life and business and enables ECI's business continuity and growth. We did not engage in specific consultation to prepare this report.

	ENGAGEMENT TYPE	EXPECTATIONS
OWNERS	Board of Directors reviews	Sustainable profitable growth, expanding market presence and innovation
CUSTOMERS	Regular meetings and annual survey	Innovation, outstanding service, product performance and reliability
EMPLOYEES	Internal communications, meetings and annual performance reviews	Job security, fair reward and opportunities to develop
SUPPLIERS	Regular meetings and supplier audits	Fair dealing, involvement in innovation
GOVERNMENT	Participation in industry associations to advance public policy	Uphold the law and contribute to a sustainable economy
COMMUNITIES	Partnerships with local NGOs to advance community wellbeing	Investment and involvement in local communities

ELASTIC SIMPLER

ECI's new ELASTIC Services Platform helps Service Providers manage their networks with greater agility and speed to meet customer demands and generate new revenues. For customers, this supports delivery of new and enhanced services, faster speeds and more exciting services bundles. For consumers, it means being reliably connected wherever you are, accessing digital content any time, from anywhere. It's ELASTIC, it's simpler, it's efficient.

By simplifying service creation, delivery, and lifecycle management for Service Providers, we advance their ability to become digital service providers. With the telecom industry being a critical enabler of a low-carbon world, the transition to inclusive, technology-driven living connects the unconnected, enables sustainable livelihoods, enhances quality of life and advances a climate-smart economy. Improving value across the entire telecom lifecycle, we help our customers overcome some of the industry's greatest challenges with reliability, flexibility and agility.

Our new ELASTIC Services Platform, launched in 2017, offers four differentiating benefits for Service Providers so they can offer a wider range of services, faster, to consumers now, while retaining developments such as Internet of Things, 5G networks and smart cities in their sights.



SIMPLE SERVICE CREATION AND LIFECYCLE MANAGEMENT

With Software - Defined - Network (SDN) connectivity and Network-Function-Virtualization (NFV) for added value services, Service Providers can offer more with less. Consumers get greater reliability from high bandwidth and faster responsiveness (low latency).



EASY MIGRATION AND INTEGRATION

The ELASTIC Services Platform enables a mix n' match of operational infrastructure and software and that integrates harmoniously to meet dynamic needs. Service Providers are not locked in to any single network infrastructure and have the freedom to choose the optimal solution at the right pace for their expansion.



PROACTIVE NETWORK ASSURANCE AND MAINTENANCE

Using the proactive diagnostic and self-correcting capabilities of the ELASTIC Services Platform, Service Providers can speed up the entire operations lifecycle, balancing optimal automation with human intervention when needed. This means consumers benefit from uninterrupted service and networks operate at maximum efficacy.



OPTIMIZATION OF MULTILAYER NETWORK RESOURCES

Seamlessly combining application software and networking hardware, the ELASTIC Services Platform continually optimizes infrastructure, balancing traffic-loads and intelligently aggregating traffic flows. This means consumers continue to benefit from advanced services while Service Providers get the most from their infrastructure investment, delaying the need to add network resources as traffic grows.

The opportunity we provide with our ELASTIC Services Platform links to the need for better, faster and more agile communications infrastructure globally. With such a platform in place, customers can scale their business, and impact on society, in a sustainable manner.

ELASTIC 5G

The 5G world is not simply a continuation of our 4G environment; it's a disruptive change in everything that supports communications infrastructure everywhere, requiring a step change in the way we set up our networks, systems and capacities to exploit its full potential. In order to get the most out of this new possibility, 5G needs to be ELASTIC, and we are here to make sure it is.

In a world powered by 5G, everything works - from Virtual Reality, Augmented Reality, Autonomous Driving through to connected Smart Cities, Disaster Alerts and remote healthcare, in addition to the dramatic enhancement of data uploads and streaming and all forms of digital media enhancements. This fast-paced and fascinating digital environment will become our new normal. It's exciting. At ECI, we are putting in place the building blocks that our customers need to roll out and scale up 5G platforms as soon as they wish. In fact, at ECI, 5G is on everyone's mind.

5G IS THE FIFTH GENERATION OF NEW WIRELESS MOBILE STANDARD OF BROADBAND TECHNOLOGY, REACHING POTENTIAL SPEEDS OF 10,000 MBPS WITH LESS THAN ONE MILLISECOND LATENCY - AN ENTIRELY NEW SCALE OF PERFORMANCE AND SPEED, ENABLING TRANSFORMATION IN THE WAY WE CONNECT, WORK, CONSUME, ENJOY MEDIA AND LIVE OUR LIVES.

