

TABLE OF CONTENTS

| Message from our CEO | 3 |
|---------------------------------------|----|
| About ECI | 4 |
| Sustainability Data Summary | 6 |
| Who is Ready for 5G? | 8 |
| Giving Customers an ELASTIC Advantage | 10 |
| ELASTIC Service | 12 |
| ELASTIC for Employees | 13 |
| Sustainable Resource Use | 15 |
| Upholding Ethical Conduct | 16 |

This is ECI's eighth 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 2018 calendar year and other information includes activities in early 2019. Our last report was published in 2018 covering 2017 performance. The scope of information in this report is all global business operations owned by ECI, unless otherwise stated.

This report has been prepared in accordance with GRI Standards, Core option. A full 2018 GRI Content Index accompanying this report can be downloaded from our website.

MESSAGE FROM **OUR CEO**

I am pleased to introduce ECI's 2018 Sustainability Report. This is our eighth 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.

Once again in 2018, we have maintained an aggressive pace of innovation, being recognized by many industry leaders as offering best-in-class solutions alongside outstanding customer service. Our innovation efforts remain focused on supporting our customers around the world as they embrace the transformation that 5G promises for business, people, society and the environment. 5G is the most disruptive change in our industry, enabling transformation of so much of what we do and how we live on an unprecedented scale. At ECI, we are delivering our next generation solutions to meet the challenges - and the opportunities - of 5G and we are establishing ourselves as a prominent enabler of this technology going forward. Built into our solutions are the ELASTIC capabilities that we have become known for - the ability to operate with new technology in conjunction with existing networks, seamless

interactivity and ELASTIC network infrastructure that gives our customers flexibility, agility and resilience. This is the core of our contribution to sustainable development - smart cities, healthcare, education, utilities and critical industries will rely on reliable connectivity and advanced technology capabilities to operate in a low-carbon, circular and inclusive economy.

In all that we do, we aspire to maintain the highest standards of ethical conduct and social and environmental responsibility. Our carbon footprint has consistently reduced for the past decade, and we continue to invest in the skill development of our people and support their career development and professional growth, as well as safety and wellbeing at work. ECI proudly ranks alongside leading companies with high performance scores in sustainability platforms such as EcoVadis and CDP supplier engagement.

Thank you for taking an interest in this report. We welcome your feedback.

Darryl Edwards President and CEO



ABOUT ECI

WE ARE THE ELASTIC NETWORK® **COMPANY**

- ECI is: a privately-owned company, ECI Telecom Ltd., founded in 1961, wholly owned by ECI Holding Group Ltd. whose shares are held by the Swarth Group, a private equity company. ECI is headquartered in Israel and maintains R&D centers in China, India and Israel, ECI employs more than 1,600 team members in 30 countries
- **ECI provides:** ELASTIC networks that scale and operate efficiently using open, secure and vendor agnostic technology. ECI's ELASTIC solutions ensure open, futureproof, 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.
- **ECI serves:** 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.
- ECl's Board of Directors: is responsible to ensure effective strategy, risk management and operational controls. The Board is composed of two Directors, both non-executive and nonindependent. Both Directors are members of the Board's Remuneration Committee that governs the administration of executive compensation and management of stock options. The Board of Directors receives sustainability performance updates and provides guidance on strategy and material focus.

ECI 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.



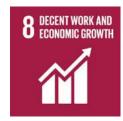
INTEGRITY: We are committed to conduct ourselves in a manner consistent with the highest standards of integrity.



SPIRIT: TEAM cooperate, collaborate, and empower one another in a global effort that translates into exceptional solutions and services.



ECI SUPPORTS THE UN SUSTAINABLE DEVELOPMENT GOALS, WITH SPECIFIC FOCUS ON:











ECI'S KEY PRODUCTS:

ELASTIC SERVICES PLATFORM



Simplifies Service Delivery

The Elastic Services Platform empowers carriers to do more, through simple service creation and lifecycle management,

proactive network assurance, network optimization, and automation. That way SPs can concentrate on what's important to them: launching new services and driving new revenue streams.

