

GROW MORE WITH LESS

PRECISION IRRIGATION FOR AGRICULTURE SUSTAINABLE PRODUCTIVITY

Sustainability Report 2011

www.netafim.com



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IRRIGATE THE CROPS, NOT THE SOIL



Growing more with less means targeting water resources for irrigation to the exact point where the crops need them, at the time they need them, wasting not a single precious drop. This is why we call drip irrigation “precision agriculture”. Every milliliter of water is targeted with great precision to deliver more crops with less water. Time and time again. This is how Netafim brings technology which enables farmers to grow more, higher quality crops while minimizing the burden on the Earth’s natural land and water resources.

We thank you for your interest in the Netafim Sustainability Report for the year 2011. We would be delighted to receive your feedback to help us improve our reporting in future years. We commit to responding to all questions, queries and feedback.

This report is designed for online viewing. We have not printed hard copies.

PLEASE WRITE TO:

Naty Barak
Chief Sustainability Officer
Netafim Ltd

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SUSTAINABLE PRODUCTIVITY IS OUR BUSINESS



I believe there cannot be many companies around today who can truly confirm that their core business offering is one which makes a major contribution to the sustainability of the planet. This is why, for me, it is a privilege and honor to lead the growing business of Netafim, which has spearheaded the transformation of sustainable agricultural productivity to deliver far higher yield per hectare and better quality for the world's agricultural crops, while using fewer resources. This means much less water, fewer chemicals, lower energy consumption and significantly less manpower. When we say "Grow More with Less", at Netafim, we mean it.

The world continues to face tough challenges economically, socially and environmentally. Water scarcity is one of the most pressing issues. Water is the most basic need of humans, animals and all plant life. It is the single universally relevant natural resource that enables and sustains life (along, perhaps, with the sun). Adequate supply of clean water is vital for people to maintain healthy and productive lives. And yet, in our modern world, more than 2 billion people do not have a regular supply of water. In many cases, we use our water resources wastefully. Water infrastructures are inadequate to supply the many remote locations that rely on agriculture for their survival. In many cases, remote villagers must travel many kilometers to fetch water on foot from the nearest source. Netafim drip irrigation systems can enable a high degree of water savings. By applying drip irrigation techniques, from the most simple to the most advanced, from the smallest local farmer to the largest agricultural growers

in the world, Netafim provides solutions which enable delivery of higher yields with much, much less water.

There is light at the end of the tunnel. Netafim's operations are expanding globally and we now reach over 120 countries and over 2.5 billion meters of dripperlines per year. We operate 14 manufacturing plants in 10 countries and serve close to 50,000 customers globally. We enable farmers to achieve between 40% and 60% water savings or more, while producing more and higher quality yields. More water equals more food.

But that's not all that Netafim does. We take a lead in advocating for better water practices and in defining policy through our involvement in the Working Group of the United Nations Global Compact LEAD program and our commitment to the CEO Water Mandate. We have developed relationships with major food and beverage corporations which drive good farming methods down their agricultural food chain. We run our own operations with environmental consciousness as well as being a socially conscious corporate citizen. We support the proposal that water is a basic human right.

We are committed to sustainability and to operating sustainably. We hope you will take the time to discover how we demonstrate this commitment. We welcome your comments and feedback. Thank you.

Igal Aisenberg
President and CEO



PART ONE

GROWING NETAFIM

In Part One of this Sustainability Report, we introduce you to Netafim, as we would like you to know who we are, where we came from, what motivates us and how we articulate our vision for sustainability. We explain how we are organized and how we address the fundamentals of running our business sustainably, based on a bedrock of good governance, risk management, and ethical business practices.

In this Part of the Report, we also describe our relationships with our stakeholders and the issues we assess as being most important to them and to the long term success of our business.

Finally, we demonstrate the acknowledgement of our stakeholders by listing the awards and recognition that we have received from different stakeholders around the globe.

NETAFIM COMPANY PROFILE

THE NETAFIM PROMISE

Our promise is as simple as it is ambitious – to enable our customers to grow more with less.

As the global leader in smart drip and micro-irrigation solutions for a sustainable future, Netafim helps the world grow more with less. This means achieving better quality crops and higher yields in a cost-efficient manner, while using fewer of the world's limited resources – water, land and energy.

From day one, we have been committed to achieving realistic, long-lasting and sustainable results across the globe. We view each challenge through the eyes of our customers, which gives us a better understanding of the opportunities and risks at hand. Delivering state-of-the-art technology, international agronomic expertise and capacity-building training, our teams are dedicated to helping our customers achieve their goals of sustainable productivity.

NETAFIM TODAY

Netafim is headquartered in Tel Aviv, Israel and operates from 14 plants in 10 countries, and 27 subsidiaries and representative offices in over 110 countries, employing over 2,900 people. In 2011, Netafim's total sales were over US\$ 800 million (US\$ 604 million in 2010). Worldwide, Netafim manufactured over 2.5 billion meters of irrigation dripperlines in 2011.

Netafim's products provide diverse and comprehensive solutions for cost-effective irrigation for agriculture and other applications. In addition to irrigation products, Netafim offers customers comprehensive support solutions from planning to harvest, and a full program of training and educational programs in agro-technical applications and sustainable productivity.



NETAFIM'S PRODUCT LINES

AGRICULTURE

Netafim offers drip irrigation solutions for a broad range of crops grown in all kinds of conditions. Netafim's specialized teams accompany farmers and growers right from the planning phase through crop management and harvest, providing solutions for agro-technical challenges and opportunities. Netafim collaborates with major international agricultural research institutions to develop drip irrigation solutions for new crops or to address new challenges.

LANDSCAPE

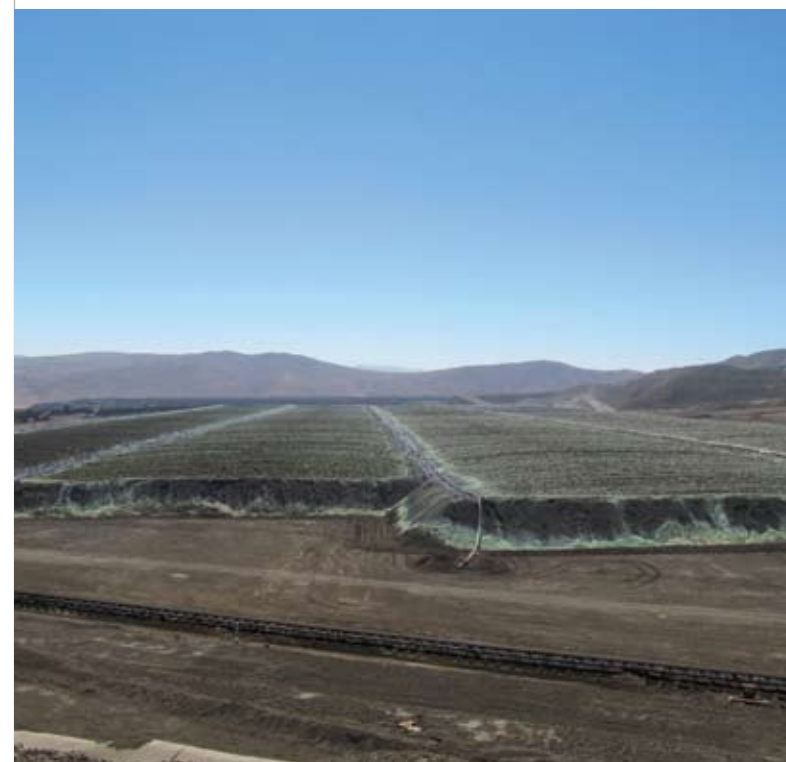
Netafim's drip irrigation products embody advanced water management practices and technologies for enhanced landscape irrigation. Such solutions provide real environmental benefits of water conservation and recycling in addition to offering improvements in city planning and residential landscapes.

MINING

Netafim's drip irrigation solutions for the extractive industries provide benefits of uniform coverage, minimal clogging and optimal functionality for metals recovery in leaching processes for mining applications.

GREENHOUSES

Netafim's greenhouse specialists offer comprehensive solutions, from planning and greenhouse construction to after-sale agronomic support. Netafim offers a broad range of greenhouses and growing structures, ranging from net-house farms for warm regions to the most advanced glass greenhouses for cold regions.



NETAFIM'S COMMITMENT TO SUSTAINABILITY



THE UNITED NATIONS GLOBAL COMPACT

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. Netafim has been a member of the Global Compact since 2008 and is committed to upholding these ten principles of responsible business.



For more about the UN Global Compact, see:
www.unglobalcompact.org

THE CEO WATER MANDATE

In 2008, Netafim also endorsed the UN CEO Water Mandate - a unique public-private initiative of the UN Global Compact, designed to assist companies in the development, implementation and disclosure of water sustainability policies and practices. The CEO Water Mandate recognizes that the business sector, through the production of goods and services, impacts water resources – both directly and through supply chains. By endorsing the CEO Water Mandate, Netafim committed to making water-resources management a priority, and to working with governments, UN agencies, non-governmental organizations, and other stakeholders to address the global water challenge.



For more about the CEO Water Mandate, see:
www.unglobalcompact.org/Issues/Environment/CEO_Water_Mandate

UN GLOBAL COMPACT'S LEAD PROGRAM

In 2011, Netafim was one of the first companies to be invited to join the UN Global Compact's LEAD program. The LEAD program is comprised of companies that have a history of engagement with the UN Global Compact and have committed to working towards implementing the UN Global Compact's Blueprint for Sustainability Leadership and participating in global initiatives.

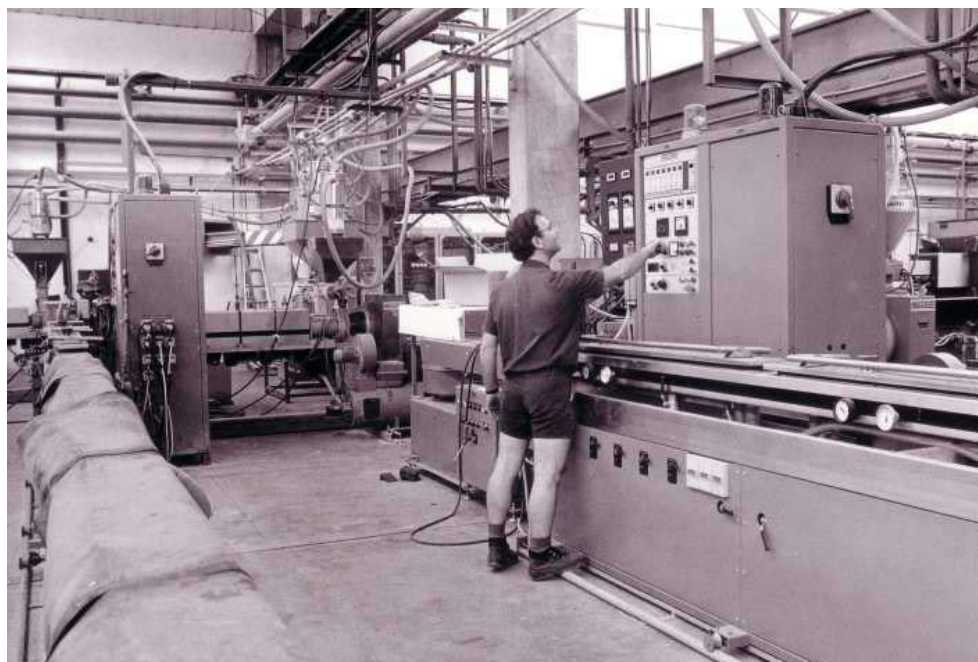
For more about the LEAD program, see: www.unglobalcompact.org/HowToParticipate/Lead/index.html

THE INTERNATIONAL FEDERATION OF ORGANIC AGRICULTURE MOVEMENTS

In 2003, Netafim joined IFOAM, The International Federation of Organic Agriculture Movements, in order to better serve farmers who are committed to organic agriculture.

For more about IFOAM, see:
<http://www.ifoam.org>

NETAFIM HISTORY



OUR PAST IS THE KEY TO OUR FUTURE

In times gone by, farmers in desert environments would use porous clay pots buried near the roots of trees to provide water for irrigation. Water would seep slowly through the clay and remain close to the base of the tree, rather than flowing away without reaching the tree roots. These farmers would have probably been pleased to know that their clay pots were the primitive precursor of what we know today as precision irrigation.

Simcha Blass, an Israeli water engineer, who led major water infrastructure developments in Israel and the Jordan Valley, is today regarded as the inventor of the modern drip irrigation system. The story goes that, in the early 1930s, while visiting a friend, Simcha saw a line of trees, of which one, he noticed, was exceptionally large. The reason for this was that a leaking pipe was creating an underground bulb-shaped moist area, reaching the tree's roots but barely visible on the surface. Using his vast experience of water systems, Simcha created a system using long spaghetti shaped pipes sticking out of the lateral at preset distances, reducing water pressure through friction and dripping into the ground.

Thus was born the first modern-day drip-irrigation system.

Simcha Blass sought a partner to further develop and commercialize his invention and, in 1965, concluded an agreement with Kibbutz Hatzerim, founded in 1946 in Israel's Negev Desert by a group of young pioneers. Working together to improve the technology and scale manufacturing facilities, the world's first dripper systems commenced production in 1966.

Netafim's drip irrigation solutions rapidly spread worldwide, intent on further improving the applicability and efficacy of drip systems, Netafim worked with another Israeli inventor, Rafi Mehudar, who created the next generation of sophisticated drippers to be manufactured by Netafim, offering significant advantage and maintaining uniform flow rate regardless of water quality and pressure.

Success also brought expansion and partnerships. Two additional Kibbutz enterprises joined Hatzerim's Netafim Company to supplement resources for Netafim. Kibbutz Magal came on board in 1974 and Kibbutz Yiftach in 1979. Subsequently, in 2005, investors also bought a minority shareholding in Netafim. In 2011, private equity firm Permira acquired a 61 percent shareholding in Netafim Ltd, adding a boost of capital which will further enable sustainable growth and expansion.

Sustainability underscores our past, present and future. Originating in a part of the world where water resources are scarce, Netafim continues to be dedicated to conservation and sustainable productivity.

NETAFIM TIMELINE

1959 Simcha Blass experiments with drip systems, develops and patents it. This would become the first practical surface drip irrigation emitter.

1965 Netafim is established in Kibbutz Hatzerim by Simcha Blass and Hatzerim, and begins manufacturing of the first line of drippers, the Inline Laminar Dripper.

LATE 1960s Netafim drip irrigation starts to be adopted all over the world.

1974 Netafim Magal is established as a separate entity, with its own manufacturing plant.

1976 A major breakthrough: Netafim introduces the next generation of sophisticated drippers, invented by Rafi Mehudar. These drippers adapt to the variations of inlet pressure and clean themselves automatically, maintaining uniform flow rate regardless of water quality and pressure.

1979 Netafim Yiftach is established as a separate entity, with its own manufacturing plant.

1981 Netafim establishes Netafim Irrigation Inc. in the U.S., the first Netafim subsidiary outside Israel.

1982 Netafim introduces the Ram Integral Compensated Dripper line, which quickly becomes a great success.

LATE 1980s Netafim introduces the thin wall integral dripper line, a low cost solution for industrial field crops such as sugar cane.

EARLY 1990s Netafim introduces a new generation of drippers for soil-less greenhouse growing, and existing field drippers were further upgraded by addition of runoff prevention and anti-siphon features.

1996 Netafim develops the online compensated PCJ Dripper, specially developed for greenhouses.

1997 An Indian subsidiary of Netafim is established - Netafim Irrigation India Private Limited.

1998 Netafim introduces the non-compensated Arrow Dripper mainly used for greenhouses and nurseries, which distributes the flow rate among 2 to 4 irrigation points using a manifold distributor.

LATE 1990s A new patent for Netafim, Turbonet, enables the use of water from alternative sources such as sewers and reservoirs, enhancing water conservation for drip irrigation.

1999 The three Netafim kibbutz entities are merged into a single agricultural cooperative society, Netafim Ltd, owned jointly by Hatzerim (54.5%), Magal (32.8%) and Yiftach (12.7%).

2003 Netafim launches a new generation of drippers, Dripnet PC, for precise and even irrigation and fertigation in field crops, vegetables and sugar cane.

2005 Markstone and Tene funds invest in Netafim with a share capital of 20%.

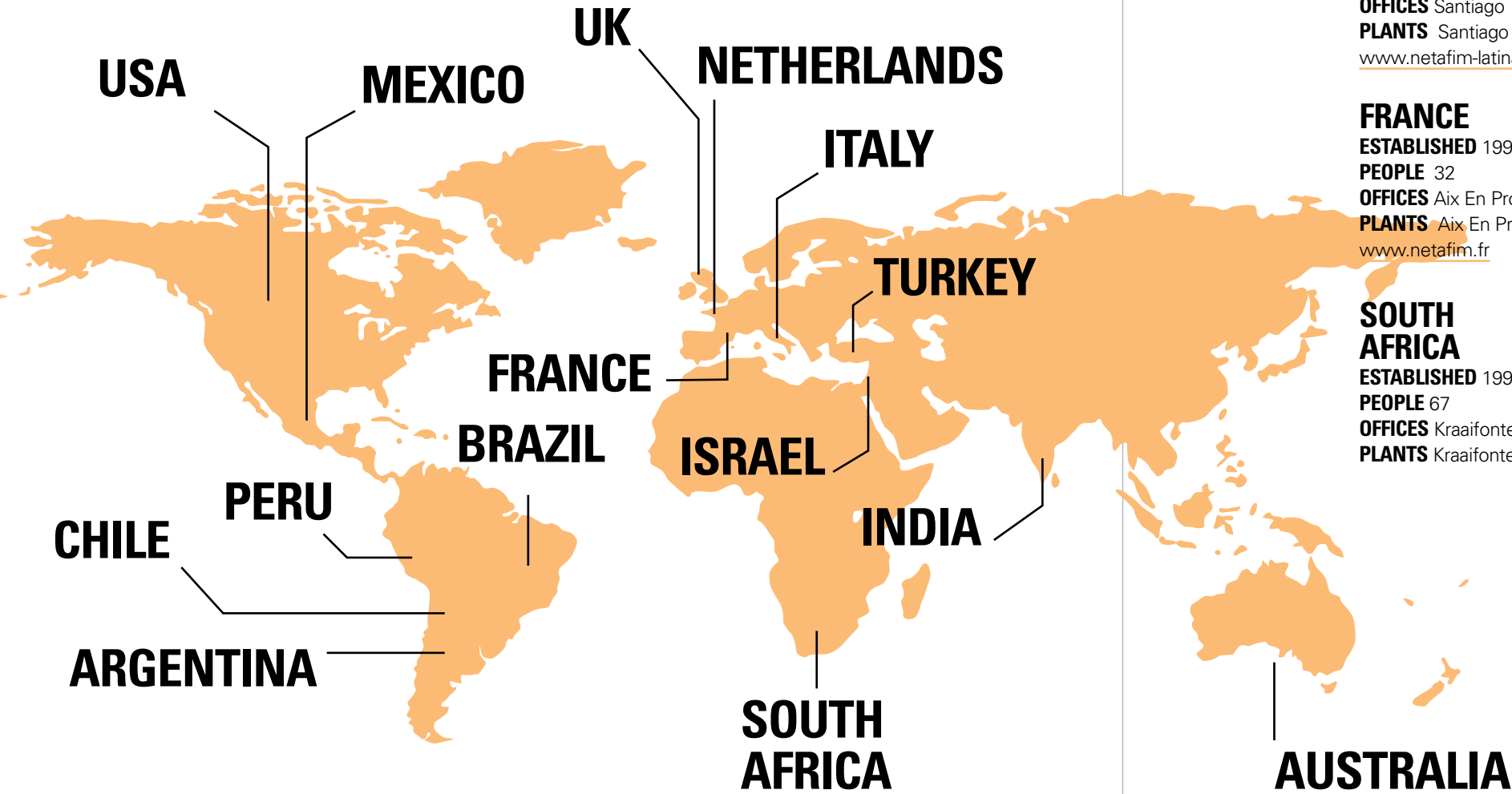
2008 Netafim confirms participation in the United Nations Global Compact, one of the first Israeli companies to do so.