"In the coming few years, all networks will be upgraded to 5G and will be able to support the Internet of Things which requires more network power. We will also start seeing services that we cannot support today like self-driving cars and augmented reality offerings. We are starting the transition to 5G with our core platforms, Neptune and Apollo (our packet transport products) as well as other building blocks such as virtualization, SDN, cyber security and more. We are evolving these building blocks, so they can be implemented separately or as an entire suite so that we can provide a unified, coherent solution for 5G. We believe the ability to migrate their current installed based to 5G will be a primary advantage of ECI." **Jimmy Mizrahi, EVP, Portfolio Business**

"Cellular networks have become the number one way to connect people. 5G networks will be even more dominant as they will have greater reach, they will be more accessible and more service-oriented. Becoming a leader in 5G-ready cellular networks is absolutely the right thing for ECI." **Hayim Porat, Chief Technology Officer**

"5G is where our investment is focused. As an organization known for developing flexible solutions to our customers' current and anticipated challenges, we plan to ensure that all our platforms will offer high-performance, cost-efficient 5G-ready options at the earliest opportunity." **Sigal Biran-Nagar, Senior Director of Corporate Marketing**

"Everyone understands that 5G means a clear departure from where we are. The market is still in an exploratory period, considering optimum infrastructure approaches. However, 5G technology will be here faster than we think. Service Providers that have the flexibility to switch to compatible software or upgrade equipment without new investment will be the big winners in the race to 5G. As a supplier of ELASTIC solutions to Service Providers, ECI is strongly positioned to help our customers capitalize on this big opportunity with a relatively limited investment to provide 5G solutions in the market." **Boaz Yardeni, EVP, Head of Global Technology Division**

ELASTIC EXPANDING

Since the introduction of our ELASTIC strategy in 2015, we continue to deliver power-efficient, scalable, flexible solutions to help our customers around the world meet the accelerating demand for bigger and faster connectivity options that transform work and life in our digital world. Our business continues to grow in four key market segments that make broadband possibilities come alive to reach millions of unconnected or slow-connected populations.

SERVICE PROVIDERS

Our packet and optical transport solutions continue to expand around the world. In India, for example, where the market multiplies its own size ten times every year, we are already a dominant provider of network infrastructure to almost all mobile operators. In 2017, we were the first operator to bring 5G ready optical transport to India, enabling sustainable scalability at a pace faster than ever before and enhanced user experience.



MILITARY NETWORKS

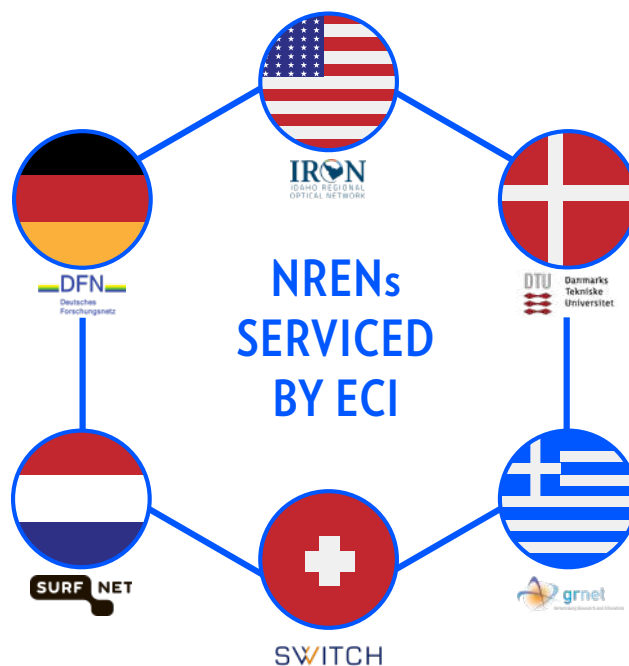
ElasiForce is ECI's solution for military and defense forces. In the last few years this market has been evolving rapidly. The evolution to advanced telecommunication solutions is driving defense forces all over the world to deploy next generation networks.

ECI has a long history of supporting this market with a dedicated team possessing vast experience in military networks and the know-how to develop networks for the military, which are differentiated from the commercial telecommunications market. Over the years we have tailored our solutions, developing features specifically for this sector and, today, ECI has one of the most secured networks which is mission critical for defense forces. In addition to ECI's product lines, we have developed a complete eco-system with a variety of third party systems to provide a complete turnkey solution for customers in this sector.

RESEARCH AND EDUCATION NETWORKS

National Research and Education Networks (NRENs) enable knowledge sharing across multiple users and provide access to knowledge, research, educational tools and research platforms for hundreds of thousands of academics and students. NRENs require the most sophisticated connectivity solutions. That's why ECI has become a dominant provider of advanced capability optical networking

solutions for NRENs in several countries. In 2017, we were selected to support the Danish NREN, in partnership with Ericsson.



"We wanted to move to a next generation network, with advanced capabilities that could easily, quickly and cost effectively be adapted for future requirements. ECI's Apollo solution offered a great fit to our requirements." **NREN Manager Martin Bech, Danish e-Infrastructure Cooperation.**

UTILITIES AND STRATEGIC INDUSTRIES

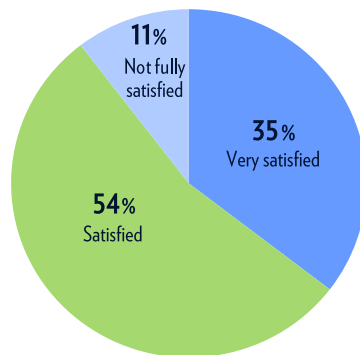
Our comprehensive and reliable network solutions support critical infrastructures around the world.