APOLLO



Optical Transport with Packet Support

Apollo's family of optical transport and switching platforms interwork seamlessly to provide scalable, high-density and energy-efficient

solutions from access to core. Adaptive 400G transmission and 16T OTN/packet switching, based on a universal fabric, can handle and groom even the heaviest traffic loads.

MUSE



Get the Most Out of Your Network

Muse is a modular suite of applications that lets you get the most out of the network, to create

and turn up new services rapidly, and to ensure the network is optimized, available, and running at peak efficiency. revenue streams.

NEPTUNE



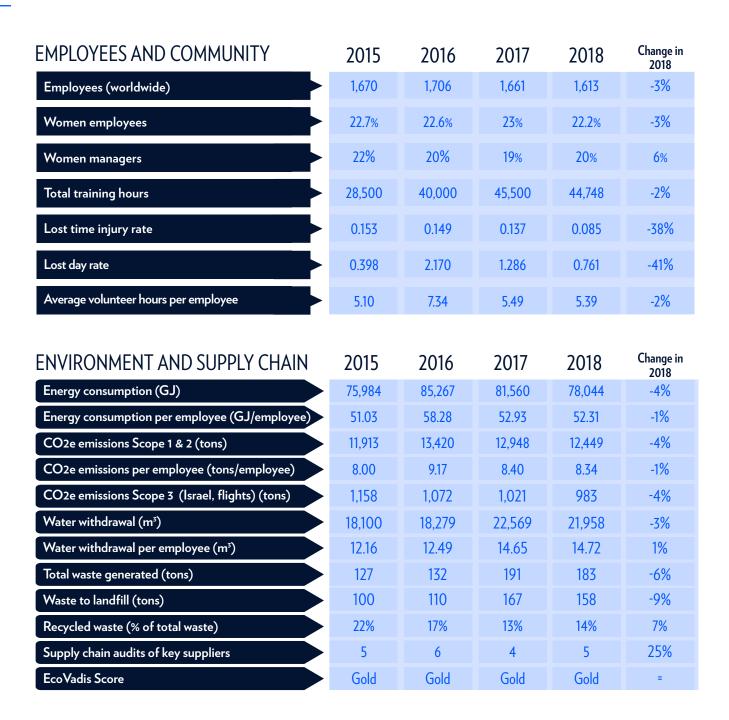
Packet Transport with Integrated Optics

ECI's Neptune product family, with unique Elastic MPLS capabilities, is able to cost-efficiently support diverse service needs on a right-

size platform. These platforms can be grown with inservice expansion units. Embedded NFVi hardware and inherent evolution to SDN enable a more dynamic service delivery.



SUSTAINABILITY DATA SUMMARY



RECOGNITION FROM THE INDUSTRY – A SELECTION FROM 2018

For our full range of awards and recognitions, see: www.ecitele.com/awards-innovation



WINNER
Optical
Subsystems



WINNER
Best Optical
Subsystem



WINNER
MEF 3.0
Implementation



WHO IS READY FOR 5G?

5G has the potential to transform our world across almost every walk of life where technology plays a role, and in today's world, that's pretty much everywhere. The ability to transform lives, bring people together, offer increasingly inclusive connectivity – all the while enabling a low-carbon economy through technology efficiencies – is the power of 5G. We at ECI are ready to help our customers harness 5G using the best of our ELASTIC suite of products and services.

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.

5G is the fifth generation of new wireless mobile standard of broadband technology, reaching potential speeds of minimum 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.



With all the benefits that 5G promises, it also brings significant new challenges for network providers, specifically regarding network optimization and latency issues

in a 5G environment. Bandwidth required by 5G is expected to increase more than 10-fold versus 4G, and new traffic models will be required. Billions of IoT devices will be connected to the networks and more users will connect than ever before.

Moreover, 5G is expected to be the first time in which the number of static devices will exceed the number of mobile users, and the difference will be massive. Current network design cannot

will be massive. Current network design cannot process so many devices and such a range of traffic demands. 5G will require new mechanisms to simplify processes to accommodate such different needs and profiles. A serious re-think of the way networks are designed, architected, managed, and optimized is required.

Supporting our customers in this transition is our primary focus now at ECI. Our current and planned solutions deliver 5G connectivity dynamically, efficiently and reliably – and with minimum disruption to current networks.