2009 Igal Aisenberg is appointed President and CEO of Netafim Ltd.

2010 Netafim joins the UN Global Compact LEAD initiative.

2011 In December 2011, Permira, the European private equity firm announces that the Permira funds and certain co-investors have successfully completed the acquisition of 61 percent of Netafim Ltd from the Kibbutzim Hatzerim, Yiftach and Magal and Israeli funds Markstone and Tene. Kibbutz Hatzerim remains a shareholder with a 33 percent holding while Kibbutz Magal also retains a minority stake.

NETAFIM OPERATIONS AROUND THE WORLD



ISRAEL
ESTABLISHED 1965
PEOPLE 855
OFFICES Corporate Hq: Tel Aviv
PLANTS Hatzerim, Magal, Yiftach
www.netafim.co.il

AUSTRALIA
ESTABLISHED 1993
PEOPLE 107
OFFICES Melbourne, Mildura, Perth
PLANTS Melbourne
www.netafim.com.au

CHILE
ESTABLISHED 2005
PEOPLE 50
OFFICES Santiago
PLANTS Santiago
www.netafim-latinamerica.com

FRANCE
ESTABLISHED 1990
PEOPLE 32
OFFICES Aix En Provence
PLANTS Aix En Provence
www.netafim.fr

SOUTH AFRICA
ESTABLISHED 1992
PEOPLE 67
OFFICES Kraaifontein
PLANTS Kraaifontein

ARGENTINA
ESTABLISHED 1999
PEOPLE 23
OFFICES Buenos Aires
www.netafim-latinamerica.com

BRAZIL
ESTABLISHED 1996
PEOPLE 99
OFFICES Ribeirão Preto
PLANTS Ribeirão Preto
www.netafim.com.br

PERU
ESTABLISHED 2007
PEOPLE 85
OFFICES TRUJILLO
www.netafim-latinamerica.com

INDIA
ESTABLISHED 1997
PEOPLE 907
OFFICES 13 offices
PLANTS Baroda (2), Chennai
www.netafimindia.com

REVAHO NETHERLANDS
ACQUIRED 2007
PEOPLE 16
OFFICES Maasdijk
www.revaho.nl

MEXICO
ESTABLISHED 1994
PEOPLE 138
OFFICES Mexico City
PLANTS Reynosa
www.netafim-latinamerica.com

USA
ESTABLISHED 1981
PEOPLE 184
OFFICES Fresno, Ca
PLANTS Fresno, Ca
www.netafimusa.com

REVAHO UK
ACQUIRED 2007
PEOPLE 14
OFFICES Lancashire
www.revaho.co.uk

ITALY
ESTABLISHED 1989
PEOPLE 34
OFFICES Genova
PLANTS Genova
www.netafim.it

TURKEY
ESTABLISHED 1996
PEOPLE 62
PLANTS ADANA

NETAFIM VISION AND VALUES



VISION

Netafim will fully leverage the potential of drip and micro-irrigation to efficiently utilize the world's most precious resources – arable land, water and energy – to ensure global food security and environmental preservation.

MISSION

1. Successfully tackle the daily irrigation requirement challenges at each worldwide site.
2. Anticipate the ambitions, goals and needs of current and potential clients, and provide a creative and competitive solution.
3. Provide clients with uncompromising comprehensive and reliable solutions and services, enabling them to derive maximum yield and profit from their crops

VALUES

MAINTAINING "NETAFIM'S SPIRIT"

Notwithstanding today's mega-corporate competitiveness, along with expansion of our international activity and strengthening of our global position, Netafim continues to maintain a unique spirit of mutual cooperation, dedication, loyalty and support vis-à-vis our employees and clients.

KNOWLEDGE SHARING

We share with our clients all over the world the knowledge accumulated over many decades as well as the experience, expertise and our unique innovation breakthroughs. Our familiarity with a variety of cultures and growing methods, along with our presence in numerous countries, create an optimal infrastructure for continuous growing and development, which will enable us to share our knowledge with agronomists around the globe.

COMMITMENT TO QUALITY

Netafim is committed to the highest standards of performance, efficiency and quality, as well as to uncompromising service and dedication to our clients. The consistency in following these principles is key to our long-term success.

CONSTANT LEARNING

Creativity, curiosity, desire for knowledge, and openness to new ideas enable us to change and improve the irrigation market. We implement a "learning organization" culture in order to transform hundreds of new ideas into practical solutions. This is expressed in our continuous training programs and professional courses for employees, and in our willingness to acquire knowledge from clients, suppliers and colleagues.

COMMITMENT TO PROTECTING THE ENVIRONMENT AND THE QUALITY OF LIFE

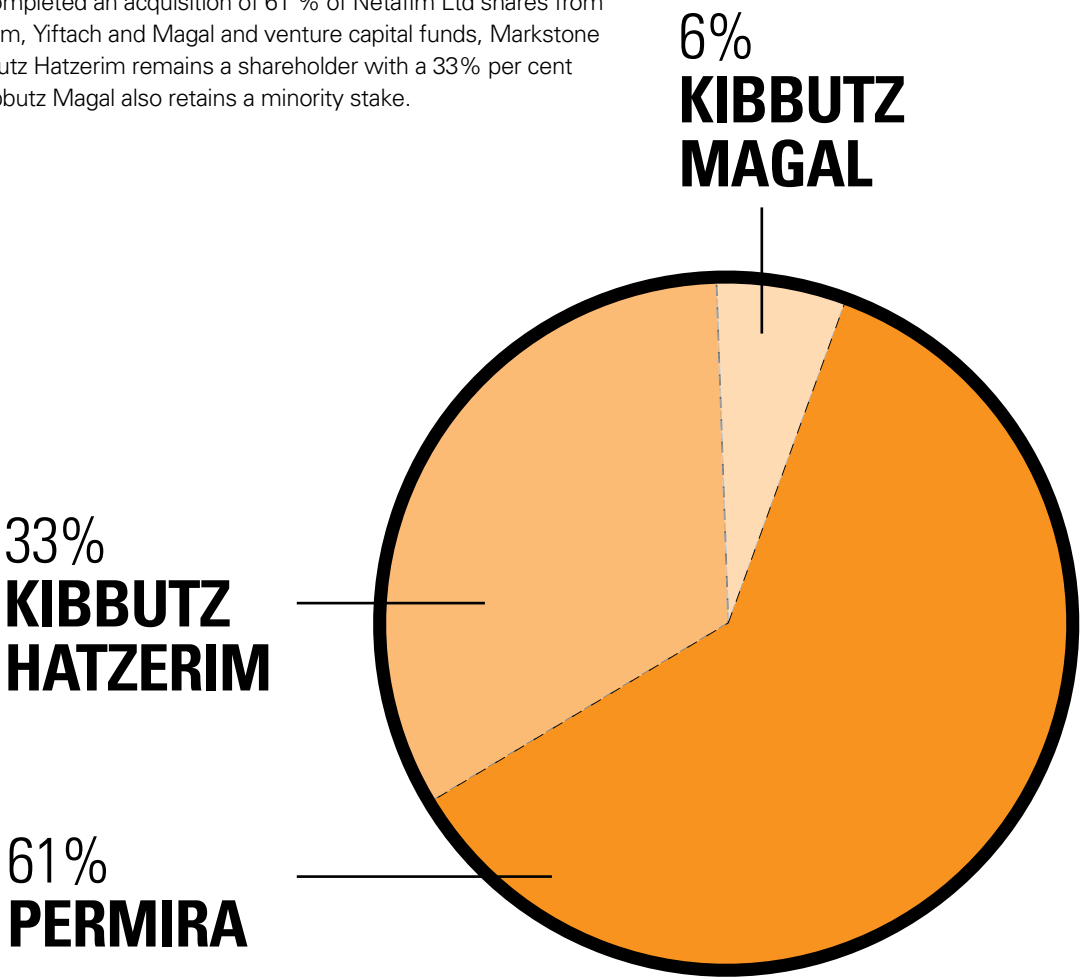
We are committed to developing water-saving methods and systems. We are fully-fledged partners in promoting and increasing global food production for hungry populations. We are an inseparable and integral part of worldwide efforts to protect the environment.

GOVERNANCE AND RISK MANAGEMENT

Netafim Ltd is a private company, registered in Israel with headquarters located in Tel Aviv.

NETAFIM OWNERSHIP

In recent years, Netafim continued to be owned by the three founding Kibbutz organizations, Hatzerim, Magal and Yiftach, who maintained a controlling stake in the company, with investment companies owning a minority stake. In December 2011, Permira, a European private equity fund, successfully completed an acquisition of 61 % of Netafim Ltd shares from Kibbutz Hatzerim, Yiftach and Magal and venture capital funds, Markstone and Tene. Kibbutz Hatzerim remains a shareholder with a 33% per cent holding and Kibbutz Magal also retains a minority stake.



NETAFIM GLOBAL STRUCTURE

Netafim Ltd. maintains its global presence through a network of over 30 subsidiaries, of which the vast majority is wholly owned by Netafim Ltd.



AFRICA

- NETAFIM SOUTH AFRICA
- NETAFIM DRIP MANUFACTURERS
- VEGTECH 2000 LTD.

EUROPE

- NETAFIM UKRAINE
- NETAFIM B.V NETHERLANDS
- NETAFIM COOPERATIE U.A NETHERLANDS
- HORTIFIM B.V
- NETAFIM FRANCE S.A.S
- NETAFIM ITALIA S.R.L
- NETAFIM DEUTSCHLAND
- NETAFIM GROUP B.V
- NETAFIM TURKEY
- NETAFIM UKRAINE LLC.
- HORTIFIM CIS RUSSIA
- NETAFIM HELLAS GREECE

ISRAEL

- NETAFIM LTD.
- A.E.M.S
- NETAG

AMERICA

- NETAFIM IRRIGATION INC.
- PHX RECYCLING
- BUYING HOUSE
- NETAFIM BRAZIL
- NETAFIM ARGENTINA
- NETAFIM CHILE
- NETAFIM MANUFACTURING MEXICO
- NETAFIM MEXICO
- NETAFIM ECUADOR
- RIEGOSISTEMAS CHILE
- NETAFIM COLOMBIA
- NETAFIM PERU

APAC

- NETAFIM AUSTRALIA
- NETAFIM (BEIJING) AGRICULTURAL TECH LTD.
- NETAFIM HOLDING LTD. THAILAND
- NETAFIM JAPAN
- NYMH GROUP SINGAPORE
- NETAFIM SINGAPORE HOLDING
- NETAFIM THAILAND LTD.
- NETAFIM INDIA
- NETAFIM AGRICULTURAL FINANCING AGENCY PTE. LTD.

GOVERNANCE AT NETAFIM

BOARD OF DIRECTORS

The highest governing body at Netafim is the Board of Directors which was comprised, until December 2011, of 11 members. Following the change in Netafim ownership, the Board of Directors was restructured and, at the time of publication of this Sustainability Report, is comprised of 9 members, 5 of which were appointed by Permira and 4 appointed by Hatzerim. All Board Members are non-executive, and independent (non-shareholding). However, some of the Company Directors appointed by Hatzerim may be deemed as indirect shareholders in Netafim due to the unique character of the kibbutz organization of legal framework governing mutual ownership of assets.

This is not considered to present a conflict of interest and the long-term success of Netafim Ltd is a shared objective for all. All Directors comply with Israeli legislation with regard to conflict of interest of Board Members. None of the Company Directors are employed by Netafim Ltd in any executive capacity.

The current Chairman of the Board of Directors is Mr. Rudolf Weber. Mr. Weber brings over 30 years of industry experience. Prior to joining Netafim, Mr. Weber spent almost 15 years as CEO at Hoval-Group, Sauter AG and Kaba AG,

all Switzerland-based industrial groups with international business operations. Mr. Weber is mandated as a Member of the Supervisory Board at Elma AG, Enics AG and Vitrasshop AG. Mr. Weber, born in Zurich, Switzerland, replaces Israel Makov, who stepped down as Chairman following the change in company ownership.

There are currently no female members of the Board of Directors. The development of the Board to include greater diversity has been noted and will be considered in the future.

APPOINTMENT AND COMPENSATION OF DIRECTORS

Netafim's Directors are appointed by the Company's shareholders based on their proven credible contribution and professional standing, skills and experience. With the exception of the Chairman of the Board of Directors and the Chairman of the Audit and Finance Committee, who are compensated using a remuneration framework which includes an annual retainer, Company Directors are not compensated for the services they render to the Company. All Company Directors are entitled to expense reimbursement of travel and accommodation for Company purposes. There is therefore no specific link between Director compensation and business performance.

BOARD COMMITTEES

Since March 2012, the Netafim Board of Directors has maintained one committee – the Audit and Finance Committee, whose main responsibilities are to: oversee and monitor the financial reporting system and accounting policies and practices; review the Company's quarterly financial statements with the Company's auditors; approve changes in accounting policies and practices; recommend external auditors and review their performance, ensure their independence, and if necessary, recommend their replacement; investigate irregularities in the manner in which the business of the Company is conducted;

review internal financial controls, and make recommendations to the Board with respect to corporate governance.

Until March 2012, the Netafim Board of Directors maintained four committees: Audit Committee, Finance Committee, Strategy Committee and a Special Affairs Committee. A brief description of these committees' responsibilities and frequency of meetings is set out in the table below.

The Board maintains a mechanism for tracking execution of all Board decisions. This also applies to the Board Committees.

Committee	Purpose of Committee	Number of Members	Number of Meetings	
			2010	2011
Audit Committee	To ensure processes for financial control and determine remuneration of corporate officers.	5	5	4
Finance Committee	To ensure integrity of financial reporting and recommend approval of Company reports.	9	12	7
Strategy Committee	To ensure alignment of the Company's plans for growth and development with strategic objectives.	7	2	2
Special Affairs Committee	To oversee matters relating to shareholder rights.	4	1	0

RECOMMENDATIONS TO THE BOARD

Processes for shareholders to make recommendations to the Board of Directors, in the case of Netafim, are direct, as all shareholders are represented on the Board. Employees may route requests or feedback to the President and CEO of Netafim.

BOARD INVOLVEMENT IN SUSTAINABILITY

Netafim's core business is inherently sustainability focused, supporting sustainable agriculture through drip irrigation. Therefore, all reviews of business activities at Board level are of necessity connected to the Company's sustainability performance.

ETHICS

Netafim strives to do business in a fair and ethical manner, observing a strict Code of Business Conduct in all global operations. The Code of Business Conduct rests on a strong platform of business values and legal compliance and applies to all Netafim employees and directors without exception in relation to all activities whether internally with colleagues, or externally with customers, suppliers, partners, shareholders and all other Netafim stakeholders.

Netafim first established a Code of Business Conduct in 2006 and the Code was updated in March 2012, after a further review and Board decision, following a three-year process which involved consultation with Netafim companies worldwide. The process included open debate on the content of the code, in which representatives from subsidiaries provided feedback and offered suggestions to make the Code a truer reflection of the way Netafim conducts its business. Netafim's Ethics Officer, with responsibility for ensuring adherence to the Code of Business Conduct is Netafim's Chief Sustainability Officer who reports directly to the President and CEO of the Company.

Netafim's Code of Business Conduct encompasses a commitment to integrity and provides guidelines for ethical behavior, defines the responsibilities of employees and managers in safeguarding Company assets, sets expectations for ethical interactions with external contacts, compliance with the law, mutual respect, responsibility for the community and the environment, and reporting ethical breaches.

EMBEDDING THE CODE OF BUSINESS CONDUCT AND A CULTURE OF ETHICS

During 2012, Netafim plans to communicate the updated Code of Business Conduct to all employees and engage them in actively upholding the Code. A comprehensive training and discussion pack has been developed, including presentation of company-relevant ethical dilemmas that will be delivered by company Human Resources Managers and Business Managers in all Netafim subsidiaries. All Netafim employees will be asked to sign the Code of Business Conduct as confirmation of their agreement to the new principles and all new hires will sign the Code as part of their employment contract and receive training during their first months of employment. The Code of Business Conduct is available in three languages (Hebrew, English and Spanish).

The Code will be available on Netafim's intranet portal. In addition, wall posters presenting ethical dilemmas will be posted in all Netafim offices around the world to raise awareness about ethical issues employees may face in the course of their daily work.

NETAFIM'S WHISTLEBLOWER POLICY

Within Netafim's Code of Business Conduct is a strict requirement of all employees to report suspected breaches of the Code's provisions. Such reports are directed to the Netafim General Counsel via mail, email or internal intranet portal. All submissions are thoroughly investigated and appropriate action is taken and subsequently reported to Netafim's Board of Directors. The Company takes care to ensure there are no reprisals against employees which report alleged breaches of the Code of Business Conduct. No significant incidents were reported in 2011.