In 2017, we enhanced our holistic cyber security solution, Muse, for critical infrastructures, unifying multiple cyber security functions to prevent cyber-attacks at the communications point-of-access to any critical infrastructure facility. By consolidating cyber-security functions, Muse makes protection not only more robust, but also cost-and-resource efficient.

ELASTIC CUSTOMER SERVICE

Our laser-sharp focus on customer service is critical to ensure our customers select the right solutions to help them grow their businesses, deploy our products effectively and manage their networks and operations efficiently, making best use of equipment over different generations and managing power consumption optimally. By helping our customers broaden their reach and achieve sustainable growth, we enable millions of end-users to access new possibilities. In addition to more than 30 new customers we welcomed in 2017, we are thrilled that our global customer base confirms our service is world-class.

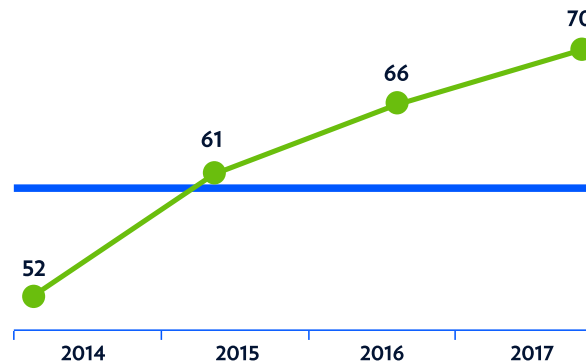
CUSTOMER PULSE SURVEY, 2017



PRODUCT QUALITY

In 2017, we continued to invest in improving our procedures to accelerate the time required for products to reach maturity as measured by the TL9000 Quality Management Standard. Our rolling action plan of quality improvements regularly includes more than 20 distinct actions per quarter – these all add up to big leaps in noticeable quality improvements for our customers every year. In 2017, we met our target of 70% on ECI quality Index based on the TL9000 measurements, achieving quality which is significantly above industry average. Our aim for 2020 is to reach 80%, an unprecedented level of quality at ECI and in our industry.

ECI TL9000 QUALITY INDEX



“Our consistent attention to product quality and customer service means that our customers can rely on ECI to help them maintain reliable operations and count on us when they need us. We typically meet all our Service Level Agreements by at least 95%. This is of course also good for our business. Not only do we satisfy our customers, but also, the cost of quality failures reduced by 14% in 2017.” **Yaal Shain, EVP Customer Operations & Services**

Read our Quality Policy [here](#).

We maintain several quality and corporate responsibility certifications covering all our operations, including:

- ISO 9001
- ISO 14001
- ISO 22301
- ISO 17025
- TL9000
- OHSAS 18001
- ISO 27001
- SI 10000 (based on ISO 26000)

ELASTIC THE RIGHT WAY

Our ELASTIC strategy is supported by a strong ethos of working the right way, in alignment with our core values and the principles of responsible and accountable business. That's why we focus on three priorities related to the way we do business, demonstrating strong performance in each area consistently over several years. In these three areas, our sustainability priorities are shown in the following table:



EFFICIENCY

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



EMPLOYEES

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



ETHICS

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

“Being a responsible business is not a random choice. It’s a conscious effort to deliver business success while positively contributing to the health of society and of our planet. We believe that doing business in the right way leads to improved engagement with our employees, our customers and all our business partners. Reporting transparently on our performance enables all our stakeholders to know that ELASTIC also stands for integrity.” **Eynat Rotfeld, CSR & Employee Experience Manager**