NETWORK SLICING FOR 5G BENEFITS

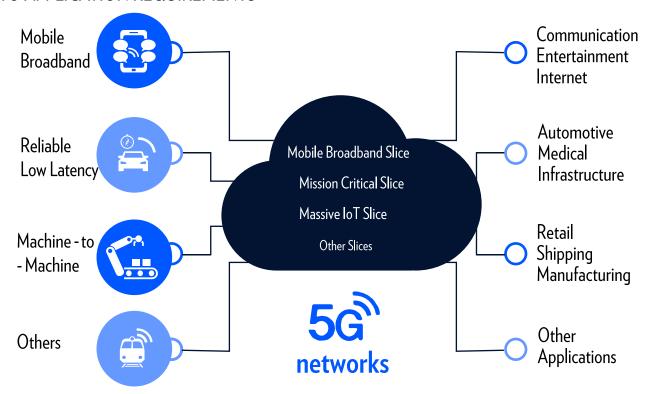
Current 3G and 4G technologies deliver essentially one type of service, broadband data. 5G boosts this to at least three types of services: enhanced broadband, services with ultra-low latency response times, and ultra-high-density communications for the Internet-of-Things (IoT).

Accommodating 5G's multiple service types requires a fundamental change in how we build telecommunications networks. As it is not practical to build a separate network for each service, network engineers are pursuing an approach called **network slicing**. This carves out virtual networks – or slices – from a common physical infrastructure, where each slice has performance characteristics suited to each type of 5G service.

At ECI, we are investing in a broad set technologies that are the building blocks for network slices. Our goal is to provide our customers with the flexibility to create network slices that suit their business goals and the scale up 5G platforms and services in the optimal manner to meet their business capabilities and objectives.

AT ECI, WE ARE READY FOR 5G!

ENABLING SERVICE PROVIDERS TO BUILD VIRTUAL NETWORKS TAILORED TO APPLICATION REQUIREMENTS



"By being at the forefront of enabling a 5G world, at ECI, we believe we will make a strong contribution to helping solve global social challenges that will benefit from the most advanced technology. This includes helping reduce traffic congestion, enabling life-saving remote surgery or meeting other healthcare needs, maintaining critical communications in times of natural disaster, making education universally available, and progressing many more solutions to global social and environmental challenges. Our ELASTIC innovative approach to advancing 5G is a core element of how we contribute to a sustainable society."

Jimmy Mizrahi, EVP, Portfolio Business



GIVING CUSTOMERS AN ELASTIC **ADVANTAGE**

We continue to invest in our ELASTIC, scalable. flexible and environmentally attuned platforms to help our customers around the world meet the accelerating demand for bigger and faster connectivity solutions. Our solutions enable connectivity that transform lives for millions of unconnected or slow-connected populations.

> **HELPING SERVICE PROVIDERS GET AHEAD**

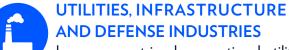
We are expanding our packet and optical transport solutions with Service

Providers around the world as we support network infrastructure development, with a focus on 5G readiness. In 2018, for example, we launched a new solution supporting virtualization of Customer Premises Equipment, deploying cloudbased functionality that can be available to users for 'one-touch' download. Our solution works in open environments, adapting seamlessly to customers' existing networks, avoiding the need for replacement of current installations. Our solution enhances the options Service Providers can offer to their users, helping them stay ahead of the curve.

In 2018-2019, we supported the strategic national growth efforts of the government of Mauritius by implementing a national network backbone using our Apollo and Neptune packet services for the Mauritius Central Electricity Board (CEB). This optical network enables accessible telecom services across the country including voice communications and high connectivity speeds, supported by network health controls, optimum resource utilization and inventory tools that flag capacity constraints before they occur. Such an upgrade in telecom infrastructure helps power the country's economy by enabling e-commerce and finance and improving education systems through e-learning and remote learning capabilities.

"ECI provided a full turnkey solution meeting bid specifications, which has helped expand our network coverage, while supporting the economic development of Mauritius."