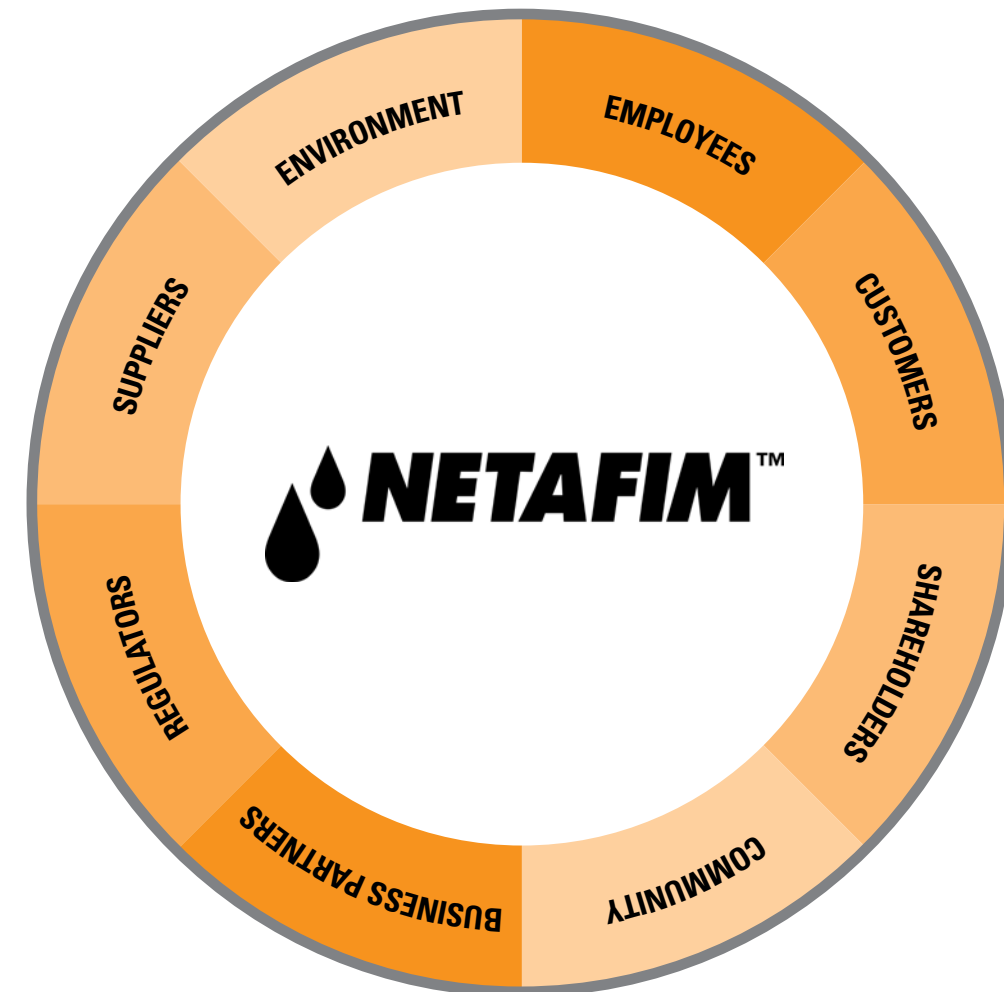
To read Netafim's Code of Business Conduct, please see Netafim's website:
www.netafim.com/business-conduct-policies



KNOWING AND LISTENING TO OUR STAKEHOLDERS



Just as the philosophy of the Kibbutz movement, from which Netafim was born, grew out of community spirit and dialogue, so Netafim has continued to approach stakeholder relations from a standpoint of open discussion and honest relationships based on lasting values of trust and mutual understanding. Netafim maintains relationships with stakeholders in a way which informs Netafim's sustainable business strategy.



Stakeholder Group	Dialogue Processes	Key Concerns and Aspirations which inform Netafim Strategy
Customers	Customers – farmers, growers, irrigation managers – are at the heart of Netafim's business, as Netafim solutions are tailored to meet the needs of each customer. Through a global network of Netafim licensed dealers and resellers, Netafim ensures that customers receive the maximum attention. Netafim's customer meetings, conferences, workshops, training and education programs and field trials ensure ongoing productive dialogue.	<ul style="list-style-type: none"> • Water conservation • Reduced use of fertilizers and pesticides • Quality and yield of crops • Cost-effective solutions • Replacement and recycling of dripperlines • Service quality • Innovative solutions for commodity crops • Opportunities to experience new product development and innovation
Employees	Netafim employees around the world have opportunities to engage in dialogue, raise ideas and contribute to Netafim's sustainability efforts through global meetings, department meetings, performance discussions and online internal communications.	<ul style="list-style-type: none"> • Professional development opportunities • Performance feedback • Safe and healthy workplace • Fair compensation and benefits • Making a positive contribution to society and environment
Suppliers	Netafim suppliers support Netafim's overall product offering through the supply of raw materials and finished products. Opportunities for dialogue are at frequent supplier meetings with key suppliers. Netafim and its suppliers constantly endeavor to improve the performance, efficiency, reliability and value offered to current and potential customers by comprehensive system design and integration.	<ul style="list-style-type: none"> • Opportunities to support new product development and innovation • Long term relationships • Performance feedback • Continuous improvement in the overall performance and efficiency of our offering

Business and Academic Partners	Netafim works closely with other agricultural service and product providers as well as many academic and research institutions to progress innovation and agricultural capabilities for sustainable productivity in different conditions.	<ul style="list-style-type: none"> • Leading edge sustainable productivity developments • Shared learning • Improved impact
Shareholders	Netafim's shareholders wish to receive a positive return on investment while ensuring that Netafim operates legally and responsibly, and in line with Netafim's mission.	<ul style="list-style-type: none"> • Profitability • Growth into new markets, especially emerging markets • Sustainable innovation • Good governance
Regulators	Regulators require Netafim's compliance with all legislation in all countries in which Netafim operates.	<ul style="list-style-type: none"> • Compliance • Prompt reporting of issues
Environmental Groups	Environmental groups are interested in ways that Netafim can support sustainable agriculture through viable options for growing more with less and ensuring minimum negative environmental impacts.	<ul style="list-style-type: none"> • Water conservation • Fertilizer use reduction • Recycling of dripperlines • Biodiversity protection
Community	Community groups are interested in the increase of access to water as a basic right for all, and in the sustainable development of communities. Netafim's frequent involvement in community programs including training and education of local farmers provide opportunities for dialogue. Additionally, Netafim's membership of global organizations such as the UN Global Compact ensures Netafim's involvement in dialogue and policy development on longer range, strategic , global issues such as those addressed by the Millennium Development Goals etc.	<ul style="list-style-type: none"> • Access to water as a human right • Adequate water supply for agriculture and sustainable development • Food security • Employment opportunities

KNOWING THE MOST IMPORTANT ISSUES FOR NETAFIM AND ITS STAKEHOLDERS

The most important issues for Netafim and Netafim's stakeholders are those which affect the future of Netafim's business and which are considered of highest relevance by our stakeholders. By understanding and addressing these material issues, we believe we can ensure a positive long-term sustainable impact.

The issues which are most material for Netafim have been developed through an internal process which aggregates input we have received from our stakeholders through our interaction with them, together with an assessment of Netafim's Management Team with regard to the relative priority of each issue. The issues which are of most significance are discussed in this report in detail.

NETAFIM'S MOST MATERIAL ISSUES ARE:

1. Supporting economic development through awareness of drip irrigation benefits.
2. Helping farmers to increase yields at lower costs.
3. Leading edge technological innovation.
4. Water conservation.
5. Netafim's impact on the use of fertilizers and pesticides in agriculture.
6. Commodity crops yield improvements.
7. Netafim's direct environmental impacts and carbon footprint.
8. End-of-life recycling of materials.
9. Partnerships for sustainable productivity and agricultural advances.
10. Educating farmers, especially in emerging economies.
11. Improving employee capabilities especially in emerging economies.



AWARDS AND RECOGNITION



LEADING CORPORATE RESPONSIBILITY IN ISRAEL

Netafim has voluntarily participated in the Maala Index since 2006 and is recognized as one of the corporate responsibility leaders in Israel. The Maala Index is the only Index in the Israeli market which measures the corporate responsibility practices of leading companies, which are publicly traded in Israel and also Israeli companies which are privately owned or traded abroad. The Index covers five areas of focus: Governance, Ethics, Workplace, Community and Environment. This Index framework was developed by Maala, an Israeli NGO advancing corporate responsibility in Israel. In 2011, eighty-five companies participated in the Index, of which 34 were privately-owned or foreign traded.

For more information about the Maala Index, please visit:
www.maala.org.il

In 2011, Netafim achieved a Platinum ranking, the highest available, for the third consecutive year. 50% of the privately owned or foreign traded companies participating in the ranking, including Netafim, indicating an overall score of 90% or higher. Netafim received maximum scores in the categories "Ethics" and "Environment".



LEADING SUPPLIER AWARD

Netafim was nominated among Anglo American's leading 2011 suppliers in the category of innovation. Four companies were nominated in this category, and Netafim reached the second place. The innovation award "recognizes outstanding achievements based on groundbreaking innovation that has delivered measurable value for AA and its stakeholders." Netafim was nominated for the award by AA's Chile-based Mantos Blancos Division for introducing FlatNeti pipes to the metal rinsing process deployed in mining.

PART TWO

GROW MORE WITH LESS

In Part Two of this Sustainability Report, we aim to familiarize you with the technologies of drip irrigation in their various forms and the ways in which Netafim has developed advanced solutions for agriculture, landscape and urban dwelling and water management in the extractive industry. We describe some of our exciting work with many types of farmers and other customers who are conscious of the positive effects of drip irrigation systems on their entire supply chain, and the role we can play in supporting their efforts.

Netafim continues to grow more with less, and through our hi-tech precision irrigation solutions, we aim to help farmers grow even more with even less in the future and support truly sustainable lifestyles while assisting in addressing global water and food shortages.

Because we are passionate about drip irrigation as a global solution, we believe that everyone involved in any aspect of the food value chain should be aware of the benefits of this cost-efficient way to support global sustainability.

Part Two of this report may help.

ERADICATING WATER POVERTY

WATERBORNE DISEASES KILL THOUSANDS EVERY DAY.

EVERY 20 SECONDS, A CHILD DIES FROM A WATER-RELATED DISEASE.

CURRENTLY, 2.6 BILLION PEOPLE LIVE WITHOUT A SAFE TOILET AND 884 MILLION PEOPLE LACK ACCESS TO CLEAN WATER.

IN THE DEVELOPING WORLD, 24,000 CHILDREN UNDER THE AGE OF FIVE DIE EVERY DAY FROM PREVENTABLE CAUSES LIKE DIARRHEA CONTRACTED FROM UNCLEAR WATER.

IN JUST ONE DAY, MORE THAN 200 MILLION HOURS OF WOMEN'S TIME IS CONSUMED FOR THE MOST BASIC OF HUMAN NEEDS - COLLECTING WATER FOR DOMESTIC USE.

IN AFRICA, AN ESTIMATED 5% OF GDP IS LOST TO ILLNESSES AND DEATHS CAUSED BY DIRTY WATER AND THE ABSENCE OF SANITATION.



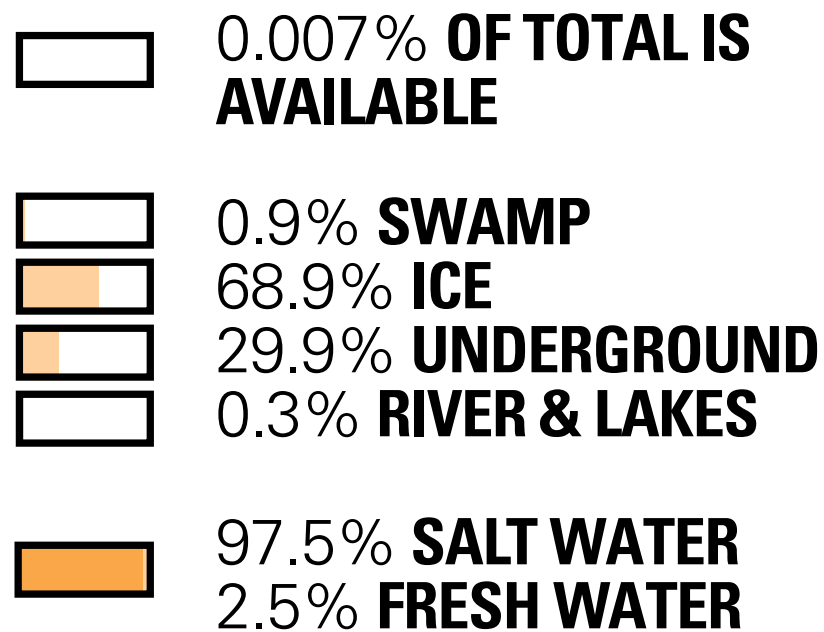
Source: www.water.org
and www.endwaterpoverty.org

Water is the source of life and the most precious resource for our global sustainable wellbeing as well as economic development. The lack of clean drinking water as well as the use of water to sustain communities through agriculture and ensure food security for the world's growing population is the most significant challenge we all face. While developing countries and emerging markets are more severely and directly affected by water scarcity – or water poverty, as it is called today – the burden of such issues in the developing world cannot be seen in isolation. For global sustainability to be a viable proposition and common future, everyone needs access to clean water and sanitation, water for agriculture and industrial development and economic growth and well-being. The cost of lack of access to water is borne globally and the limitations to economic development through inadequate access to water and inefficient use of water resources amounts to billions of dollars in terms of global GDP.

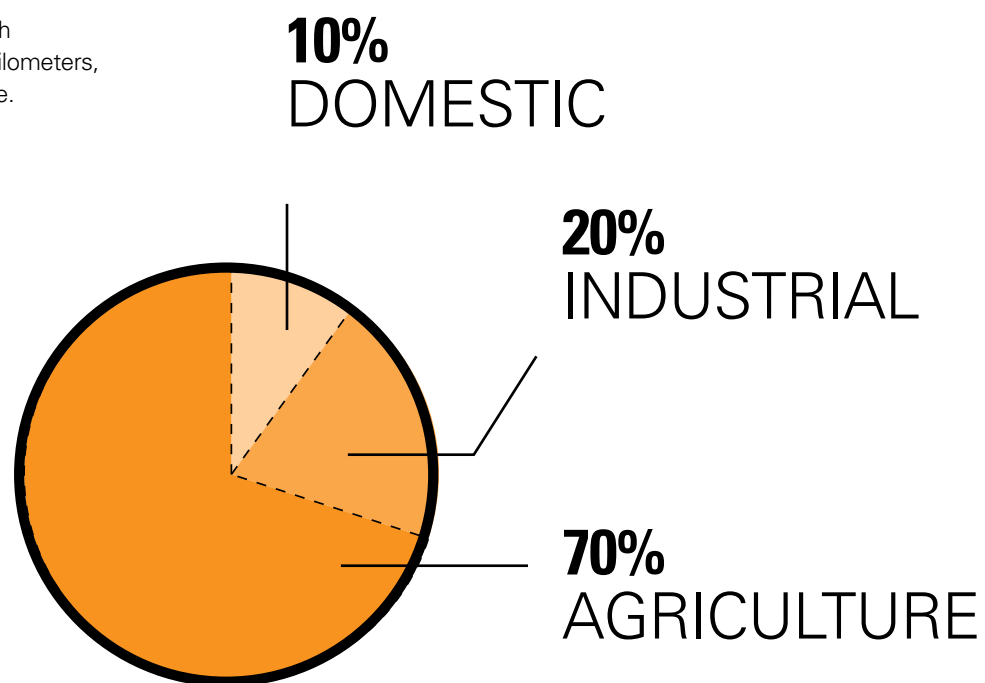
In July 2010, the UN General Assembly formally acknowledged water and sanitation as a human right. In September 2010, the UN Human Rights Council reaffirmed this right and clarified its legal foundation, demonstrating it is legally binding and equal to all other human rights. Also in 2010, the UN Global Compact's CEO Water Mandate published a Framework for Responsible Policy Engagement, a full Guide on Responsible Business and Water Policy and a White Paper on the Right to Water. Netafim has been active in the Human Rights Working Group of the CEO Water Mandate and supports developments which require corporations to ensure sustainable water practices.

The issue of water scarcity becomes clear when you consider that less than 0.1% of the total water available in the world's ecosphere is available for human use. This is the water found in lakes, rivers, reservoirs and those underground sources that are shallow enough to be tapped at an affordable cost. Only this amount is regularly renewed by rain and snowfall, and is therefore available on a sustainable basis.

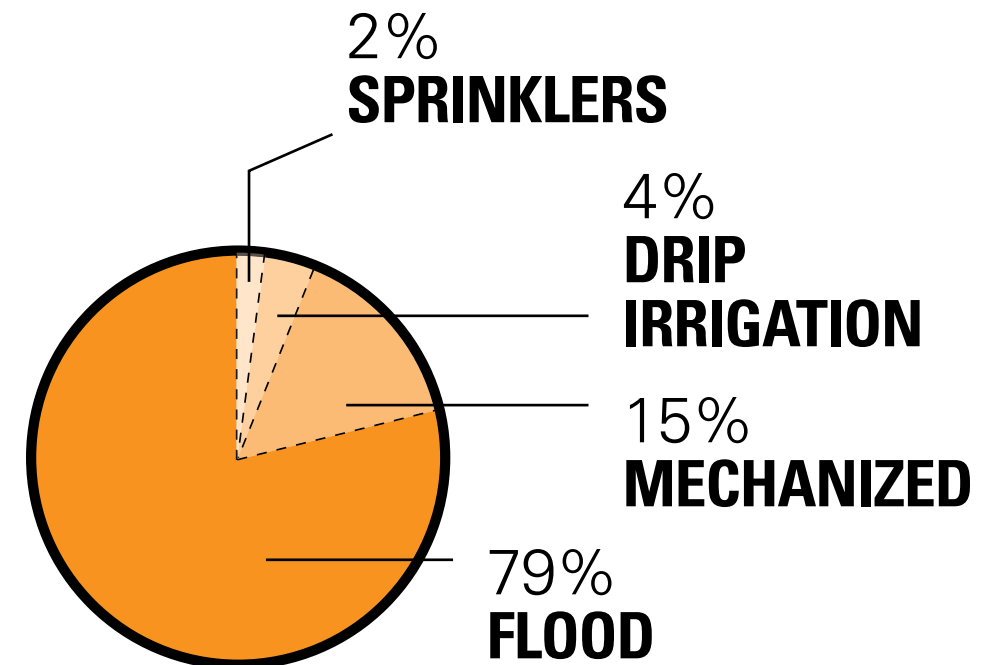
To read the CEO Water Mandate White Paper, see:
<http://ceowatermandate.org/>



Of this total amount, which represents 91,000 cubic kilometers, 70% is used for agriculture.



Of this 70%, only 12% of agriculture today uses drip irrigation techniques.



An increase in the use of drip irrigation, and water saving of only 15% in agriculture, will more than double available water for domestic use. This is the contribution that Netafim is committed to promoting through advanced technologies for use of drip irrigation and training and education of farming communities around the world. In this report, we show how simple changes at local level can significantly improve the quality of life in local communities through ensuring better water availability and access and improved health, sanitation, food safety and security for global populations.

THE HUMAN RIGHT TO WATER – SAVING LIVES

The human right to water also encompasses the way in which water is supplied to remote villages and towns. Recent research by Stanford University (U.S.) published by the journal Environmental Science and Technology (2012) shows that decreasing the amount of time families must walk to obtain clean water can help save the lives of young children in sub-Saharan Africa. The study found that cutting the walking time to a water source by just 15 minutes can reduce under-five mortality of children by 11 percent, and slash the prevalence of nutrition-depleting diarrhea by 41 percent.

Use of drip irrigation can save hours of walking to fetch water from distant sources and therefore has a significant positive impact on the lives of rural communities.

For more information about this study, see:
<http://pubs.acs.org/doi/abs/10.1021/es203177v>

DRIP IRRIGATION FOR AGRICULTURE

Drip irrigation has become an essential technology for sustainability, transforming the face of agriculture around the world, enabling farmers to grow more with less and support the sustainable production of food for the world's growing population, estimated to reach 9 billion in 2050. We estimate that if all farmed land in the world used drip irrigation, feeding the population in 2050 would save over 50,000 cubic kilometers of water, around one quarter of the water consumption of the entire United States. In addition, a significant proportion of the 170 million tons of fertilizer produced annually could be avoided and farming would use considerably less energy per ton of produce and generate fewer carbon emissions (total greenhouse gas emissions related to the fertilizer life cycle are estimated at 2.48% of global emissions, according to the International Fertilizer Organization). Not least, the quality of farming produce would be higher and the reliability and consistency of agricultural output would be more dependable, resulting in reduced pressure on food prices.