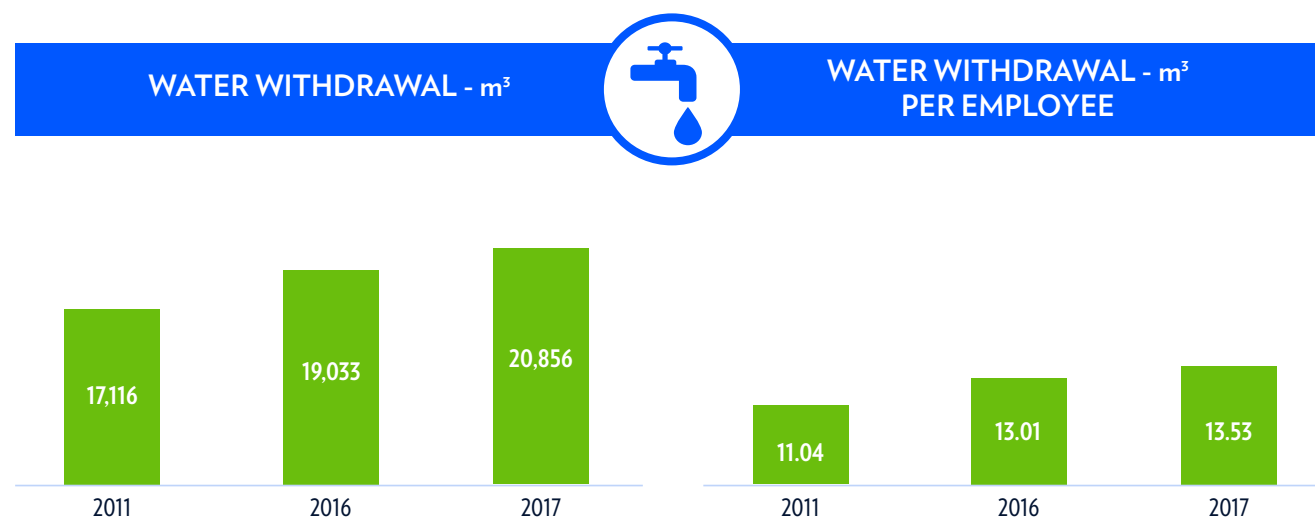
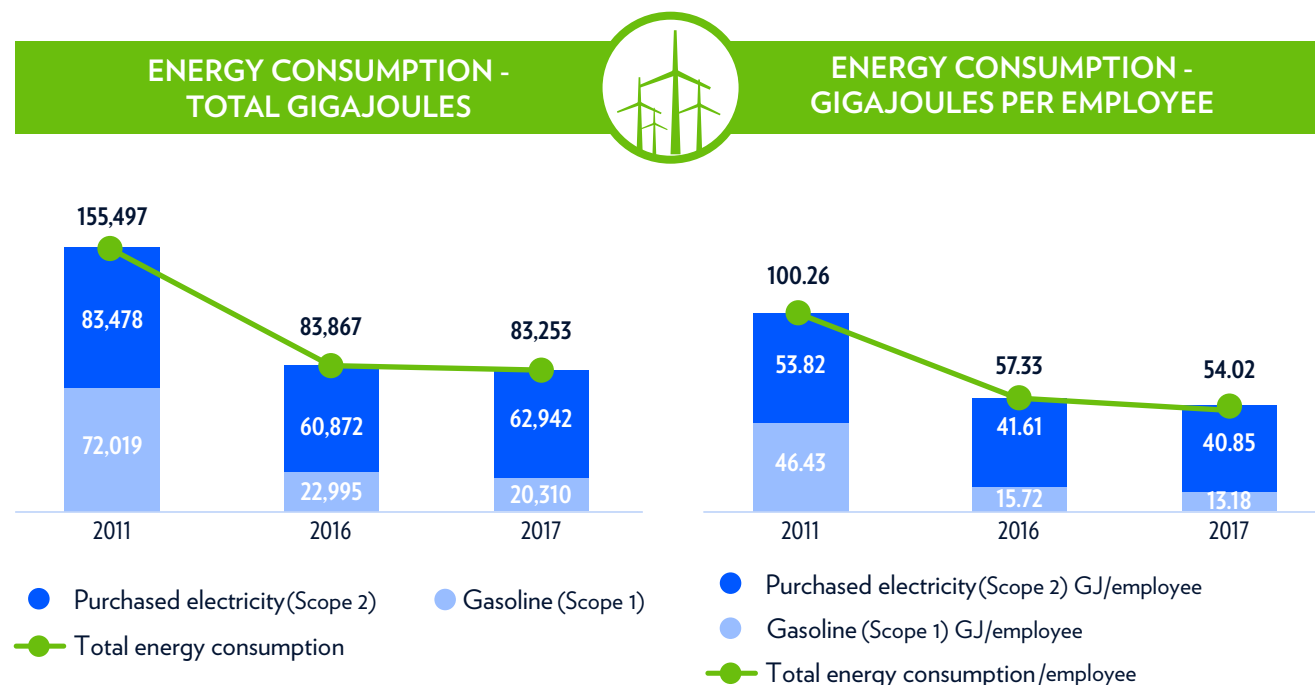
Read our Policy on Socially Responsible Business Practices [here](#).