Rajeshkumar Babu, CEO, CEB (FiberNet) Co. Ltd.. Mauritius



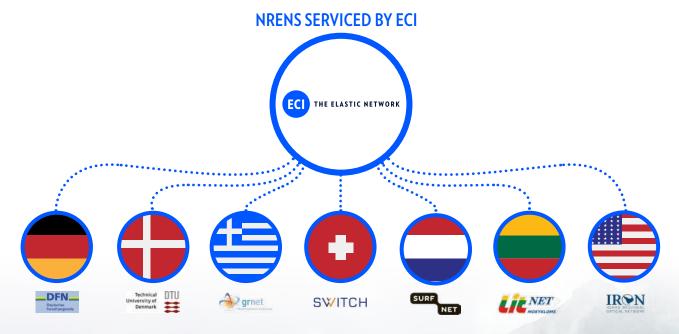
In many countries, large, national utility, critical infrastructure and defense industries are catching up with digital technology. In such complex and sensitive industries, our robust cybersecurity solutions play a critical role in ensuring the integrity of the networks and protection from attack. As these sectors expand to meet the needs of growing populations, these industries must deploy the most advanced technology to cope intelligently with new demand.

In Europe, in 2018, ECI supported a major European railway network by planning the installation of an optical transport platform in a countrywide network. Not only does this comprehensive communications network connect to the organization's existing infrastructure, it also will provide bandwidth services for passengers and other networks in the future. Full deployment is planned to be complete in 2019.

In a similar project, we aided a state police department in Europe to upgrade its communications platform with a high bitrate optical backbone with encrypted links for secure communication between sites, ensuring fast and effective communications throughout the force.

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. ECI has served this sector for several years and is now a leading provider of advanced capability optical networking solutions for NRENs in several countries.



In 2018, ECI was selected by the DFN to upgrade its optical network (X-WiN) to the latest 200G technology. The network plays an important role in connecting universities and research institutions around Germany, also in the areas of High-Performance Computing (HPC) and Cluster Computing. This upgrade allows DFN users to experience a significant improvement in network performance and the new 200G capacity will play an integral part in providing the backbone DFN needs to further research and focus on innovation. Once fully implemented, over 800 X-WiN connected facilities will benefit from the improvements.

"By upgrading to 200G, we're ensuring that DFN will be at the forefront of networking and well prepared for the future. The upgrades are based on new subscriber connections that will help expand the scientific network and make it more efficient. ECI's Apollo platform ensures the DFN can easily meet today's demand, while remaining future-proof and flexible to meet the needs of tomorrow."

Christian Erbe, VP Sales, Europe

ELASTIC SERVICE

ECI continues to differentiate our position as a provider to hundreds of customers around the globe through our dedication to anticipating our customer needs and delivering effective and efficient solutions with first-class attention to detail and outstanding service. We value the trust our customers place in us and, by helping them achieve sustainable growth, we enable millions of end-users to access new technologies and enjoy more connectivity options. Our ELASTIC service is uniquely tailored to help our customers remain agile and resilient.

POSITIVE FEEDBACK FROM OUR CUSTOMERS

In 2018, we again held our biannual global Customer Experience Survey, reaching our largest customers and hundreds of respondents via face-to-face, indepth interviews and an online questionnaire. The 2018 survey showed a continued improvement over our last survey. Today, 4 out of every 5 customers report their satisfaction as Excellent/Very Good. Customer satisfaction and loyalty as measured by the survey, exceed industry norms.

89% of our top tier customers describe their overall experience with ECI was excellent/very good

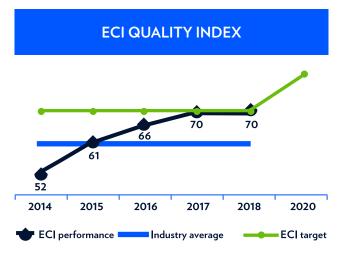
84% of our top tier customers confirmed that product quality is excellent/very good

QUALITY IMPROVEMENTS

We work tirelessly to improve the quality of our service so that customers receive what they need in full, in the right quality, at the right time. We have consistently improved our already high, onquality delivery performance since 2015.



We also continued to improve 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 dozens of actions per quarter, driving overall quality improvements year on year. In 2017, we met our ECI TL9000 Quality Index target of 70%, achieving quality which is significantly above industry average. Our aim for 2020 is to reach 80%, an unprecedented level of quality in our industry.