A COMPELLING IMPERATIVE – THE DRIP REVOLUTION

With global pressure on water scarcity, available farming land almost totally exploited, concerns for the health and environmental effects of fertilizers and chemicals used in agriculture and the significant rise in food prices around the world during the past 5 years, drip irrigation is a compelling imperative for sustainable agriculture. Similarly, as consumer preferences turn to cleaner, greener and healthier food choices, drip irrigation for organic agriculture can supply precise quantities of liquid nutrients to help organic farmers grow more with less. Netafim's drip irrigation offering is at the intersection of these key global challenges – food security and environmental sustainability depend on the world

delivering more with less. This is what Netafim calls "The Drip Revolution" – large-scale conversion to drip technology is one of the major keys to addressing global sustainability risks.

Despite the unquestionable productivity and quality benefits of drip irrigation in agriculture, the use of drip irrigation in farmed land around the world is still under-exploited. Alternatives to drip irrigation, natural rainfall, flood or spray methods, continue to remain the practice of the generally conservative community of farmers whose livelihood depends on agricultural output. Of the total irrigated land, only 4% uses drip irrigation. This represents a significant sustainability opportunity as well as a business opportunity for Netafim.

DRIP IRRIGATION HISTORY

Drip irrigation has been used since ancient times when buried clay pots with small holes captured rainwater and enabled it to gradually leak out and into the root zone of nearby vegetation. The first formal development of drip irrigation supplies began around 1866 in Afghanistan where researchers experimented with drip irrigation and drainage systems by using various types of clay pipes.

After World War Two, the ability to mold plastics became widespread and more cost effective, paving the way for innovations in drip irrigation including the use of polyethylene tubing and early versions of water emitters.

The first use of commercial irrigation on a wide scale using plastic tubing – dripperlines – was pioneered by Netafim in the 1960s. Over the years, building on this incredible innovation,



Netafim has developed hundreds of drip irrigation systems using ever-improving technology to provide solutions for tens of crops in hundreds of different agricultural conditions. Drip irrigation is sometimes called micro-irrigation.

DRIP IRRIGATION EXPLAINED

Drip irrigation is the slow, even application of low pressure water to soil and plants in a precise and targeted way so that the exact amount of water reaches the specific location at the root of the plant that is necessary for water uptake to be effective in supporting growth and development. Drip irrigation uses a system of plastic tubing with embedded water emitters placed throughout the tubing, enabling release of water at prescribed rates to focus water at the plant roots in a way which maximizes water utilization and prevents water evaporation or runoff and waste. Not only water runs through the irrigation tubing – farmers have the possibility to channel fertilizers and nutrients through the same tubing, thereby enabling the same precision application of fertilizers and nutrients, resulting in optimum utilization. This is often called fertigation or nutrification.

Drip irrigation offers the additional environmental benefits of prevention of soil erosion and destruction of the natural environment, which are widespread phenomena resulting from precipitation due to uncontrolled flows of water from alternative irrigation methods, especially in areas where there are acute slopes. Low volume and low flow drip irrigation systems supply water that suits the soil's penetration abilities and prevents excessive run-off.

Modern technology required to ensure the exact targeting of water and other chemicals to crop roots is based on a scientific approach involving deep knowledge of agronomics and development of technical systems to perform the task reliably. The irrigation needs for every single plant or crop are unique, influenced not only by the type of crop but also by local climatic conditions, the state of the arable land and soil properties, accessibility of water and general farming methods including use of agrochemicals. Tomatoes grown in desert regions, for example, require wholly different irrigation solutions than tomatoes grown in fertile landscapes. This is why we prefer to call drip technology "precision irrigation", reflecting the detailed scientific technological nature of applied methodology for the proven success of drip irrigation.

DRIP IRRIGATION TECHNOLOGY

SURFACE IRRIGATION

Surface irrigation is the simplest method of drip irrigation, requiring the placement of dripperlines on the surface of the agricultural field at a defined distance from the base of the crop. Generally, surface irrigation is preferred for cost reasons, or in areas where sub-surface penetration is problematic. Surface irrigation is usually applied for tree crops and multi-seasonal row crops.

SUBSURFACE IRRIGATION

Subsurface irrigation is a more efficient application of drip irrigation technology, with dripperlines placed below the earth surface, targeting the plant root. Generally, the use of subsurface drip irrigation systems brings additional opportunities to irrigate more efficiently and automate the irrigation process as well as allowing the use of reclaimed water or recycled wastewater for irrigation purposes. The fact that the whole irrigation scheme is underground opens up new possibilities for total mechanization of the production process, ensuring even greater precision. Subsurface drip irrigation has the ability to eliminate anaerobic decomposition of plant materials and reduce methane gas production, a greenhouse gas which accelerates global warming.

DRIPPERLINES

The technology of dripperlines is complex and requires expertise both in agronomics and plastics applications. Dripperlines come in several sizes, offering different properties to meet specific farming needs. Such properties include:

The diameter of the dripperline: The diameter of the dripperline determines water flow capabilities and influences the cost of the irrigation system. Farmers will prefer to have the lowest diameter dripperlines compatible with irrigation flow requirements.

The wall thickness of the dripperlines: The wall thickness of the dripperlines is a major factor in the durability of the irrigation system in different topographical and soil conditions. Thicker diameters protect against destruction of the dripperlines by nutrients and chemicals used in agriculture, withstand higher water pressures and offer greater resilience to weather conditions.

The composition of the dripperlines: The materials used to manufacture dripperlines must conform to precise specifications in order to withstand years of exposure to soil, weather and other farming conditions.

DRIPPERS (EMITTERS)

The dripper technology development is a major factor in the success of the Micro Irrigation Systems and Netafim has developed hundreds of individual drippers for precision irrigation. Careful selection of the specific dripper specification is the most important element in optimizing the performance of an entire irrigation system.

Factors which influence dripper specification and performance include:

Water Pressure Range: This is a most important property of the dripper, determining the water flow and consumption rates in line with needs for specific crops. Netafim's standard pressure range is 0.4-4.0 bar.

Pressure Control: This determines the ability of the dripper to deliver precise and equal amounts of water over a broad pressure range with 100 % uniformity of water and nutrient distribution.

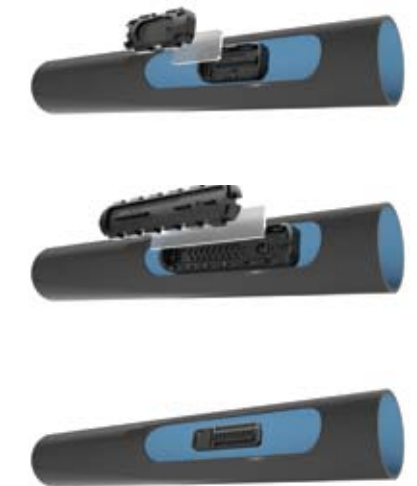
Anti-Siphon Mechanism: A mechanism that prevents contaminants from being drawn into the dripper from external sources.

Self-Flushing Mechanism: A unique mechanism that flushes debris as it is detected, throughout the irrigation operation, not just at the beginning or end of a cycle, ensuring uninterrupted dripper operation.

Clogging Resistance: This refers to the properties of the dripper which prevent accumulation of particles that may block and interfere in the flow of water.

UV Resistance: This is the property of resilience of dripperlines against destruction from ultra-violet rays, especially in the case of surface drippers.

Dripperlines



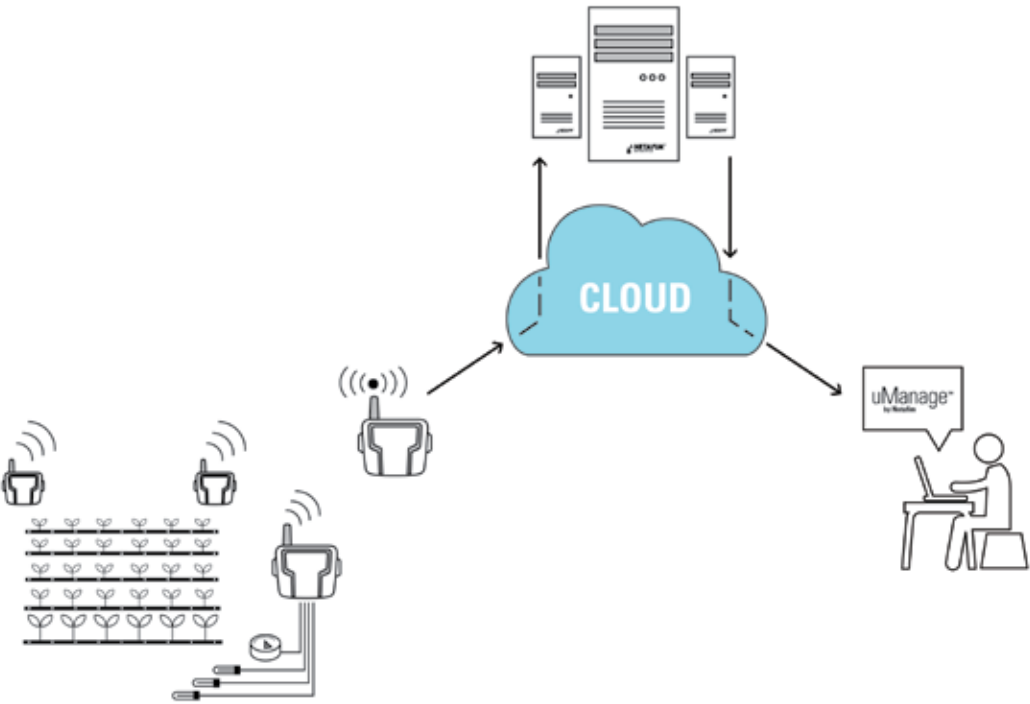
Drippers



CROP MANAGEMENT TECHNOLOGY (CMT)

Innovation and sustainable agriculture at Netafim are not restricted to dripperlines, drippers and sprinklers. Netafim has also developed advanced technologies to support higher efficiency of complete irrigation systems through computerized control of all aspects of agricultural processes, offering farmers the benefits of fully computerized agriculture. Netafim's Crop Management Technology (CMT) allows farmers to control and manage their crops based on valuable, real-time field data through the intelligent integration monitoring and regulation of agricultural variables such as water, fertilizer and micro-nutrient usage to unprecedented degrees of accuracy using field-based sensors which transmit real-time data from any situation in the field. Such systems provide farm managers with extensive knowledge of what is happening in the field, providing information on climate conditions, water flow, soil humidity, and system performance.

More importantly, CMT enables farmers to plan ahead, setting delivery of irrigation to meet expected needs in the fields, while receiving real-time feedback of results and ensuring ongoing modification to irrigation quantities as plants grow. Such systems turn agriculture into an exact science, enabling advanced informed decisions about every aspect of the growing process, so that farmers can deliver maximum, higher quality yields with far fewer resources in an environmentally friendly way, and in a planned and well-managed process. Not only this, use of CMT frees up farmers' time – instead



of maintaining a continuous presence in the field, the system runs with automation, enabling famers to attend to other priorities and do more with less hands-on resource.

Netafim's CMT range includes an array of different software-supported devices for diverse applications in different agricultural conditions, which communicate between the fields and the office in a seamless way, in real time, enabling remote control of all crop management decisions. Netafim is currently working on technological advances to further enhance farming precision – Decision Support Systems (DSS) using intelligent algorithms for critical real-time decisions for all aspects of irrigation and crop management

A SAFE AGRICULTURAL ALTERNATIVE WITH CMT IN THE NEGEV DESERT

Today, over 90% of farmers in Israel use some form of CMT system. An initial impetus for Israeli farmers to move to CMT several years ago was the often acute security conditions in the country, preventing free movement in agricultural fields. CMT gave farmers the possibility to maintain their livelihoods and also their lives! This is still relevant today for Israeli customers of Netafim, such as Kibbutz Nirim, located just 20km north of Gaza, an area troubled by missile fire and security hazards.

Kibbutz Nirim's livelihood is founded primarily on agriculture. A range of field crops is cultivated at Kibbutz Nirim, including potatoes, peanuts and carrots, spread over 2,000 hectares. Other agricultural initiatives such as the avocado orchard and Nirim's greenhouses yield some of the best results in the country. Nirim is also one of the largest organic farms in Israel.

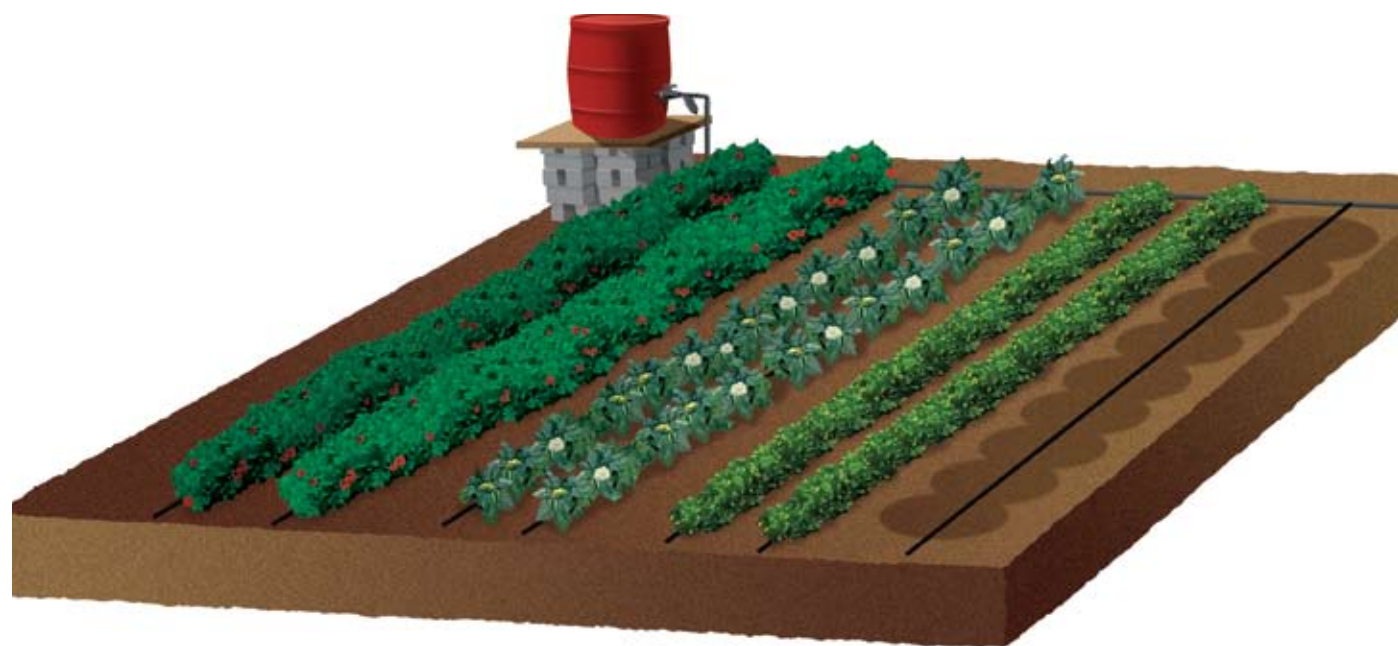
Kibbutz Nirim is a long-time user of Netafim's CMT system for its variety of intensive crops, needing plenty of water and close care, all grown in the sandy terrain of the Negev desert. Kibbutz Nirim has 100 Iriwise™ units in place, three units per field, covering an area of about 700 hectares in peak growing season. Netafim's Iriwise™ system uses sensors and transmitters to collect real time data from the field and send it directly to the farm's computers, allowing remote monitoring of moisture levels at any given time, thereby alerting farm managers to malfunctions or adjustments needed in the irrigation program.

FAMILY DRIP SYSTEM (FDS) – EMPOWERING SMALLHOLDING AGRICULTURE

Netafim's technology development has also considered the needs of small-holders using traditional irrigation methods on family plots. Small-holders face fundamental challenges in their effort to raise yields and improve crop quality. This is a common issue in emerging economy countries, where farmers work with very small land areas and have inadequate financial resources to invest in farming technologies. It is estimated that 80% of food produced in emerging economies is produced by smallholder family farms, so supporting smallholders is a critical way to advance both food security and economic development in these regions. The key obstacles that farmers are routinely confronted with include uneven distribution of water and nutrients, wasted water due to runoff and evaporation as well as intensive labor needs. Often, water supply is limited or located beyond reasonable proximity and often of poor quality. Netafim developed the Family Drip System (FDS) to respond to these needs.

FAMILY DRIP SYSTEM – MAIN COMPONENTS

FDS is a gravity-based drip irrigation system utilizing Netafim's low volume drip-irrigation technology. The system works using existing resources without a pump or electricity, guaranteeing a sustainable solution for every small-holding farmer. No technical knowledge is required to employ the FDS; every farmer can easily and quickly enjoy the benefits of a hi-tech irrigation system, delivered in a compact package.



SUPPORTING FAMILY FARMERS IN BRAZIL

The northeast region of Brazil is mainly populated with farming communities which rely on agriculture for food and income, despite the low rainfall in the region. In 2010, in order to develop the local agriculture-based economy, the Brazilian Government, in collaboration with CODEVASF (a governmental Regional Development Agency), initiated a program utilizing FDS for drip irrigation in Oeiras City, Piauí state.

Netafim was asked to present a solution for the irrigation challenges of this area to enable low-income families to grow vegetables for self-consumption as well as for sale in the local market. Netafim demonstrated the capabilities of the FDS system. Thereafter, the local government acquired 75 FDS kits and distributed them to families in the city.

Within a year, the farmers were able to see the impact of the FDS system on their crops, harvesting larger and higher quality yields of squash, bananas and eggplant.

Following the success of this first phase, CODEVASF purchased thousands of FDS kits, distributing them among neighboring municipalities. The overall plan is to purchase 10,000 kits over three years.

The farmers working now with FDS have founded the "Irrigators Agriculture Association" – an association through which members can exchange knowledge and experience in the area of drip irrigation.





IRRIGATION IN \$1-A-DAY COMMUNITIES IN TANZANIA

The Kilimanjaro region of Tanzania is a fertile land area with available water sources like the Uchira River as well as underground water. The main irrigation method in the area has traditionally been flood irrigation. Most residents in the village rely on subsistence farming for their survival, and over 60% of them live on less than \$1 a day. In 2010-2011, the Zonal Irrigation Engineer and Moshi District Council initiated an irrigation project in the village of Miwaleni. The aim of this project was to improve the community production of vegetables by using modern agricultural practices including land preparation, seed variety and modern irrigation technologies. Drip Systems were installed in an area of 16 hectares, divided into 0.4 hectare plots, each cultivated by a single farmer. 40 family farmers took the opportunity to grow their vegetables using advanced cultivation and irrigation methods provided through this project.

CHANGING LIVES IN INDIA

The State of Jharkhand is one of the most impoverished states in India. Farmers rely largely on rainwater during the monsoon season to irrigate their crops. The fields, often owned by tribes, are abandoned during the dry season as farmers search for work. Since they are unable to produce throughout the entire year, farmers are unable to provide for their families.

In order to improve farming capabilities, and allow families and tribes to be self-sustaining, Jharkhand's Rural Development Department (RDD) embarked on an experimental project in 2009 which introduced new irrigation and farming technologies and skills. At the center of this project was Netafim's Family Drip System (FDS). Netafim adapted the drip systems to the geographical characteristics of the farms in the area and also to the financial capabilities of the farmers. The FDS kits were made available to farmers at an affordable price and 50% financing by the RDD and Netafim provided training and technical support, as well as agronomic support which helped farmers learn how to maximize their yields.