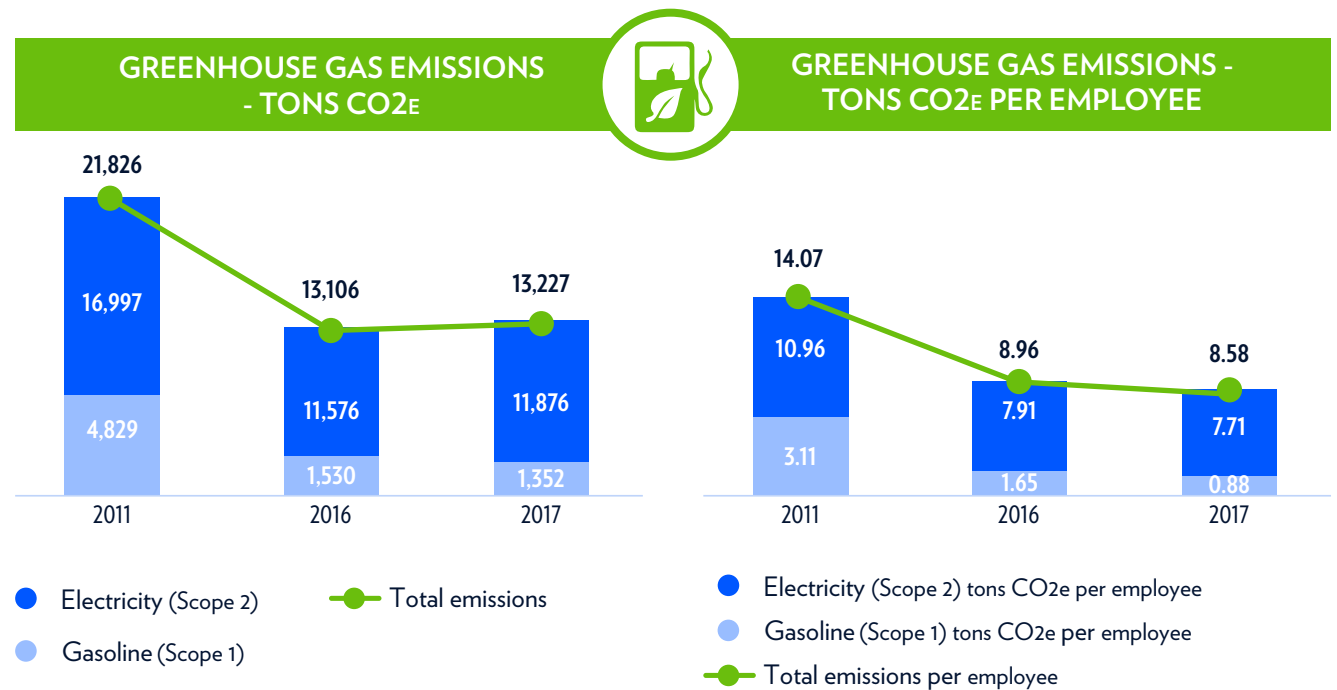
RESOURCE EFFICIENCY FOR A SUSTAINABLE PLANET

We continue to drive environmental efficiencies starting with the design of our products to help our customers achieve lower carbon footprints through to the efficiencies we achieve in our own operations. We believe in a proactive approach to climate-related-risk and perform periodical environmental risk assessments in our manufacturing operations to ensure we are operating on an optimum basis. We have consistently improved our overall performance, reduced the impacts of energy consumption, greenhouse gas emissions and waste each year.

ENVIRONMENTAL PERFORMANCE

Since we began consistently measuring our environmental performance in 2011 we have made significant strides in the reduction of absolute energy consumption and greenhouse gas emissions – 46% reduction in energy and 39% reduction in Scope 1 and 2 over seven years, alongside continuing to grow our operations and adding new locations in India and China. On a per employee basis, we demonstrate ongoing efficiencies in 2017 across our global operation. Our facilities are not water or waste intensive, and over the same period, we have maintained usage rates at relatively low levels.



**Notes:**

CO₂e emissions for electricity use annual Israel Electric Company conversion factors in Israel and IEA factors in China and India. CO₂e emissions for gasoline use DEFRA conversion factors 2015. All data prior to 2015 covers Israel only. Data for 2015 – 2017 includes India, China and Israel.



ENVIRONMENTAL INITIATIVES

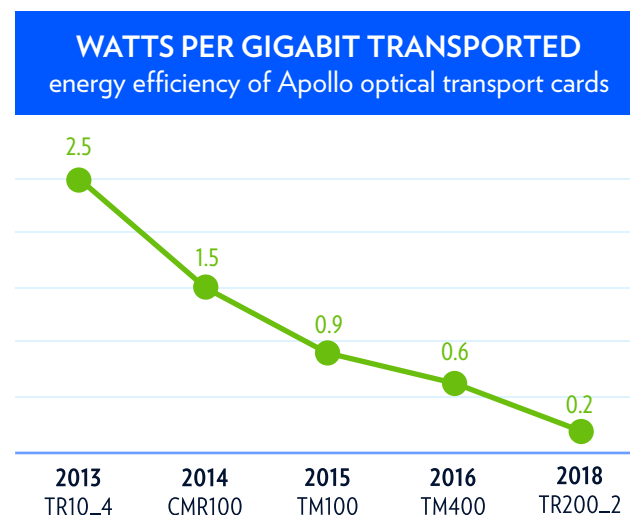
Although we believe we have established a strong efficiency baseline across all our environmental performance metrics, we are always seeking further improvement. For example, in 2017, we decided to pursue efficiency improvements at our 20 research laboratories in Israel, which together represent 5% of operational square footage but 40% of total electricity consumption. We presented the individual energy performance of each laboratory to its laboratory manager each quarter, sharing the results across laboratories to showcase achievements and facilitate sharing of best practice and solutions to common challenges. We supported these efforts by investing in more efficient power supply systems, chillers, lighting and motion sensors in public areas. By the end of 2017, we achieved 10% overall reduction in electricity consumption across all laboratories.

“Energy efficiency is not always about cash investment. It’s as much about culture and motivating employees to change their habits. Our biggest achievement in our laboratories is not only the reduction in energy, saving cost to the business and helping the planet, it’s mainly the change in mindset across an important group of laboratory managers and technicians.” **Max Malka, Facilities & Maintenance Manager**

Read our Environment, Health and Safety Policy on our website [here](#).

IMPROVING THE RESOURCE EFFICIENCY OF OUR PRODUCTS

Over the years, we have continually exploited technology advancements, adding our own expert design skills to drive down the resource requirements at our customer locations in the use-phase of our products. Our TM400 Apollo data transport card is 4 times more energy efficient than similar cards were in 2012, and 10 times more space efficient. In 2018, we will improve efficiency levels even further with the launch of our new TR200-2 card.