In addition to achieving service and quality improvements, we are also improving the environmental profile of our deliveries through greater consolidation of shipments, increased direct deliveries and reduced storage and trucking distances.

Read our Quality Policy here.

ELASTIC FOR EMPLOYEES

We aim to provide an ELASTIC workplace where employees can feel encouraged, enabled, empowered and valued. Our priorities include:



Engaging and developing employees

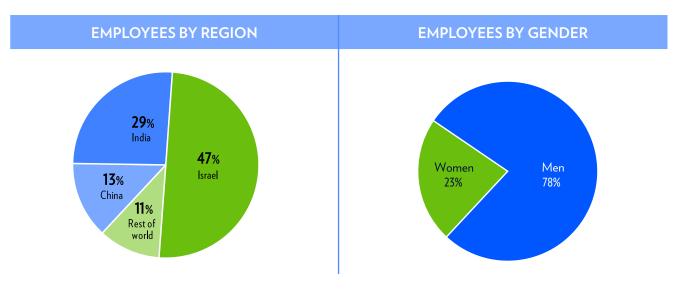


Employee health, safety and wellbeing



Engaging employees to support our communities

OUR 2018 WORKFORCE PROFILE



INVESTING IN EMPLOYEE DEVELOPMENT

Wherever our employees are based, and whatever their role, we invest in their personal and professional development so that our customers can receive the best service and our employees, the opportunity to realize their potential. In 2018, we expanded our "ECIGROW" learning platform that includes three core elements: "IGROW" - instructor led courses, workshops, lectures and meetups; "ECI Learning Zone" - a one-stop-shop for learning about the ECI business and products, and other online learning platforms, such as Udemy.com for business, where employees benefit from an annual subscription that enables them to learn when and where they wish. In 2018, more than 500 employees completed at least one online program.

All learning is supported by annual learning plans and goals, tailored to personal and professional needs, as well as by targeted programs such as Management Development and Expert Development programs (for R&D specialists). All employees follow Personal Development Plans which are reviewed and revised annually.

On average in 2018, participating employees each completed around 30 hours of professional training during the year – more than 44,700 training hours in total.

In 2018, we created a new onboarding welcome kit for new employees. The kit contains all relevant information about ECl's organization, business, products and human resources processes. The welcome kit is sent to each new employee via a mobile phone link, ensuring direct and immediate access so that new employees feel at home from day one.



ENGAGING EMPLOYEES THROUGH INTERACTIVE COMMUNICATIONS

In 2018, we launched our ECI Yammer platform, called "ECI4US". This is the first global, multi-direction, interactive, digital communication platform that gives access to all employees, enabling them to have their say on any topic, and engage on matters that are important to them. With access via computer or mobile phone, ECI4US is a truly universal platform, bringing our entire workforce together as one global team. The name, ECI4US, was selected by users in the Yammer launch competition.

Within its first year, ECI employees created andengaged with 157 different Yammer groups.

"Yammer creates a dialogue that we didn't have before. It's open and unrestricted. Our CEO and senior managers comment on issues raised by employees or ask their own questions. The engagement in the first year of Yammer has been exceptional – it's bringing people closer, providing new opportunities for employees to receive recognition for their work and enabling a richer debate about different aspects of our products and service or organizational processes."

Adi Bildner, Vice President, Human Resources

MAINTAINING 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 injury rate remains minimal with no more than 5 minor injuries per year across our global operations over the past 5 years (3 in 2018). We continue to maintain a robust Safety Management System and ongoing training and communications so that this positive safety record will continue.

ENGAGING EMPLOYEES TO SUPPORT OUR COMMUNITIES

We encourage our employees to contribute to advancing social causes. We believe that volunteering provides opportunities for employees to gain new skills and makes a meaningful difference in our communities. We maintain several

programs that continue year after year, focusing mainly on advancing technology education for youth. These activities include:



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 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.



Assisting young girls from disadvantaged backgrounds, with ECI volunteers helping them prepare for mathematics exams.



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 nonprofits by ECI senior managers.



Supporting holocaust survivors with visits by ECI employees to provide conversation and companionship.