FDS allows farmers to irrigate their crops by drip, all year round, relieving them of their dependency on rain. The systems, which require no electricity, are suitable for the small, one acre farms, and to the often uneven terrain. Since the experiment commenced, the drip irrigation systems have ensured good crops of vegetables such as cauliflower, cabbage, peas, tomatoes, chili, cucumbers and more.

In 2010, the first group of FDS farmers went to market with their produce. Each farmer earned between Rs. 25,000 to Rs. 40,000 from the first crop. This is significantly more than the Rs. 500-1000 annual income they had earned from working their land when relying only on monsoon rain. The farmers are now able to provide for their families, and repay the loans taken to purchase the irrigation system.

In light of this success, the State of Jharkhand has decided to scale up this experiment to cover 100,000 farms. Netafim is taking part in this phase of the project as well, helping farmers in Jharkhand to earn more money, with less water, all year round.



MORE WATER RECYCLING, LESS WATER!

In Israel, most water used in agriculture is treated wastewater, so Netafim must design its products to remain effective for this kind of specification. Except for using wastewater for irrigation, often an irrigation system is constructed in such a way that the water is recycled twice or more by being drained after irrigating one crop, and funneled to irrigate a second crop.

In a special project in Israel's Arava Desert, Netafim took on yet a bigger challenge. Uri Malka from Hatzeva, a customer of Netafim for many years, turned to Netafim with a request to construct an irrigation system that can hold two recycling 'cycles':

The first use of the water is a fish tank. Aquaculture has become a growing industry in the Arava, and is an important source of income for the farmers in the area.

The second use of the water is for irrigating peppers. Water is drained post irrigation and funneled to the next stage.

The third use of the water is for irrigation of Lisianthus flowers.

Another benefit of this recycling system is the recycling of fertilizers which are injected through the drip system, and are therefore recycled twice, in the same way as the water. In this case, fish droppings are used as fertilizers as well, thereby increasing environmental efficiency.

The challenges of this double recycling system are many, given the different conditions required for the use of water in each of the recycling stages. However, getting more from water is a core expertise of Netafim and this application demonstrates the potential to minimize water consumption in innovative ways.



FROST FLAVORED PEACHES

COMBATING THE ADVERSE EFFECTS OF FROST

Frost is one of the most common challenges in global agriculture and may lead to crop destruction and cause agricultural losses and significant damage to entire communities. In the U.S., for example, more economic losses are caused by freezing of crops than by any other weather hazard, causing billions of dollars in losses and damage to crops. Frost protection is a necessity in agriculture and an efficient solution is to use sprinklers to re-apply water frequently enough to prevent the plant tissue temperature from falling below freezing point between pulses of water.

In Spain, deciduous tree buds are extremely susceptible to the spring frost. El Melocotonero, a Spanish fruit company, hired Netafim to design and install a sprinkler system to protect its peach orchards from the cold conditions which often strike the area of Catalonia in the spring, reaching as low as -5° Celsius, ruining many tons of yield every year.

Since the sprinklers method of frost protection requires high water consumption, El Melocotonero used a Gyronet micro sprinkler with a flow rate of 30 to 200 liter per hour. The micro sprinklers are capable of accurately irrigating the tree rather than its surroundings, providing full protection from the frost while saving up to 50% water and up to 30% power consumption, compared to other sprinklers.

In 2008, the Gyronet sprinklers were installed over 2000 peach trees on a 20 hectares area, with one sprinkler covering each tree. The sprinklers enabled tight protection for the buds that would have otherwise been destroyed by the frost, saving between 30-50 tons of peaches every season. This translates to thousands of dollars in savings, not only for the farmers or companies operating these orchards, but also helps keep prices affordable for consumers in today's difficult economic conditions.

SUPPORTING THE PROFITABILITY OF FAMILY FARMING

CORN: DID YOU KNOW?

- Over 160 million hectares of corn are cultivated each year. The main corn-producing countries are USA, China, Brazil, Mexico and several European countries.
- Global annual production of corn is over 818 million tons.
- Corn is used for food for humans and animals, food products such as corn oil, starch, sweeteners and ethanol, an alternative low carbon fuel.
- Drip irrigation increases corn yield by up to 44% and reduces water consumption by up to 30%.

NEBRASKA CORN

In April 2001, Kurt Torell installed his first subsurface drip irrigation system on 300 acres. Now, Kurt irrigates 600 acres with drip. Kurt manages his 3,400-acre family farming corporation, T-T Farms, Inc., near Gresham, Nebraska. He and his wife Pamela, own the corporation. Their crops include seed corn, yellow corn, soybeans and grain sorghum. "With less water than other irrigation methods, drip is getting us to the next level of profitability, and we're not even seeing the full potential yet. We're in the process of switching from manual to automated zone management. Having the system running itself and switching zones automatically will be another huge leap in efficiency. After that, we'll also start using the system to deliver nutrients to the crops. At that point, I think we'll be able to yield 275 to 300 bushels per acre for corn. And I'm not even sure that's the ceiling. I'm excited to see how far we can go with drip." Kurt Torell.



MAKING THE HEALTH BENEFITS OF OLIVE OIL MORE ACCESSIBLE

OLIVES: DID YOU KNOW?

- Olive groves are found mostly in Mediterranean countries, and the leading producing countries are Spain, Italy and Greece while modern Olive Oil plantations are on the rise in Australia, Argentina and other countries. Annual global production of olives is estimated at over 19 million tons.
- Olive trees can live for more than 1,000 years.
- There are more than 900 varieties of olive trees.
- Olives are used both for eating and for producing olive oil – an essential part of the Mediterranean diet, with a high nutritional value and many health benefits.
- Rainfed olive trees will produce 4.62 tons olives/hectare, while trees irrigated with drip irrigation will produce 12.57 tons olives/hectare.

SPANISH OLIVES

Olive tree (*Olea europaea*) cultivation is steadily expanding in many countries, in response to increased olive oil consumption. It is commonly used in cooking, cosmetics, pharmaceuticals, and soaps and as a fuel for traditional oil lamps, but growing awareness of health benefits have led to increased demand during the past ten years. Farmers seek to improve yields and reduce costs while maintaining oil quality without harming the environment. For this reason, especially throughout the Mediterranean region, it is common to find the conversion of traditionally raised rain-fed olive orchards to drip irrigation. Netafim supports many olive-growing farmers in several countries.

During 2010, Netafim designed and installed a sub-surface drip irrigation system at an olive grove in Jaen, Spain. Netafim developed this system for an Exporting and Manufacturing Company following many trials to reach the best results in the particular topography of the Jaen area. The trials led to a successful implementation of the drip system for the entire thousands of hectares of the olive grove. Netafim's solution was a sub-surface drip system installed over three meters deep to achieve both water economy and create optimum conditions for growth, providing 30% savings of water and fertilizer whilst increasing yields.

OLIVE OIL AND WATER DON'T MIX



GROWING TOMATO PASTE WITH HEALTH ADVANTAGES

TOMATOES: DID YOU KNOW?

- Tomato is the world's most popular... fruit!
- Tomatoes were first cultivated in 700 AD in South America.
- There are over 7000 varieties of tomatoes.
- About 150 million tons of tomatoes are produced and consumed globally each year.
- The top five tomato producing countries are China, USA, India, Turkey, Egypt.

TURKISH TOMATOES

Harranova Besi ve Tarım Ürünleri A., one of the largest meat and cattle breeding companies in Turkey, branched out into the production of tomato paste following an investment by The Morning Star, a leading paste producer worldwide. Tomatoes are rich in lycopene, which is associated with a lower risk of prostate cancer and cardiovascular disease, and consumption in paste form increases the absorption of lycopene in the body. Advancing tomato paste availability has the potential for significant health benefits. In 2006, an experimental industrial tomato plantation was initiated on 350 hectares with substantial coordination provided by Tat Konserve San. ve Tic.A.Ş, a Company with specific tomato expertise. After obtaining successful results, Harranova experimented with various types of tomatoes and subsequently targeted gradual tomato production in 2008 on 1,000 hectares of land, gradually increasing to total production of 1 million tons per year of tomatoes by 2012. Netafim assists Haranova with design and full irrigations systems solutions using Netafim products and crop management technology. The tomato yield is approximately 100 tons per hectare and requires 30% less energy, 30% less labor and 25% less fertilizer than traditional irrigation methods.



COMBATING DESERTIFICATION IN NORTHWEST CHINA

CHINESE DATES: DID YOU KNOW?

- Chinese dates are also called Jujube or Tsao.
- Chinese dates have a cultivation history of over 7,000 years.
- China is the largest Jujube producing country.

YELLOW RIVER DATES

Farmers in the area of Zhongwei City in the Ningxia Province in China began to suffer from a dwindling water supply in their dry, desert landscape. Residents in this area rely almost solely on agriculture for their livelihood, and a deteriorating water situation threatened their entire way of life. As desertification increased, farmers needed to rely on the only water source around, the Yellow River, transporting water to their fields for flood irrigation. This was a poor solution, inefficient, wasteful and diverting water from the villages downstream, which also relied on the Yellow River for their subsistence. In an attempt to address the issues, the Chinese government provided subsidies for reviving agriculture in the area using a drip irrigation solution.

Netafim was the selected partner and, within a few months in 2010, covered a 200,000 square meter dry field with dripperlines. The fields were planted with Chinese Dates (Jujube), with watermelons growing between the rows of date palms, maximizing use of the land and providing farmers with early income until the dates were ready for harvest. The field was divided between more than 6,000 farmers into small plots of about 2.5 hectares each, providing a reasonable livelihood for each farmer. Netafim's solution delivered massive 90% water savings versus flood irrigation and a 30% reduction in fertilizer use. The contribution of drip irrigation for the sustainable lifestyles of residents of Zhongwei City and the surrounding areas has proven to be worth far more than the investment in the drip irrigation systems themselves.

HOW ABOUT A DATE?



SUSTAINABLE FUEL AND MUCH MORE IN PERU

Sugar cane is the world's primary sugar crop. Current production stands at 1,450 million tons of cane from 22 million hectares worldwide. Sugar cane is grown in more than one hundred countries under temperate, subtropical and tropical conditions. In addition to its presence within the food industry, this crop is gaining enormous significance in the biofuel industry. Brazil, for example, uses 48% of its sugar cane production to produce ethanol, an alternative fuel to replace dependence on fossil fuels. Many other countries have plans to use sugar cane as a biofuel crop for ethanol production.

A global rising demand for sugar products and ethanol, highlighting the need for more efficiency in sugar cane farming, has led Netafim to deliver targeted solutions using drip irrigation technologies. Netafim is working with companies and growers in Africa, India, and Central and South America in order to support increased sugar cane efficiency.

In 2010, Netafim commenced an important collaboration with Maple Energy plc for the growing of sugar cane for ethanol production in Piura City, Peru. The cane plantation is located in a desert area, where the sandy soil and arid conditions are not favorable for vegetation, and plants cannot grow without drip irrigation. During 2011, Netafim's teams worked to install 500-700 hectares a month in order to cover the entire 8,000 hectares with an advanced sub-surface drip irrigation system. By December 2011, 7,200 hectares were installed and installation is scheduled to be completed in January 2012. The estimated output is 150-200 tons of sugar cane per hectare, much more efficient than other irrigation methods which typically produce 70 ton per hectare with a comparative saving of 40% in water consumption.



MORE THAN JUST GREEN

The Netafim drip irrigation system has enabled both the "greening" and the socio-economic development of the entire region. Thirty Netafim-Peru employees worked on this project, together with 150 temporary employees hired by Netafim from nearby communities. In accordance with Netafim's employment policy and its contract with Maple, all employees worked under lawful labor conditions, and received appropriate training, providing them with experience and skills for life.

This sugarcane plantation has not only turned this desert region green, but has contributed to the development of the surrounding communities. Over 3,000 jobs will be available to the neighboring communities once operations commence.

While Maple Energy plc operates education programs, performs infrastructure work and more, Netafim contributes its own expertise to develop landscape and gardens, provide equipment and train locals on advanced agriculture and drip irrigation. Netafim has donated about \$20,000 worth of dripperline equipment for this purpose as a demonstration of Netafim's commitment to sustainable productivity in emerging economies.



DOUBLING SUGAR CANE PRODUCTION IN THAILAND

During the past 6 years, Netafim has provided equipment, service support and knowledge to Mittr Phol Sugar Corp, Thailand and South-East Asia's biggest sugar and bioenergy producer, which operates sugar cane fields throughout the country for the production of sugar and ethanol. Netafim supplied Mittr Phol with drip irrigation systems on thousands of hectares in Thailand's north east and west region.

Netafim provided Mittr Phol a range of services aiming to develop and support the company's transition to drip irrigation. This included designing the layout of the system on the field, installing the system and providing technical and agronomical support through the years.

The unusual aspect of this project on behalf of Mittr Pohl is the fact that some of the sugar cane fields were owned and operated by small/medium contract farmers that needed training and education in advanced irrigation systems (other farms are Mittr Phol owned). Using Netafim experience in implementing such systems worldwide, and with the help of local staff, language barriers and cultural gaps were bridged and the farmers successfully learned to operate the systems.

The drip systems have delivered outstanding results, demonstrating a significant increase in yield, showing an average of 90 to 130 tons per hectare per year, while the national average is 60 tons per hectare per year, an increase of 50-100%. Furthermore, the fields use fewer fertilizers, which translates into a cost saving of 20-30% per ton of sugarcane.



MAKING THE RIO SÃO FRANCISCO GO FARTHER IN BRAZIL

Agrovale, a Brazilian producer of sugar and ethanol has over 16,000 hectares of sugarcane in the semi-arid and traditionally poor region area of Serato in the north east of Brazil. As part of Agrovale's commitment to more sustainable production, it began exploring different irrigation systems to replace their traditional flood irrigation methods.

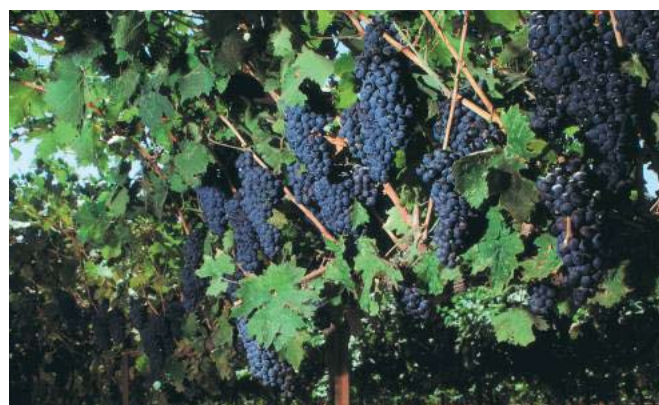
Agrovale first began experimenting with drip irrigation in 1999 with a small 51 hectare plot. After examining the positive effects of drip irrigation on the crop, Agrovale hired Netafim Brazil

in 2006 to implement drip irrigation in additional plots. In the course of the past 5 years, Agrovale has increased its drip irrigated area, currently standing at 3000 hectares with plans to expand to 6,000 hectares within three years.

The source for Agrovale's irrigation water is the Rio São Francisco, Brazil's longest national river, which runs almost 3,000 kilometers from its source throughout the northeastern Brazil until it flows into the Atlantic. Water from the river is diverted to agricultural areas through canals built as a part of a government project to develop the area. Using drip irrigation allows for a decrease in water consumption for agriculture which means that more water can be supplied to local populations for other industrial use and daily living requirements.

WINE WITH A TECHNICAL ADVANTAGE IN FRANCE

Gerard Peyrot operates a winery in the Montpellier region of France and, in 2008, was seeking a new solution for vineyard irrigation to optimize production for cost-effectiveness and improved quality. Netafim installed a complete, fully computerized CMT irrigation system in 40 hectares of vineyards, using specialist technology for this particular application. Results were apparent to Gerard Peyrot very quickly: the vines grew faster and yields improved by 30 – 40%.



GREENHOUSES

Greenhouses, of all shapes and sizes, made from different materials to accommodate growing needs and climate conditions, are a necessary supplement to drip irrigation in order to grow more with less. Providing tailored solutions to agricultural challenges through advanced greenhouse technology, Netafim offers a wide range of greenhouse structures, suitable for a diverse range of climate conditions. All Netafim greenhouse structures meet international standards for snow, wind and other meteorological challenges and comply with industry standards.

ZERO NEGATIVE IMPACT GREENHOUSES IN JAPAN

Netafim offers closed technology systems for the most advanced greenhouses which are currently in use in Japan. All inputs including crops, water, fertilizer and chemicals form part of a completely closed circuit which has a zero negative impact on the environment. Netafim participates in the Green Factory program supported by the Japanese government for research on green technologies for improving environmental impacts. The zero negative impact greenhouses are a significant inclusion in this program.



NO-SOIL GROWING IN CHIBA

In the Chiba prefecture in Japan, a private grower maintains a one hectare greenhouse for growing tomatoes and peppers. These crops are grown in a soilless culture, an artificial system which provides crops with a reservoir for nutrients and water. The irrigation system enables the excess water to be drained, collected, treated and reused for irrigation in the greenhouse. Water in the soilless system is sanitized to a level that kills certain types of bacteria and fungi that might damage the crops. The same water is then used for irrigation in the same greenhouse in a fully automated process.

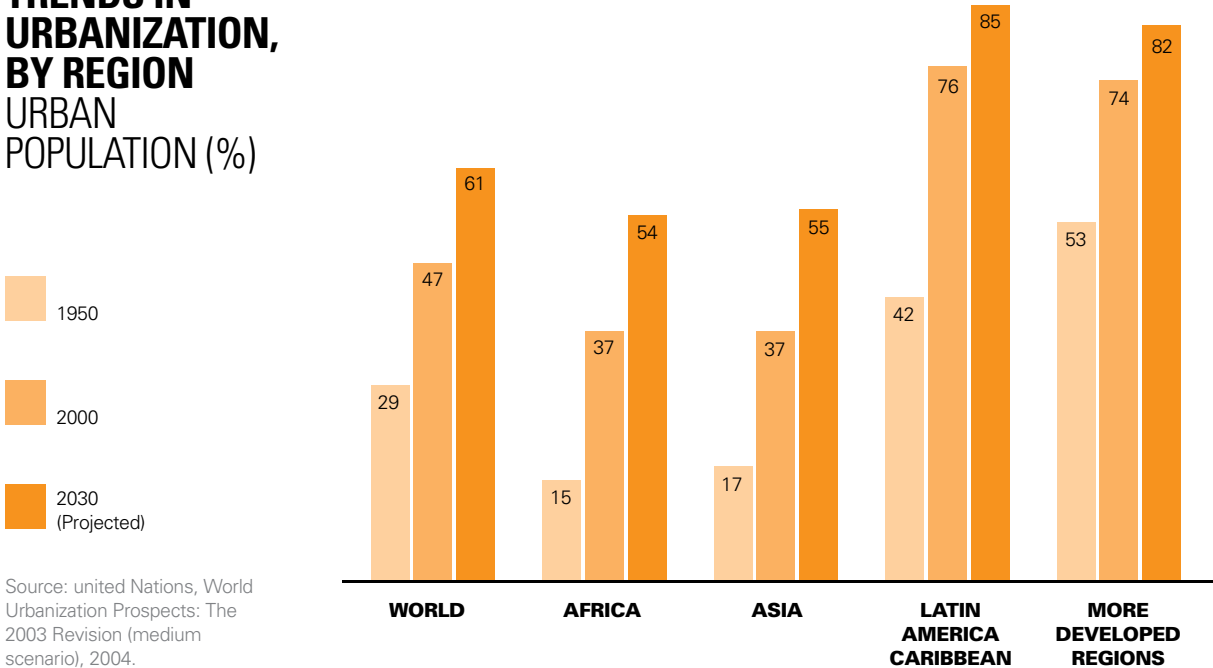
IRRIGATION FOR LANDSCAPE

Drip irrigation is mission-critical for sustainable agriculture but in landscape applications, precision irrigation can deliver spectacular results. Home gardens, golf courses, football and sports pitches, parks, recreation areas, city landscapes, highway landscaping are all aspects of our built environment which help to make urban dwelling more aesthetic, more pleasant and decidedly more sustainable. With the world population increasingly heading into the cities as urbanization is estimated to reach 82% in developed regions by 2030, we all seek ways to make our city-dwelling more comfortable, more compatible with our busy consumer lifestyles and more productive. As urban pollution reaches chronic levels, especially in crowded emerging economy cities, precision irrigation techniques can provide solutions to turn urbanization in to opportunities for sustainable living and bring an appreciation of the wonders of nature back to the concrete jungles in which many children now spend their childhoods.