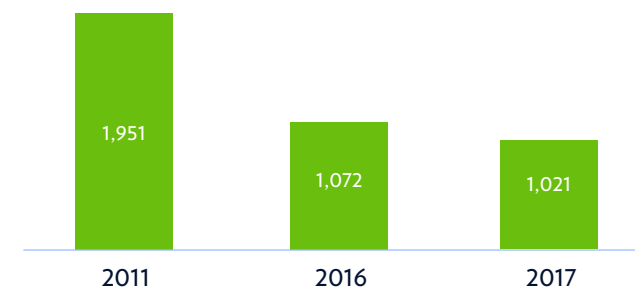


AVOIDING BUSINESS TRAVEL EMISSIONS

We continue to avoid business travel wherever possible, using virtual tools to connect internally and with customers around the world where possible. In 2017, we achieved a further 5% reduction in

greenhouse gas emissions associated with business flights. In 2017, we took just 1,501 flights versus 2,688 flights in 2011.

Scope 3 GHG emissions for business flights (Israel, tons CO₂e)



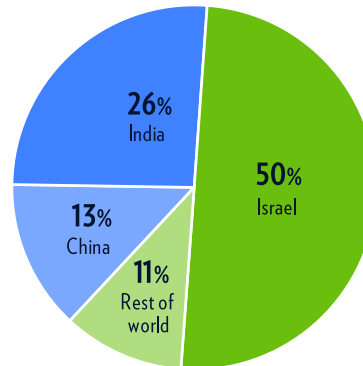
Note: Flights are assumed long-haul and use a factor of 0.000075 tons CO₂e/km

BEING AN EMPLOYER OF CHOICE

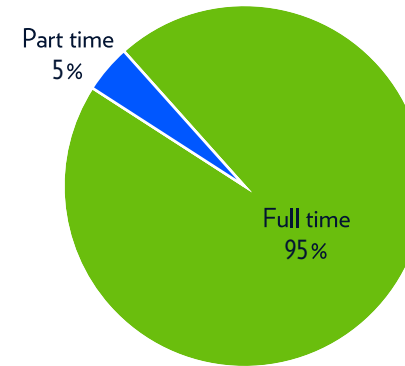
We aim to create a supportive, diverse and flexible workplace where each employee is empowered to contribute at his or her best. We invest in training and development to provide our people with the right skills to do the job. We recognize that supporting social causes is a strong motivator and we encourage our employees to volunteer to support local communities. We believe that a positive workplace drives creativity and innovation and we see the results of our investment in our growing and dynamic business.

OUR EMPLOYEES IN 2017

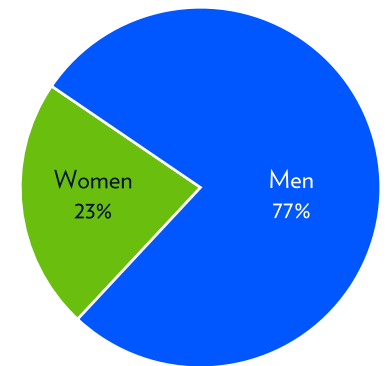
EMPLOYEES BY REGION



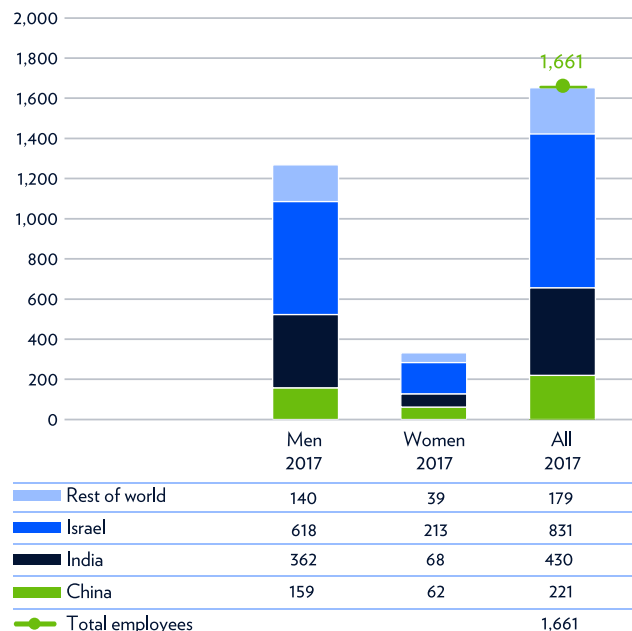
EMPLOYEES BY CONTRACT



EMPLOYEES BY GENDER



EMPLOYEES BY REGION AND GENDER IN 2017

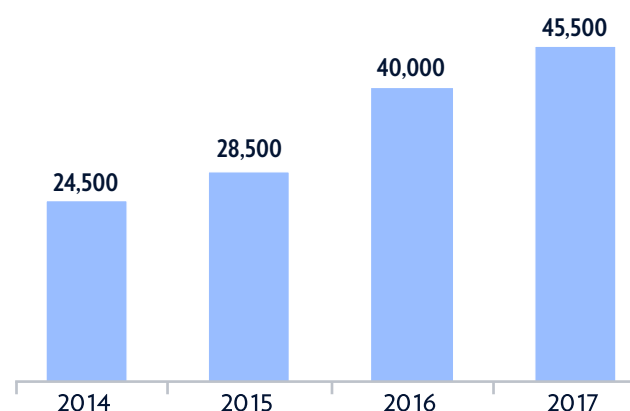


ENGAGING AND DEVELOPING EMPLOYEES

We offer all employees a range of training programs – including an extensive menu of self-directed online learning – that each can complete in line with performance needs and career aspirations. Every year we conduct a comprehensive talent review, identifying employees with potential and ensuring their development program includes opportunities to enhance personal and professional leadership skills. In 2017, 162 managers and specialists participated. This also included supporting 15 selected management