In 2018, our employees volunteered 4,058 hours in activities in support of our communities.

SUSTAINABLE RESOURCE USE

As part of our ongoing commitment to mitigating the effects of climate change and working towards a prosperous future on our shared planet, we continue to drive sustainable resource use with a focus on three primary impact areas:



Improving the resource efficiency of our products, to help our customers achieve lower carbon footprints



Reducing our energy consumption, through continuous improvement in equipment upgrades, lighting retrofits and operational efficiencies



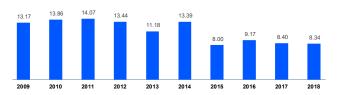
Reducing waste and increasing recycling throughout our operations

We believe in a proactive approach to climate-related-risk and perform periodical environmental risk assessments to determine opportunities for improvement. We have consistently reduced the impacts of energy consumption, greenhouse gas emissions and waste each year over the past decade. For example, our resource efficiency efforts have yielded a 37% reduction in emissions per employee since 2009 (53% on an absolute basis).

GREENHOUSE GAS EMISSIONS IN GJ PER EMPLOYEE (SCOPE 1+2)*



IMPROVING THE RESOURCE EFFICIENCY OF OUR PRODUCTS

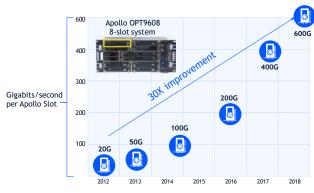


Note: 2009-2014 includes values for Israel only. 2015 – 2018 includes Israel, India and China.



In 2018, 24% of ECI's car fleet in Israel were hybrids, delivering an 18% reduction in fuel consumption and 17% reduction in greenhouse gas emissions versus 2017.

In 2018, we continued our efficiency initiative to reduce electricity consumption at our research and service laboratories in Israel, which together represent 40% of local electricity usage. Based on initial work in 2017, in 2018, we started a pilot program enabling full shutdown of the laboratories during night hours, with remote activation of specific equipment as necessary. This initiative saves 60% of the laboratory electricity consumption without compromising laboratory functionality. We plan to extend this program to additional laboratories in 2019, adapting the power controls to the specific needs of each laboratory.



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 TR200-2 card, launched in 2018, is 20 times more space efficient and 10 more energy efficient than similar cards were in 2012. In 2019, we will improve efficiency levels even further with the launch of our new TM1200 card.

UPHOLDING ETHICAL CONDUCT

We aim to comply with laws and regulations wherever we do business. In addition, we aspire to conduct our business with the highest levels of integrity and ethical conduct, both because this protects our business from risk and because it is the right thing to do. Our focus is threefold:



Maintaining integrity and ethical conduct



Upholding human rights



Driving ethical standards throughout our supply chain

MAINTAINING INTEGRITY AND **ETHICAL CONDUCT**

Our Code of Ethics 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 re-confirm their agreement to uphold our standards periodically. 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 membership of an anti-corruption forum led by the Manufacturers Association in Israel. During 2018, 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.

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. Throughout our business and supply chain, we aim to ensure we are not complicit in any form of human rights violation.

DRIVING ETHICAL STANDARDS THROUGHOUT **OUR SUPPLY CHAIN**

Our supply chain includes a global network of contract manufacturers and third-party suppliers. Our products are manufactured by long-term manufacturing partners in Israel, the U.S. and China, affiliates of large companies who maintain sustainability programs in their own right. We operate from offices around the world to serve our customers, partnering 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 hold our suppliers accountable for adhering to our Code of Ethics. All major new suppliers complete a questionnaire covering social practices and commit to acting in line with socially responsible standards. In 2018, we screened 100% of new suppliers for social risk and audited 5 suppliers to assess the quality and reliability of their operations including social and environmental practices.

In 2018, a major customer commissioned EcoVadis to perform an audit at our longterm contractor, Flextronics. The audit covered environment, safety and social topics. Flextronics achieved an overall perfect A rating, demonstrating our shared commitment to ethical standards.

ECI disclosed supplier performance to the CDP Supplier Engagement platform, achieving a B score in 2018, above the industry and regional supplier engagement CDP rating.

Read our Policy on Socially Responsible Business Practices here.