Netafim's precision irrigation technologies have a significant role to play in developing low-carbon inner-city living and reducing the urban carbon emission and water consumption burden. In recent years, we have deployed this technology in several innovative ways to provide solutions to different urban challenges.

TRENDS IN URBANIZATION, BY REGION

URBAN POPULATION (%)



THE PASONA 02 ECO BUILDING IN TOKYO, JAPAN

The Pasona building is an eco-office with a 4 acre Urban Farm covering its walls and floors. The farm contains over 200 kinds of plants. The indoor rice paddy covers 1,000 square feet of the building's first floor and is harvested three times a year.

GREEN WALL PROJECT - SEIBU DEPARTMENT STORE IN TOKYO, JAPAN

Netafim took part in creating a "green" wall for Seibu, a famous department store in Tokyo. This decreases energy consumption of air conditioning by combining vegetation in a main wall of the store, saving 15% in electricity consumption in peak months.

THE BREATHING TUNNELS IN KOREA

Traffic tunnels have air circulators that circulate the air within the tunnel. Netafim has created "green strips" in the tunnel's entry ways to enrich the circulated air with oxygen.

GREEN ROOF AT UNIVERSAL STUDIOS, SINGAPORE

Twenty-five roofs totaling 30,000 square meters are the largest green roof area in South East Asia. The roofs use Netafim's drip irrigation, including rain water harvesting tanks and sand filters for maximum water savings efficiency. The green roofs have reduced the temperature from 70c to 38c during peak sun hours and save 180 cubic meters of water daily versus a sprinkler system.

GREEN WALLS AND BALCONIES AT ORCHARD CENTRAL MALL, SINGAPORE

The mall, located in a central shopping area in Singapore, features several green areas including balconies and walls that help lower the temperature of the building while greening the urban environment.

THE PASONA 02 ECO BUILDING IN TOKYO



IS THIS AN
OFFICE? OR
A FARM?
OR BOTH?

The Pasona O2 building in Tokyo, Japan was created in 2009/2010 and is an eco-office with a 4 acre Urban Farm covering its walls and floors. The farm contains over 200 kinds of plants including tomatoes, peppers, eggplants, cucumbers, radishes, beans and rice. The indoor rice paddy covers 1,000 square feet of the building's first floor and is harvested three times a year, yielding 150kg of rice. All produce grown in the building is used in the staff restaurant. Netafim was involved in this project from the first planning stages, providing agronomy and technical consultation and equipping the building with Netafim's drip irrigation systems.

The unique nature of this project brought challenges, such as ensuring channeling of water and fertilizers to each of the building's nine floors in the most efficient way and the

complexity of cultivating plants and rice on diverse surfaces. Netafim demonstrated that with the right technology, plants can grow in the ceilings of rooms without interfering with their use. Additionally, Netafim's precision irrigation delivers optimum yields, as in agricultural applications. The rice paddy for example is harvested three times a year, rather than once a year under regular conditions, delivering a higher annual yield. The Urban Farm decreases the Pasona building's carbon emissions by an estimated 2 tons CO2 per year. Furthermore, the Pasona building is an exciting environment for employees. Staff take turns in tending to the rice paddy and other vegetation and nurturing the plants. This builds team skills, communication, a sense of commitment, enthusiasm and environmental responsibility.

THE GREEN WALL AT SEIBU DEPARTMENT STORE, TOKYO

In 1995 Netafim assisted in the creation of a "green" wall for the flagship store of Seibu Department Stores in the Ikebukuro district in Tokyo. The objective of this project was to decrease the energy consumption of air conditioning this 50,000 square meter store by combining vegetation in a main wall of the store. Over 15 years later, the wall is still in place, delivering a temperature difference of 5 degrees Celsius between the green wall and other walls, saving 15% in electricity consumption in peak months.

THE BREATHING TUNNELS, KOREA

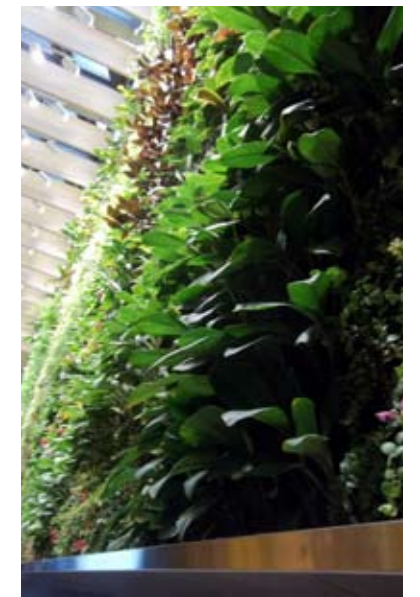
In Korea, Netafim provides a solution for pollution in traffic tunnels, caused by toxic gases.

To address this problem, traffic tunnels have air circulators that circulate the air within the tunnel. Netafim has created "green strips" in the tunnel's entry ways to enrich the circulated air with oxygen.

The green strips are designed with plants that have fast photosynthesis in order to efficiently produce oxygen, as well as meet the needs of the local topography.

GREEN ROOF AT UNIVERSAL STUDIOS, SINGAPORE

Universal Studios Singapore is a casino-resort off the south coast of Singapore which celebrated its grand opening in 2011. It is also Asia's first movie-theme park. In the design phase, the Studios faced a challenge – protecting the park's visitors waiting for rides in the hot tropical weather and strong mid-day sun, reaching temperatures of 23-36c all year round. The solution was air-conditioned hangars to shelter the visitors. The hangars were equipped with green roofs, totaling over 35,000 square meters, to reduce air conditioning costs and energy consumption. Netafim designed and installed drip irrigation systems for the roofs, with sophisticated control systems to maintain a balance of water and fertilizers for the plants and greenery as well as rain water harvesting tanks and sand filters for maximum water savings efficiency. The system complements natural rainfall with precision irrigation, thus saving water and preventing over irrigation. The green roofs have reduced the temperature within the hangars from 70 c to 38 c during peak sun hours and drip irrigation (rather than sprinklers) saves 180 cubic meters water daily (180,000 liters). Drip irrigation also saves labor hours, as it is automated and requires little maintenance.



**GREEN WALLS AND
BALCONIES AT ORCHARD
CENTRAL MALL, SINGAPORE**

Orchard Central Mall is a vertical, 11 storey shopping mall located at Orchard Road – one of Singapore's renowned fashion, retail and entertainment areas.

The Mall features three large living walls totaling 160 square meters, two lower green walls on the 12th floor roof terrace totaling 45 square meters, a garden at the rooftop complete with tropical landscaping on the ground, and various vertical greenery offerings as well as a biological pond. An air-conditioned shopping street discovery walk and the rooftop garden on the 12th floor are accessible to the public 24 hours a day.

The green walls Vertical Greening Modules (VGM) provide the modular system comprising a geotextile bag filled with soil-less lightweight planting media, pre-planted in a nursery environment to allow for plant establishment.

The green walls are irrigated with a Netafim drip system, and the other green areas (balconies and rooftops) are irrigated with Netafim UniTechline AS – a dripper designed especially for use in landscape projects.

In the past few years Singapore is working to promote and encourage incorporating green areas in high rise building. These efforts have proved successful, and today the city is well known for its "Skyrise Greenery".

To recognize these greening efforts by developers, owners and architects the Singapore Institute of Architects and National Parks created the Skyrise Greenery Awards. In 2009, the Orchard Central Mall won 1st Prize in the Completed Projects category of the awards, for outdoor green balconies and extensive greenery, inside and out.



To read more about the Skyrise Greenery Awards:
www.skyrisegreenery.com/index.php/home/awards/skyrise_greenery_awards_2009

**IRRIGATION FOR
THE EXTRACTIVE
INDUSTRY**

Drip irrigation technology has also been found to be highly effective and water-efficient in the extractive industries for the extraction of several types of precious metals. The process of leaching precious metals or copper compounds from the mined ore, using sprinklers or drip irrigation, is called Heap Leaching. Heap leaching is used in the mining of gold, silver, copper, uranium, nickel and lithium. Of all the industrial processes for producing metals from ore, including the most common method, concentration by flotation, which uses chemicals mixtures, the Heap Leaching method is one of the most effective and water efficient. Today, about 15% of all precious metals extraction uses heap leaching. The general trend, under pressure from closure and reclamation costs to minimizing diversion of agricultural land and encouraging sustainable development, is to reduce the amount of land impacted by mining.

THE PROCESS OF HEAP LEACHING

The mined ore is crushed into tiny chunks and heaped on an impermeable plastic or clay lined leach pad where it may be irrigated with a leach solution to melt the valuable metals. Drip irrigation is used to minimize evaporation. The solution then percolates through the heap and leaches out the precious metal. This can take many weeks. The leach solution having the dissolved metals is then accumulated.

**IMPROVING WATER EFFICIENCY
IN COPPER MINES**

Anglo American is a South African mining company, operating copper mines in Chile since 1980. The Anglo American mines use the heap leaching process with drip irrigation. However, the mines are located in desert areas with high evaporation and water scarcity. Existing equipment in the leaching process was causing problems in the ore agglomeration process. Anglo American's Mantos Blancos copper mine is located 30 miles from the Chilean port city Antofagasta and is 800m above sea level. Netafim visited the site at Mantos Blancos and offered a new solution: Netafim's Gyronet Turbo™. This equipment ensures small water droplets that protect agglomeration properties and offer high levels of uniformity. Similarly, lower evaporation offered by Gyronet means improved water conservation in this area with low water availability.

Today, almost 50 hectares are irrigated with Netafim's drip irrigation solutions, offering superior performance and better environmental outcomes, and increasing water availability for domestic use in the region.

For more about the Mantos Blancos mine, see: www.mining-technology.com/projects/mantos-blancos

PART THREE

DO MORE WITH LESS

In addition to our contribution to the Earth's sustainability and the quality of life of communities around the globe, particularly those in rural economies, at Netafim, we strive to manage our business operations in a responsible way.

We aim to consider our direct economic, social and environmental impacts on all our stakeholders and work hard to understand their ongoing expectations of us as a business. Born out of the traditional Kibbutz democratic, collaborative and participative culture, we approach our relationships with stakeholders in the same way. We aim to listen, engage and address stakeholder aspirations and concerns in our business plans and practices.

In Part Three of this report, we describe the way we listen, examine, decide, assess, manage, lead and grow our own business. In the same way that we teach farmers to grow more with less, so our business philosophy rests on an objective to do more with less.

In sustainability terms, this means running our business using the lowest possible level of resources while engaging our employees at the highest level of their potential to ensure the development of ever-improving technologies, innovative applications and delivery of all our business objectives in the service of our customers.

MANAGING SUSTAINABILITY AT NETAFIM

OUR APPROACH

Netafim's Sustainability strategy and programs are directed by Netafim's Chief Sustainability Officer (CSO), who reports to the CEO. The CSO has a dual role: on the one hand, representing Netafim in international forums and collaborative partnerships for the advancement of sustainability, addressing global issues such as water scarcity and, on the other hand, guiding internal strategies to ensure Netafim operations are managed in a sustainable way.

The CSO works at the interface of the Netafim organization, aligning sustainability in global business processes, working with all Netafim global functional heads, to ensure sustainability principles are embedded in policies and practices, while ensuring that all products and solutions offered by Netafim's global field teams are delivered to farmers, growers and other customers in a way which advances their sustainable productivity.

Progress on sustainability issues is reported to the Netafim Management Team on a regular basis and annual strategy and goals are agreed by the Management Team annually. At each Netafim plant, a local HR Manager has responsibility for embedding sustainability practices and processes, managing sustainability communications and advancing local programs for engaging employees in the community.

Responsibility for sustainable practices lies with the entire Netafim Executive Management Team. The CSO takes the lead in driving strategy development and implementation throughout Netafim's business. The CSO is often the "voice" of Netafim's sustainability programs and represents Netafim at global policy meetings and working groups of organizations with which Netafim is closely engaged.



PERSPECTIVES FROM NETAFIM'S CHIEF SUSTAINABILITY OFFICER

What does sustainability mean to you personally?

Naty Barak: That my grandchildren will enjoy their environment in the same way that I did when I was their age.

How does Netafim make a difference in the global sustainability arena?

Naty Barak: Today's most pressing challenges are water scarcity and aquifer depletion, arable land reduction and soil erosion, climate change and greenhouse gas emissions, and energy constraints. Food safety concerns add to this. Drip irrigation holistically addresses the point where all these challenges intersect. Since its inception, Netafim has been offering the world Sustainable Productivity - maximizing food production while minimizing environmental impact.

What do you see as Netafim's major advances in sustainability during the past two years?

Naty Barak: Spreading the message of sustainable agriculture and efficient use of water while embedding sustainability practices in our own direct operations, in all our manufacturing plants.

What is next for Netafim in terms of sustainability progress?

Naty Barak: Leading the Drip Revolution: training farmers to grow more with less, building capacity among smallholders and adapting basic food crops and commodity crops to drip irrigation while harnessing our technology for food security.

NETAFIM'S ECONOMIC IMPACTS

The primary economic contribution of Netafim's operations around the world is the advancement of efficient agricultural techniques based on drip irrigation. The scale of this economic impact reaches thousands of farmers worldwide and the families and communities they support. As global demand for agricultural output increases, as the world's population grows towards the oft-quoted 9 billion in 2050, as finite energy reserves are reducing and energy costs are rising, as nearly all of the world's productive land is already exploited and as the number of people living in water-stressed countries is set to increase six-fold within the next generation due to continuing water scarcity, coupled with predicted rise in the cost of water for domestic, industrial and agricultural use, the ability to provide food and maintain a decent quality of life will become more challenging and more costly, placing unprecedented stress on the entire global ecosystem and the world's populations. Netafim's contribution is at the intersection of all these pressure points: reducing energy, optimizing the use of arable land, reducing water and agrochemicals resources and increasing food supply are the effects of the Drip Revolution, not only making agriculture more productive but also agricultural outputs more affordable. Farmers and growers using Netafim's systems are able to achieve 50-100% increase in income and up to 40% reduction in costs, turning economic stress into sustainable opportunity.

Additionally, Netafim makes a direct economic contribution through the conduct of its daily business through the generation of revenues and redistribution of wealth to Netafim stakeholders.

In 2011, Netafim generated over \$800 million in sales, which represents 32% growth versus 2010.

ECONOMIC IMPACT IN EMERGING MARKETS

Netafim's economic contribution significantly favors peripheral areas and emerging markets. In Israel, Netafim's plants are located in low-income and low-employment areas and represent an important source of employment and economic well-being for families in the regions around the plants, as well as a considerable contribution to the national economy of the State of Israel. Around the globe, Netafim's prominence in rural communities in India and other countries means that underprivileged remote villages come to life through the ability to adopt new practices in viable, sustainable agriculture. From barely being able to feed their families, countless farmers in emerging markets are now able to support themselves and generate income from the sale of their produce, and in many cases, provide employment for local people. Netafim's commitment to sustainable growth in emerging economies is a major contribution to the local and global economies.

The economic benefits of drip irrigation are unequivocally clear. For example, in Swaziland, a post-investment audit conducted by an independent UK company of an 11,600 hectare sugar cane plantation at the Simunye Sugar Estate confirmed a sucrose increase of 15% and water saving of 22% compared to the former sprinkler system. Another example of cost benefits was examined in Niamey, Niger. The following chart shows the increase in yield and revenue based on five vegetable species planted in a 500 m2 plot for a total of two production seasons per year. Given the purchase cost of the FDS system of some hundred dollars only, farmers are able to easily return their investment within the first year and continue to enjoy significant additional economic benefit.

Crop	Conventional		FDS		Revenue Increase	
	Yield (Kg)	Revenue (\$)	Yield (Kg)	Revenue (\$)	%	\$
Tomatoes	2000	1215	7200	6171	400	4956
Melons	2000	999	2950	1685	68	686
Eggplants	3000	1392	8150	4657	234	3265
Lettuce	2000	928	7800	5013	440	4085
Cabbage	3000	1070	11200	4800	348	3730

Similar examples can be found in every single emerging market in which Netafim is active. The economic contribution of Netafim in supporting sustainable agricultural productivity solutions is undisputed.

ECONOMIC EMPOWERMENT FOR WOMEN THROUGH AGRICULTURE

A further, notable area of impact for Netafim is the economic empowerment of women in emerging economies, as women are often key players in rural agriculture. In India, for example, whose economy is primarily based on agriculture, women are major producers of food and about 70 percent of farm work is performed by women. By bringing modern irrigation systems to agriculture, Netafim supports the empowerment of women to contribute more effectively to the family income and raise the quality of life, while reducing the burden of farm work on women, enabling them to devote more time to other family responsibilities and even enjoy some leisure time.

ECONOMIC IMPACT THROUGH GLOBAL FOOD AND BEVERAGE MANUFACTURERS

Netafim has a further indirect economic impact as global food manufacturers work to understand and improve the economic and environmental impacts of their own supply chains. Global food and beverage manufacturers work upstream and engage with their local suppliers of the main agricultural raw materials for their different requirements. Netafim supports such global food and beverage manufacturers, advising on the most advanced technologies to assist these global manufacturers in defining and establishing standards and enhancing the capabilities of their local producers in the most economic and environmentally responsible manner. In this way, the impact of Netafim reaches a very wide range of food products and advances the sustainable productivity of the entire food industry.

PEOPLE DOING MORE WITH LESS

OUR APPROACH

Netafim people are committed to doing more with less. This goes back to the founding spirit of the Company, based on its Kibbutz origins when Kibbutz members pioneered ways of making more out of the often barren desert lands of Israel, the lack of natural resources such as water, oil or other vital raw materials, and were forced to be modest in consumption and innovative in design. One of the necessary drivers for automated drip irrigation, for example, was the fact that, given outbreak of war and lack of security in many parts of Israel after the declaration of the country's independence in 1948, farmers needed the ability to maintain their agricultural output remotely so as not to endanger their lives through physical presence in the fields.