candidates with senior manager - mentors to help them achieve performance and career goals. Proof that our talent development program is delivering results are the 22 managers who were promoted to more senior roles in ECI during 2017 and another 40 who were assigned increased levels of responsibility in their current roles.

TOTAL HOURS SPENT IN TRAINING, 2017, GLOBAL



On average in 2017, participating employees each completed around 45 hours of professional training during the year.

One of our core programs that has helped us transform the organization over the years is the Seven Habits of Highly Effective People from the FranklinCovey organization. All our employees have now participated in the basic program, and we have several trained managers who lead the course

at our locations around the world for all new hires. We maintain Seven Habits peer groups to help individuals keep the habits alive in their daily work and life.

ENHANCING PERFORMANCE MANAGEMENT

Two years ago, with an aim to convert the annual performance appraisal from a box-ticking exercise to a deeper and more meaningful conversation with employees, we moved to a twice-annual performance review, based on a face-to-face conversation to discuss goals, performance, targets and longer-term career aspirations.

92% of employees globally participated in our performance evaluation process in 2017

“After two years of a different process, we believe we have found the right balance. An issue that emerged was that managers found it difficult to provide feedback to poor performers, so we provided them with a new performance improvement tool and trained them in its application. Another positive outcome of the new process was the greater accountability of employees on where they needed to develop rather than letting managers decide for them unilaterally. Overall, we believe this format is contributing to greater openness and improved performance.” **Yael Ashuach-Tryfus, Head of Global Organizational Development.**

ENGAGING EMPLOYEES WITH DIVERSE COMMUNICATION TOOLS

We value ongoing communications to ensure our employees are up to date about what is happening in the business and have the opportunity to ask questions and raise concerns. We run an intensive communications program that includes our internal Yammer portal for all forms of news and information, employee surveys on different events and activities and regular management business updates. Our Town Hall meetings take place each quarter to update employees on business events; the event is streamed live to employee who cannot participate in person (and later made available on demand). In 2017, we started a program of round tables for open discussion with company executives and held seven such meetings to date. In addition, in 2017, we started a series of meetups – lectures on different aspects of the telecommunications industry or ECI's business or products. So far, at the seven meetups in Israel, more than 350 employees have attended.

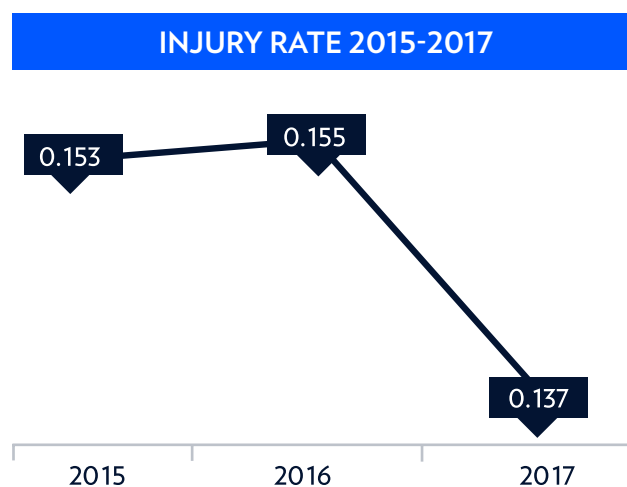
We also operate a call center where employees can raise any personnel or work-related issues – from the quality of the food in the cafeteria to the terms and conditions of employment and anything in between. The call center is used widely and in 2017, it received more than 11,000 queries from employees, who rated the service they received on average with a positive score of 92.5%.

EMPLOYEE RELATIONS

We maintain positive relations with our employees and respect their right to fair representation and collective bargaining. In Israel, we are working collaboratively with employees who requested to form a local union.

SAFETY AT WORK

We maintain a safe workplace, comply with applicable safety regulations covering our operations and assess for safety risks and hazards regularly. Our aim is to maintain and improve our culture of safe working throughout our organization. Our injury rate is very low – running at 2 – 5 injuries per year across our global operations. Mostly they are caused by minor mishaps - slips and falls or falling objects. We are pleased to record zero fatalities year after year, including 2017.



We continue to maintain an active safety education program to ensure our strong record is maintained. For example, we recently launched a new e-learning module that includes safety at work as well as ergonomic advice. Also, to support road safety awareness, we recently provided simulators to help people experience different driving conditions and assess their reactions.