Kibbutz society, at its origin was based on the sense of common need and shared resources, with everyone contributing what they can while receiving what they need. While the nature of the Kibbutz phenomenon has somewhat changed today, with privatization and commercialization of Kibbutz industries, the culture which built the Kibbutz movement remains. This culture was rooted in family values, pride, a sense of belonging, motivation, decisiveness, achievement, and a deep sense of personal responsibility and contribution. In the early days, Netafim employees were recruited from among the Kibbutz ranks but today, the Company's workforce is recruited from the open market as well as from the pool of skilled Kibbutz members. Close to 300 Netafim employees in Israel (30%) are Kibbutz members.

The Netafim spirit that underscored the development of the company still thrives and is characterized by open communication, loose hierarchy, inclusive decision making processes and personal responsibility.





HUMAN RESOURCES MANAGEMENT AT NETAFIM

People Management at Netafim is led by the VP for Human Resources who is a member of the Company's Executive Management Team. HR Managers support Netafim business operations in business regions and through a small HQ-based staff. During 2010/2011, the Human Resources department undertook a global HR strategy revision in order to ensure the Company's resourcing needs over time is aligned with Netafim's global business expansion and changing market realities. The core of this HR strategy was to ensure Netafim is well positioned to become a truly global operation in a globally competitive market, where technology is redefining time and space, knowledge is the new growth engine and businesses operate in a flat world without borders. Netafim's key Human Resources challenges were defined as driving a global culture, enabling leadership and empowering people.

HR'S CORE OBJECTIVES FOR 2011-2014 INCLUDE

- **Leadership capabilities:** Improving leadership capabilities requires increased understanding of Netafim's leadership model through a new leadership competency program to drive behavior change in Netafim's global operations.
- **Manager Effectiveness:** In order to be more effective, managers need development training and Netafim leadership needs tools to be able to identify management potential more quickly and more accurately through performance review and manpower planning processes.
- **Increasing employee engagement and retention:** As Netafim's business grows and becomes more global in nature, it is important to ensure that Netafim captures employee needs and provides opportunities for personal growth, meaningful contribution, knowledge sharing and targeted remuneration to ensure the full engagement of all employees and management stability.
- **Improving Sales Skills:** Establishing a comprehensive learning infrastructure for Netafim's sales force is critical to future growth, especially in emerging economies.
- **Increasing Global Collaboration:** Ensuring more effective communication and collaboration between Netafim HQ and all global business units is key to ensuring alignment of Netafim's activities to achieve global business objectives.



NETAFIM EMPLOYEES

Netafim employs close to 3,000 employees around the world of which 42% are based in Country Head Offices, 32% in local Sales offices around the world and 26% are employed in Netafim's manufacturing and logistics operations. 100% of employees are employed on indefinite

term contracts, though there is some seasonal shifting depending on the sensitivity of agricultural activity for different crop cycles around the world. In general, however, Netafim maintains stability of the core workforce throughout the year.

Number of full time / part time employees at year end 31st December 2011			
Full time equals 9 months per year and 30 hours per week			
Country	Full Time Employees	Part Time Employees	Total Full Time
Country Head Office	1233	35	1268
Plant	759	8	767
Sales Offices	957	3	960
Total	2949	46	2995

Percentage of Managers by Role 2011	
Role	Managers as Percent of Total Workforce
Head Office Staff	14
Plant Employees	5
Sales Staff	3
Total	8

Percentage of Employees By Gender 2011	
Total Managers	2995
Female	16
Male	84

Percentage of Managers By Gender 2011	
Total Managers	2995
Female	16
Male	84

NETAFIM EMPLOYEES BY REGION

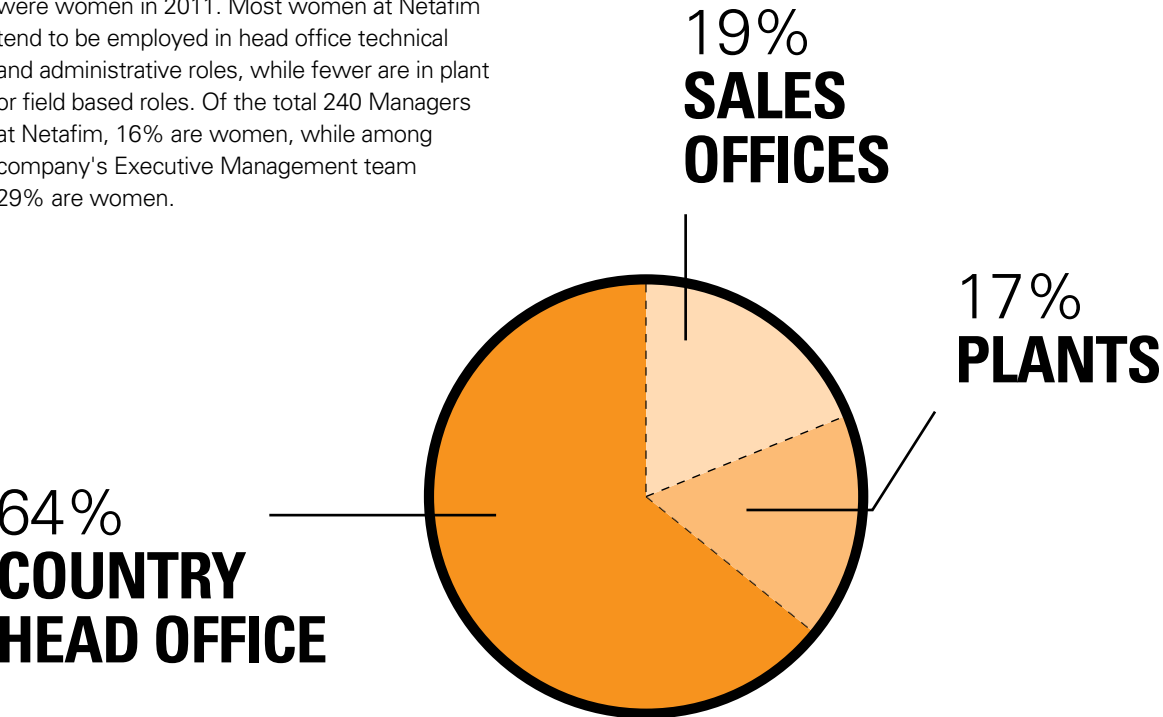
Netafim employees are based in 33 subsidiaries around the world, with 30% in India and 27% in Israel being the largest groups. USA, Mexico, Australia and Brazil have over 100 employees in each country and the remainder is spread around the globe, delivering more with less in developed and emerging markets.

Employees by Region at 31st December 2011	
Country	Total Full Time Equivalents
India	907
Israel	796
USA	184
Mexico	138
Australia	96
Brazil	103
Rest of the World	745
Total	2969

The Netafim workforce is dominated by a high percentage of agronomists and agricultural specialists which contribute to the development of Netafim innovative technologies and application in new crops.

EQUAL OPPORTUNITY AND DIVERSITY

Netafim is an equal opportunity employer and welcomes both men and women in all types of roles. Traditionally the agricultural business has been male-dominated and this is also reflected in Netafim's employee numbers, of which 16% were women in 2011. Most women at Netafim tend to be employed in head office technical and administrative roles, while fewer are in plant or field based roles. Of the total 240 Managers at Netafim, 16% are women, while among company's Executive Management team 29% are women.



Number of FTE Employees by Gender 31st December 2011			
Location	Male	Female	Total
Country Head Office	930	338	1268
Plant	713	54	767
Sales Office	882	78	960
Total	2525	470	2995

RATIO OF PAY BY GENDER

Netafim's policy is to pay men and women equal pay for equal work, consistent with experience, skills and job responsibilities. Details of salary levels by gender are not specifically monitored at this time.

EMPLOYEE REWARD AND RECOGNITION

Netafim aims to reward employees fairly, equitably and competitively in local markets in which Netafim operates. All employees receive a base salary which is equal to or higher than the legal minimum wage in all countries of operation. Local remuneration levels are determined in the local subsidiaries in line with local employment laws, market norms and the Netafim Code of Business Conduct.

Typical benefits packages in addition to salary for Netafim permanent employees include both elements required by law and elements which go beyond legal provisions. All employees are provided with Pension Plans, Health Insurance, Paid Vacation, Maternity Leave and Sick Leave. Additional benefits are offered by country in accordance with market standards and local norms. These may include an annual bonus, annual clothing budget for all non-production employees (production employees receive appropriate clothing), gifts for birthdays, and other family celebrations, free or subsidized meals and special savings funds.

OUTSTANDING EMPLOYEE PROGRAM

Annually, Netafim holds an Outstanding Employees Global Event as an expression of Netafim's appreciation for excellent performance and high motivation. This event takes place in Israel and all outstanding employees travel to receive their awards and network with their peers. The four day event includes educational visits to Netafim sites in Israel to build understanding of the business, make connections and see where it all started! In 2011, 28 employees attended the conference: 9 women and 19 men from 12 countries.

APPRECIATION PROGRAM

- Netafim's 'Appreciation Program' allows managers to allocate bonuses of different kinds (cash or "weekend getaways" for staff and their spouses) at their discretion. Managers award Appreciation under this program to employees who have demonstrated exceptional performance by:
- Regular contribution to achieving Netafim's goals and personal objectives.
 - Continuous improvement in work processes and quality of work output.
 - Outstanding teamwork.
 - Demonstration of innovative thinking.

EMPLOYEE RIGHTS AND FREEDOM OF ASSOCIATION

Netafim supports the right of employees to freedom of association and collective bargaining. In practice, all Netafim employees are hired on personal contracts and are not members of employee representative bodies. Netafim's respect for employee rights, "open door" policy of management and high involvement of employees in business decisions has generally meant that Netafim employees have not felt the need to form an association to protect their rights.

CHILD LABOR AND FORCED LABOR

Netafim opposes all forms of child labor and forced labor. There are no children under the age of 15 employed in any of Netafim's operations around the globe. All Netafim employees work with the Company of their own free will, having signed an agreed employment contract prior to starting with the Company.

EMPLOYEE HEALTH AND SAFETY

Netafim is committed to maintaining a safe and healthy work environment for all employees. This includes strict compliance with occupational health and safety regulations and standards around the world and comprehensive employee training in safety procedures upon joining the Company and during their job tenure.

Netafim employees, especially those working in manufacturing facilities, participate in several health and safety training modules each year. New employees receive safety training as part of their corporate orientation, and all employees are offered annual health checks every year. Noise, hazardous materials, air quality and radiation surveys are performed regularly.

NETAFIM HEALTH AND SAFETY POLICY

The Netafim Management Team is committed to a safe working environment and embedding safe working practices throughout the entire Netafim operation. Netafim strictly adheres to all laws relating to workplace safety and allocates resource to ensure effective monitoring of good practice. The focus is on accident prevention and all employees are trained in best practices. In Israel, Netafim adheres to the Standard SII 18001:2007 (Standards Institution of Israel) Israeli Occupational Health and Safety standard, at all plants.

Netafim maintains a Corporate Safety Committee which is comprised of management, Safety Officers and employees. The Committee meets several times a year to review practices and approve annual safety plans and progress. All Netafim factories have a local Safety Committee which is charged with monitoring local practice and ensuring relevant training as well as reviewing safety incidents and agreeing corrective action.

Preventive safety measures are common practice at all Netafim operations.

During 2011, Netafim's three factories in Israel worked towards certification against the health and safety standard, ISO 18001. Certification is expected in 2012. In order to prepare for ISO 18001 certification, Netafim performed a survey of each work station in all three Israeli factories in order to identify health and safety risks. Resulting safety risks or health hazards which were identified have been addressed and rectified without delay. In addition, ten Netafim employees attended a Health and Safety Trustee course at the Israeli Institute for Occupational Safety and Hygiene in order to equip them to implement ISO18001 effectively.



FOOT
PROTECTION
MUST BE WORN



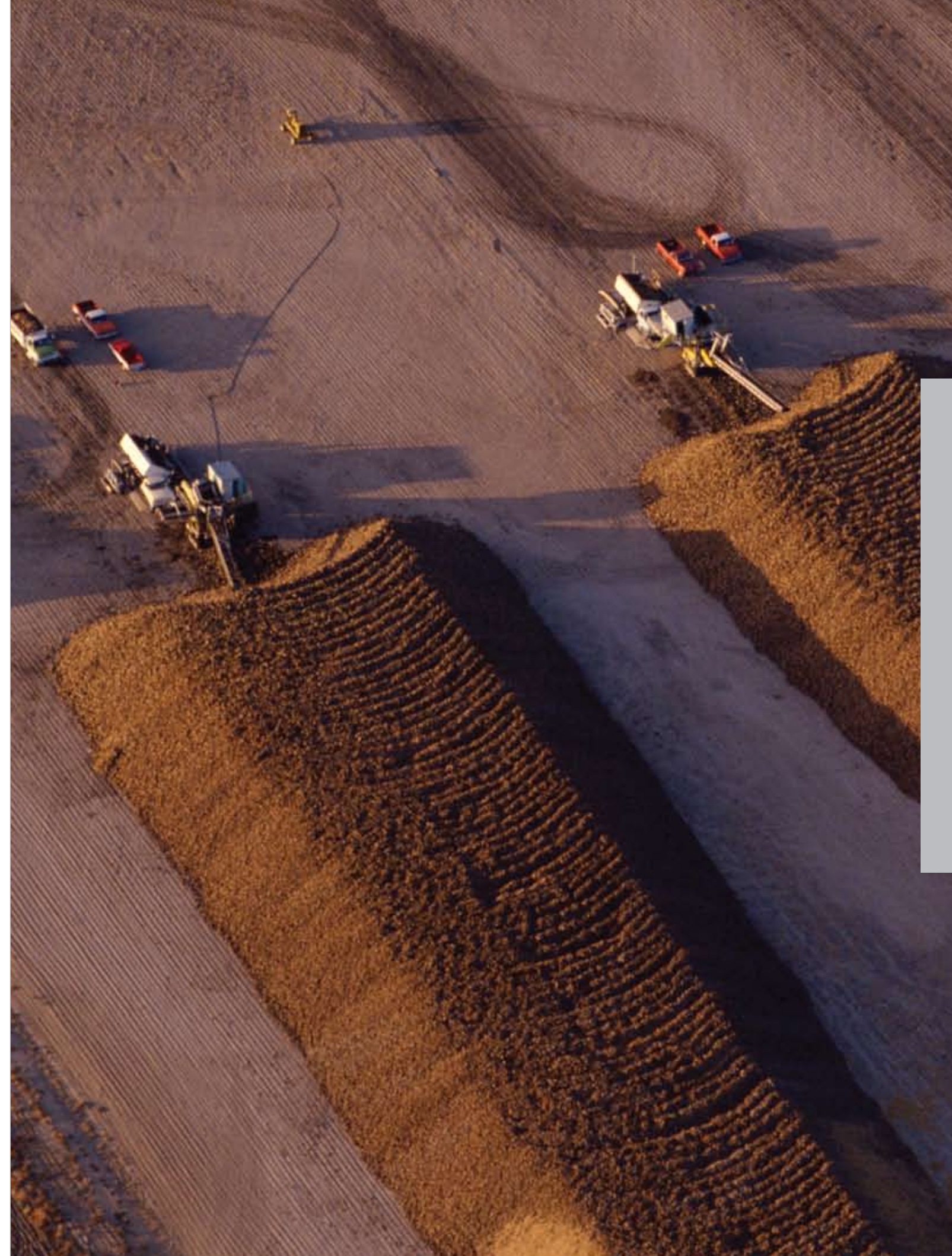
HEARING
PROTECTION
MUST BE WORN



SUNSCREEN
MUST BE WORN



PROTECTIVE
CLOTHING
MUST BE WORN



SAFETY PERFORMANCE

During 2011, there were 168 workplace safety incidents, yielding workplace accident rate of 15.7 (using standard OSHA calculations per 100,000 employees), which is a decrease from 2010 (16.3). Similarly, lost workdays due to accidents in 2011 decreased versus 2010, despite two employees which were involved in a road traffic accident and were out of work for almost 300 days. Netafim's OSHA Lost Workday Rate was 36.1 in 2011 (versus 39.8 in 2010).

Netafim Employee Workplace Accidents and Injuries 2010-2011		
Location	2011	2010
India	2	3
Israel	25	24
USA	11	7
Rest of World	130	125
Total	168	159

Netafim Employee Workplace Lost Workdays due to Accidents 2010-2011		
Location	2011	2010
India	30	1
Israel	347	297
USA	5	0
Rest of World	6	43
Total	388	341

Almost all workplace injuries and accidents are due to minor injuries such as cuts, bruises and slips. There have been no fatalities at any Netafim site since the start of the Company's operations. However, during 2012, Netafim plans to review all workplace safety procedures and ensure additional preventive measures are enforced in all plants.

All safety data relates to Netafim employees only. In addition, there are a small number of workplace accidents affecting contractors or non-Netafim employees working at Netafim sites, for which data is not currently available from all sites for 2011. We will make efforts to record all such data and report fully in our next report.





LOCAL SUCCESS

Randhir Chauhan, an Indian national, was hired by Netafim India in 1997, working through positions in Sales, Marketing and Operations in successive roles. He was appointed Managing Director of Netafim India in 2006. Under his tenure, Netafim India has tripled business and revenue growth. Perspectives from Randhir Chauhan

What does sustainability mean to you personally?

Sustainability is to ensure natural resources available for the future too. This has emerged on account of the social, environmental and economic consequences of rapid population growth and growing requirement of various natural resources. As the pressure is increasing on per unit area of land, enhancing productivity and utilization efficiency of natural resources has become the need of the hour for the survival of the humankind.

How does Netafim make a difference in advancing sustainable productivity in India?

Through its drip technology system installed in 240 thousand hectares of land, Netafim has been enabling the transformation of the lives of more than 200,000 farmers by way of saving water and fertilizer usage in agriculture. In a developing country like India it has proved important in addressing power shortages and labor constraints.

As you consider 2012-2013, what are the main challenges of expanding use of drip irrigation in India?

The main challenges of expanding use of drip irrigation in India include the fact that water ownership is still not regulated by the government and there are serious funding shortages. Additionally, 80% of farmers in India are small, most use subsistence farming methods and awareness of new technologies is still low. Netafim must maintain a strong educational program to address these challenges.

What is Netafim's reputation as an employer in India?

Netafim is seen as a company having a strong value proposition and ethical practices, caring for all-round development of employees and enabling them to exercise their creativity and innovativeness in the workplace.

EMPLOYEE ATTRACTION, RECRUITMENT AND RETENTION

Netafim's strong reputation as a sustainability-minded company is attractive for potential employees and Netafim always has a long list of applicants interested in advancing the Netafim purpose. The Netafim recruitment team focuses both on skills, experience and aptitudes in the recruitment process but also looks to recruit candidates that are aligned with Netafim's values and commitment to sustainability. Recruitment opportunities in Israel are first offered to the members of the founding Kibbutz communities (Hatzerim, Magal and Yiftach) but recruitment is strictly based on a fit with Netafim's business objectives and recruitment objectives.

Many recruits are identified through Netafim's "Bring a Friend" program and this is a source of recruitment which both reinforces employee engagement, and helps to identify candidates which might not appear on the regular recruitment radar. Netafim employees are proud to recommend Netafim to family members and friends.

Once on board, new employees receive a personal training program which is tailored to meet actual needs of the job and the individual, and

progress is supervised by the new hire's direct Manager and HR partner.