Safety is also important for all visitors to our sites and offices and all contract staff who perform cleaning, catering or security duties at ECI locations. In such cases, we ensure that full safety training is provided by ECI's safety supervisor before they start work. In 2017, we held 9 training sessions for 125 contract employees.

ACCESSIBLE FACILITIES

During 2017, we upgraded our office facilities in Israel to enable full accessibility for employees and visitors with disabilities. At our corporate headquarters in Israel, we installed ramps, handrails on all staircases, braille writing in elevators, adapted restrooms and modified facilities in all public areas in our offices in line with leading standards to ensure accessibility. For employees with hearing disabilities, we provided special equipment to aid hearing and speaking. We also refreshed our company website so that it now complies with Israeli regulation covering people with disabilities.

ENGAGING EMPLOYEES TO SUPPORT OUR COMMUNITIES

We value the communities in which we live and work and encourage our employees to contribute to advancing social causes. We believe that volunteering provides opportunities for employees to gain new skills as well as making a difference in our communities. We maintain several programs that continue year after year, focusing mainly on advancing technology education with young people.

In 2017, our employees in Israel, representing 50% of our operations in terms of workforce, volunteered 4,566 hours in activities in support of our communities. Activities included:

- Coaching school children in our annual program of adopting local primary school pupils who visit our offices weekly. ECI volunteers help pupils with reading and language studies.
- Inspiring youth by giving talks on technology 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, assisting young girls from disadvantaged backgrounds who meet with ECI volunteers who help them prepare for mathematics exams.
- Promoting cyber and computer education through donations and student activities.
- Supporting “5x2”, an initiative led by the Ministry of Education in Israel aimed at doubling the number of students who complete matriculation in Math, Science and Engineering.
- Mentoring CEOs of non-profit organizations by ECI senior managers.
- Helping reduce food waste by volunteering with Israel’s National Foodbank, Leket Israel, harvesting fresh produce for those in need as well as distributing food parcels twice a year for 300 families.
- In 2018, we will begin an additional initiative, encouraging Bedouin youth from a village in the south of Israel to take up technology studies at university. Our research center in the south of Israel will host students and familiarize them with our hi-tech environment.



ETHICAL CONDUCT EVERYWHERE

We aim to conduct our business with the highest integrity and in line with defined standards of ethical conduct. We comply with laws and regulations wherever we do business. We train all our employees, so they are aware of our requirements of ethical conduct in all business transactions and relationships.

Our Code of Ethics, available in 7 languages, is a guide to the standards of ethical behavior and legal compliance that we expect from all employees. Employees are trained in our Code of Ethics when joining the company and confirm their agreement to uphold our standards. We provide in-depth anti-bribery and anti-corruption guidelines for relevant employees including those in roles deemed high-risk. We participate in the fight against corruption through our participation in an anti-corruption forum led by the Manufacturers Association in Israel. During 2017 no suspected breaches of ethical conduct were reported to our Ethics Council, and there were no confirmed incidents of corruption in any part of our business. In 2017, 98% of employees completed a Code of Ethics e-learning module.

UPHOLDING HUMAN RIGHTS

We uphold the principles of human rights in line with the United Nations Universal Declaration of Human

Rights and with our Statement of Commitment to Human Rights, which is available on our website. Both in our core business, and throughout our supply chain, we aim to ensure we are not complicit in any form of human rights violation while positively reinforcing human rights and respect for all individuals as a core corporate value.

DRIVING ETHICAL STANDARDS THROUGHOUT OUR SUPPLY CHAIN

Our supply chain includes a global network of contract manufacturers and 3rd party suppliers. Our products are manufactured by long-term manufacturing partners in Israel, the U.S. and China, affiliates of large companies who maintain corporate responsibility and sustainability programs in their own right. We operate from offices around the world to serve our customers and we maintain several partnerships with reputable resellers who expand our reach to customers in tens of countries. We aim to maintain the highest standards of ethics, efficiency and safety in our supply chain, working closely with strategic supply partners to ensure we optimize all process through the supply chain.

We view our main contract manufacturers as an extension of our own operations, maintaining close relationships based on trust established over several years and respect for high standards of operation. In 2017, we held an event to recognize the strong contribution from our local contract manufacturer, Flextronics.

SUPPLIER CONDUCT



We hold our suppliers accountable for adhering to our Code of Ethics and principles of responsible operation. All major new suppliers complete a questionnaire covering social practices and commit to acting in line with requirements relating to human rights in their operations, including but not limited to prohibiting child labor, forced labor, and discrimination, supporting health and safety, freedom of association and the right to collective bargaining, and working in line with the law in all matters relating to working hours, compensation and employee pay and benefits. In 2017, 100% of our major new suppliers completed this screening. In addition, in 2017, we audited 4 suppliers to assess the quality and reliability of their operations and also their social and environmental practices.



ECI

ABOUT ECI

ECI is a global provider of ELASTIC network solutions to CSPs, utilities as well as data center operators. Along with its long-standing, industry-proven packet-optical transport, ECI offers a variety of SDN/NFV applications, end-to-end network management, a comprehensive cyber security solution, and a range of professional services. 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 – while being flexible enough to evolve with the changing needs of tomorrow. For more information, visit us at www.ecitele.com