After three months, the new employee is invited for a personal review of progress, setting of personal targets and identification of further training needs.

COMMITMENT TO LOCAL HIRING

With operations in 28 countries, Netafim places a great effort on local workforce empowerment while ensuring the most appropriate skills to advance Netafim's business by hiring locally at all Netafim's operations and subsidiaries worldwide. Netafim has always had a preference for hiring local, since it is important, especially in the agriculture business, to be connected to the local agriculture community, and culture. Therefore, almost all positions are filled locally wherever possible. However, in emerging economy markets, locating people with the right skills and experience is often challenging. In these cases, Netafim temporarily transfers an experienced employee from another country to both develop the business and establish local capabilities and local employees' succession plans. Overall, local Managers represent 90% of Netafim's total global management.

BUILDING HUMAN RESOURCES CAPABILITIES FOR LOCAL HIRING

Netafim's Human Resources plans for 2012-2014 include management development with a focus on emerging economy markets. During 2010, Netafim established a new Human Resources team to focus on the hiring and development of local employees. The Global HR team developed a training and coaching program for local HR managers located in emerging markets to advance their awareness and capabilities for local hiring.

Most local subsidiaries had no dedicated HR position, so the first objective was to improve the Human Resources network in the Netafim world. New local HR managers were hired in Peru, Turkey, Mexico, Brazil, India, Italy, South Africa and Australia.

In many cases, the new HR Managers were able to create and implement new programs to enhance local skills and capabilities and empower local employees. In 2012, all local HR Managers will become part of a new Netafim HR network with knowledge sharing and exchange of best practice in order to ensure global application of advanced Human Resources recruitment, development and retention practices.

EMPLOYEE PERFORMANCE FEEDBACK

Netafim believes in the importance of open communication with Managers and employees about their performance in order to identify opportunities for improvement and personal development. All Managers participate in an annual Performance Evaluation which includes a review of performance against targets and behavioral aspects of performance in line with Netafim's Management Competency Model as well as other activities such as community involvement. In 2010, 79% of employees participated in this process, and 90% in 2011.

NETAFIM COMPETENCIES

During 2010-2011, Netafim's global Human Resources Management Team completed the Netafim Management Competency Model, which defines the expectations of leadership qualities that Netafim Managers are expected to acquire and demonstrate. This model informs Netafim's job definition, recruitment, placement, training and development and performance evaluation processes.

LEADING TASKS	PERFORMANCE AND CONTROL	PRIORITIZING AND DECISION MAKING	MOTIVATION AND FOCUS OF RESULTS	PROFESSIONAL KNOWLEDGE
LEADING PEOPLE	MOTIVATING EMPLOYEES	DEVELOPING AND GUIDING EMPLOYEES	VALUES	BUILDING A TEAM
LEADING COLLABORATION	UNDERSTANDING THE SYSTEM	BUILDING PARTNERSHIPS	COMMUNICATION SKILLS	MANAGING DIVERSITY / GLOBAL MANAGEMENT
LEADING BUSINESS	FINANCIAL UNDERSTANDING	UNDERSTANDING THE MARKET AND COMPETITORS	NETAFIM'S SOLUTIONS	CUSTOMER RELATIONSHIP MANAGEMENT
LEADING CHANGE	APPROACH TO CHANGE	LEARNING WHILE ACTING	MANAGING CHANGE PROCESSES	COPING WITH RESISTANCE TO CHANGE
LEADING STRATEGY	MANAGING THE STRATEGIC VISION	UNDERSTANDING THE EXTERNAL ENVIRONMENT	FROM STRATEGY TO TACTICS-PLANNING	IDENTIFYING OPPORTUNITIES AND CONSTANT IMPROVEMENT
LEADING BY VALUES	ETHICS AND VALUES	INTEGRITY AND TRUST	STANDING ALONE	ACCOUNTABILITY & MANAGERIAL COURAGE

TRAINING AND DEVELOPMENT

Each local Netafim subsidiary develops its own training programs which are tailored to the priorities, products and unique customer needs in the local region. In general, training and development at Netafim falls into two categories:

- Management Training and Development: Hard and soft skills for managers.
- Professional Skills Training: Sales and Technical Training for all employees on all Netafim's product offerings and agricultural impacts.

In 2011, Netafim invested over 4,800 training hours for employees in Netafim plant operations around the world, representing 34.5 hours per employee per year.

"GROWING TO MANAGE"

This is an annual six-day management development course for Team Leaders, followed by follow-up group meetings. Participants are new managers at their first management role with responsibility for teams. This is typically the first course in a Netafim manager's career, providing a good foundation development of a strong contribution over time and for personal career development. The program includes delivering results in current role, improving communication skills and influencing, cross-functional collaboration and managing employees. 14 managers participated in 2011 program.

TASK MANAGEMENT COURSE

This is a newly-developed four day program, with additional follow-up meetings to review implementation of new learning. The course is for more experienced Managers who need to build their influence within the Netafim organization in order to achieve business objectives. 16 managers will participate in 2012.

MANAGEMENT DEVELOPMENT PROGRAMS

This is a program consisting of ten half-day workshops, including outdoor training, over a period of 5 months. The objective of this program is to equip managers with tools to cope with remote management, cultural diversity, workplace

conflicts, personal development of subordinates and more.

In India, a more extensive 1.5 year program commenced in 2010 for 16 mid-level Managers as a prototype for emerging market management development. The program is specifically designed to equip managers for senior management roles within India and possibly in other locations within a period of three years.

GLOBAL HIGH POTENTIAL PROGRAM FOR EMPLOYEES

This program is designed to identify employees who have the potential to fill critical management positions within 1-3 years. Candidates for the program need to show high performance, demonstrate core competencies, high motivation for development, learning abilities, and have a seniority of at least 18 months at the company. Program participants are selected based on managerial reviews, which identify employees with leadership potential and core competency skills. Each participant will undergo a 360° process of evaluation by managers, peers, subordinates and self-evaluation. The first High Potential program will take place in 2012 with 25 employees from different countries. Each participant will receive a personal development plan and will be supported by specialist resources throughout the program, which is due to last for two years.

KEEPING EMPLOYEES INFORMED

Netafim aims to keep all employees up-to-date with global developments in sustainable agriculture, Netafim's business strategy and performance and other developments in the company. In addition to informal meetings and local departmental meetings throughout the year, there are four core frameworks that provide a basis for communications.

MANAGEMENT FORUM

This is comprised of all Netafim's Global Business Unit Managers and convenes twice a year with attendance of 30 Managers.

GLOBAL LEADERSHIP CONFERENCE (GLC)

This is a forum for all business units and subsidiary managers. The GLC meets at least annually and ensures best practices are shared and important programs are rolled out uniformly on a global basis.

OUTSTANDING EMPLOYEES CONFERENCE:

This is a global meeting to honor outstanding employees, held annually. 28 outstanding employees participated in the 2011 conference. The conference is held in Israel and includes trips to the different Netafim sites and plants, as well as social activities and tours to cultural and historical sites.



INTRANET PORTAL

Netafim maintains an Intranet portal for all employees to access both general information about Netafim's business and also important knowledge-sharing documents which provide support for individuals in their roles.

EMPLOYEE NEWSLETTER

Every quarter, Netafim issues a newsletter, summarizing all relevant information about Netafim's business and related information for the benefit of all employees. The newsletter is distributed electronically to all employees in over 30 countries.

DOING MORE FOR LESS WITH OUR CUSTOMERS

OUR APPROACH

At Netafim, we value and respect our customers and maintain a strong motivation to deliver sustainable productivity solutions to meet their individual needs. We understand that each farmer faces a unique set of challenges which are influenced by a range of factors - economic, agronomic, local infrastructures, climate, water sources, social and more. A keen understanding of the entire set of conditions that impact the farmer's ability to deliver a sustainable livelihood in an efficient and environmentally friendly way is the golden rule of our business. Netafim does not offer a one-size fits all solutions. We aim to see the issues through our customers' eyes, address each customer according to his needs and provide tailored systems which deliver the desired results. We do this in a spirit of collaboration and long term relationships based on integrity, trust and strong performance. Delivering what we promise is Netafim's second nature. Our first is helping farmers to grow more with less.

THE NETAFIM GLOBAL SPECIALIST DEALER NETWORK

In many parts of the world, we reach our customers through a network of specialist dealers, located close to our customers and serving them in line with Netafim's principles, using Netafim's technologies and knowhow and operating to Netafim standards. With the kibbutz values of camaraderie and loyalty at its core, Netafim aims to serve customers with these values in mind. Even though most Netafim customers are served through the dealer network, and Netafim's direct customer relationships are limited, Netafim teams are always on hand to assist in improving the customer experience and offering suggestions for improvement.

Netafim maintains a network of over 2,500 dealers based in more than 100 countries. We invest our most valuable resources in providing training, guidance, ongoing advice and support to dealers in order to help them identify customer needs and provide the right solutions. On any given day, the Netafim Field Team of over 1,500 agronomy, irrigation and automation specialists is working with dealers, conducting training workshops, reviewing customer issues and helping to identify new opportunities.

Netafim carefully selects professional and experienced local dealers to ensure they properly represent Netafim and the Netafim values. Many of Netafim's dealers have been working with Netafim for many years and are an integral part of the Netafim family.



Netafim believes the quality and knowledge level of its dealers to be an integral part of its value chain and therefore invests thousands of hours every year in training and developing its dealer network to equip them to provide support to customers by offering the most appropriate irrigation solution for their needs and respond to all queries. The dealers training program is based on classrooms and field learning – from products through applications, from basic financials to operational maintenance.

WORKING WITH CUSTOMERS IN ISRAEL

In Israel, Netafim's home base and the heart of the growth and development of Netafim, Netafim maintains direct relationships with customers, without need for the support of local dealers. Netafim serves thousands of customers in Israel, ranging from the smallest farm holdings to the largest commercial agricultural operations.

Netafim supports clients with a local, personal and dedicated service, targeting to maintain long-term collaborative relationships. Some customers have been using Netafim systems since the company's first drippers over 45 years ago, and have advanced together with Netafim as new technologies have been developed. Many Israeli customers have migrated to sophisticated computerized systems and advanced designs of drippers. Overall in Israel, over 75% of irrigated land employs drip irrigation systems, and most of these use computerized irrigation systems, a much higher rate than anywhere else in the world. This supports delivery of higher yields and also enables farmers to grow more with less.

A NEW, BETTER RESPONSE TO CUSTOMERS

The global Customer Service Department in Israel enjoys daily interaction with subsidiary companies and dealers (in countries where there are no Netafim offices) worldwide. Each Customer Service Representative works closely with several customers, providing them information regarding prices, availability and logistics, as well as a point of contact for queries and issues.

During 2010, Netafim installed a new system to improve Netafim's response time to customer queries and also improve the quality of the response. The Quality Assurance module of the company's SAP program was activated and is now accessible to Netafim teams all over the world, with relevant authorizations. Any query or complaint received by customers is automatically dispatched to the relevant team who can provide their input as part of a coordinated response to the customer. The automated system, in which queries are submitted in a standard customer query format, enables full tracking of issues raised by customers and facilitates team learning from the collective experience. Analysis of issues and complaints received is used in determining product development and enhancements for the benefit of all Netafim customers.

EXTENDING DRIP IRRIGATION KNOWLEDGE TO FARMING COMMUNITIES

In addition to working with dealers and direct customers, Netafim provides support for farming communities, including many who are not Netafim direct or indirect customers. Netafim's outreach includes education and training on the benefits and practical implementation of drip irrigation systems for local farming communities in rural areas. More than 2,000 such seminars have been held, reaching over 50,000 farmers in 2010/2011.

Netafim is active both in Mexico and India, offering free seminars to groups of farmers from different regions. In 2011, 21 growers and seven dealers from the state of Sinaloa, Mexico area attended a seminar to learn about the benefits and techniques of drip irrigation, including watching a demonstration of the system.

NETAFIM INDIA 'SAYHOG' FARMERS CLUB

In 2011, Netafim India established 'Sayhog' - a cotton and sugarcane farmers group. The group was created for the benefit of Netafim's customers in India, and its members are 100 farmers that have been successful in implementing sustainable farming and irrigation methods and today enjoy the results.

The aim of the group is to share knowledge and expertise among these farmers, bring this knowledge to peers in their area and guide them towards sustainable irrigation and production of cotton and sugarcane.

In December 2011, Netafim hosted a two day conference for the farmers at Pune, including a tour at a hi-tech irrigation farm and a visit to the Kisan Agriculture Trade Fair and Exhibition. The conference included training sessions to update the farmers about technology advances in irrigation, and new trends in cotton and sugarcane cultivation.

Several farmers were presented with Krishi Shri Awards and were introduced to the Reuters Market Light (RML) cards, which provide daily updates on weather forecast, market prices and general information about selected crops via cellular text messaging, enabling farmers to increase their revenues through improved business information.

The Krishi Shri Award is the highest honor conferred by Netafim India for those farmers who have demonstrated exemplary achievements

using Netafim Drip Technology. "Krishi Shri" in Hindi means "Those reaping rich farm output out of his/her land/farm". The Awards are made according to several criteria, which include the contribution of the farmer in creating awareness about best cultivation practices and exemplary practices in irrigation and fertigation management. Netafim India served more than 68,000 farmers in 2011 for a variety of crops in different geographical zones in India. One farmer each for cotton and sugarcane crops from each of the four geographical business units of Netafim India was selected to receive the Krishi Shri Award.

"I could cut down the inputs costs of seeds for planting, labor, fertilizers, power, etc. to a significant level by switching to 5 feet spacing between rows as recommended by Netafim experts. This also ensured cutting down the maintenance cost, facilitating tremendous increase in the yield of 116 tons per acre and fetching me very good returns." Pandurang Sahebrao Avhad (Osmanabad District, Maharashtra State)

"I am using subsurface drip irrigation for my sugarcane crop. More than 20000 farmers visited my plot as the crop was very excellent and I reaped a rich harvest of 116 tons/acre and the news of this success was published in all the newspapers." R.Periyannan (Salem District, Tamil Nadu State)

"I have been growing cotton on 7 acres of my farm with Netafim drip and am the first one to adopt drip for this crop in the Nalgonda district. I have experimented with many varieties and found that Netafim drip and agronomical guidance were the only reasons for rise in the yield. Surrounding farmers were influenced and 400 farmers have begun to grow cotton on drip with as many as 5,000 farmers visiting my farm. I reaped a rich harvest of 22 quintals / acre for this crop, which I could not get till I started to grow cotton on drip." Boepally Srinivas (Nalgonda District, AP)



USING SMALL-SCALE DRIP IRRIGATION TO REVIVE A COMMUNITY IN KENYA

The village of Kamale in the Kitui district in east Kenya is a small farming community of about 200 residents. Drought conditions in recent years have badly affected Kamale's residents as they now, unable to rely on rainfall alone, need to bring irrigation water from wells and small seasonal rivers located several kilometers away. Other than the physical hardship transporting the water, farming efficiency and the quality of crops produced is low.

In 2010 Agrosphere, an Italian NGO, embarked on a project to support the village's community through small scale irrigation systems. The project, supported by the Food and Agriculture Organization of the United Nations, was designed to provide not only technical solutions to the farmers, but also agricultural training and education on aspects of environmental safety, health, water and sanitation, and social issues.

At the center of this project was the implementation of the drip irrigation method, using 200 Netafim Family Drip Systems (FDS) brought to the village by Agrosphere. The project not only provided the farmers with individual FDS kits, together with seeds and fertilizers for a complete solution, but also trained farmers in the entire production system including business planning and marketing. Netafim provided training for the Agrosphere Project Manager, to teach the villagers. Netafim also visited the village to ensure the FDS systems work as expected and provide additional guidance.

With the drip systems in place, the lives of over 200 farmers in Kamale have improved dramatically. They now no longer need to bring water every day via a trip lasting several hours on foot, freeing them up to spend time with their children and other family activities. The elderly, that could not work their own plots because of the strenuous activity required, can now keep working and producing as no physical activity involved in opening the simple water tap of the FDS. The lives of all villagers substantially improved as a result of the FDS project and support for the farmers, with an average 140% increase in harvested yields and double the level of income from farmed crops. In addition, the move to drip irrigation saved 60% of water consumption for farming applications.

A documentary film about this project, entitled "Drop By Drop", was written and directed by Davide Signa, Agrosphere's project manager and Alessandra Argenti, a film maker from the Nairobi Based NGO Cultural Video Foundation. In 2011, The film was nominated in the category of Best Short Film on Social Communication produced by NGOs at the prestigious Milano Film Festival where over 80 film makers participated.

For more information about Agrosphere, please see: www.agrosphere.org

http://www.youtube.com/watch?v=cmqyD_TjrEA



AGROPARK MEXICO – A NEW MODEL FOR AGRICULTURE

In 2006, a group of 40 Mexican investors had a vision. They approached Netafim with an idea for an innovative, commercial initiative, the first hi-tech AgroPark of its kind in Mexico, which would deliver a source of income for residents of the local area and regenerate employment in the region, especially among young people. Today, with the professional involvement and guidance of Netafim, this vision has become a thriving and flourishing reality. It is called AgroPark and it is the largest collective agriculture enterprise in the country, providing livelihoods for close to 1,000 local people who are direct employees of AgroPark and its growers as well as many peripheral jobs for transportation companies, suppliers and more. The produce is sold into the U.S. and to local markets and food producers in Mexico, delivering life-sustaining income for local farmers.

AgroPark is located in the state of Queretaro, just 200km North of Mexico City (900km from the U.S. border) and covers a total area of almost 2,000 acres. The main crops grown in AgroPark are tomatoes, flowers, peppers and eggplants. Agropark is mostly comprised of greenhouses, providing growers with advanced infrastructure, facilities and irrigation systems. Netafim was responsible for constructing the park almost from Day One with AgroPark's establishment in 2008, erecting 15 greenhouses, through to today, where three of Netafim's technicians provide constant in house technical support to ensure smooth operation. A Netafim agronomist visits AgroPark regularly, providing the 15 growers, which are members of the collective, with support and tips for better yields.

GROWING GREENHOUSES



DOING MORE WITH LESS R&D

OUR APPROACH

Research and Development is a core value at Netafim as we continuously search to provide next generation solutions to deliver more with less in a way which promotes sustainable productivity. Netafim's R&D focuses on product offerings both in terms of irrigation delivery systems (Product R&D) and growing methodologies that are supported by Netafim products (Agronomic R&D).

In all cases, the focus is on the entire lifecycle of Netafim products as they are used in agriculture in diverse local conditions with a range of crops throughout the world. Today, Netafim focuses on higher levels of recycled and recyclable raw materials in order to improve overall lifecycle sustainability.

Netafim places customer health and safety at the forefront of design efforts and all products are designed with minimum levels of hazardous chemicals and consideration for health and safety aspects during use.

PRODUCT R&D – NETAFIM PRODUCT DEVELOPMENT

Product Development at Netafim follows 8 strictly managed and controlled stages, starting with idea generation and moving through to final product phase-out when replacement products have been developed. Strict controls are exercised at each stage of the process, ensuring that product development provides agricultural solutions to meet actual needs in a cost-effective way with concern for the end-of-life impacts of products. All ideas generated in the first phase are evaluated for both business potential as well as sustainability impacts.



COLLABORATION WITH THE OFFICE OF THE CHIEF SCIENTIST

The Office of the Chief Scientist in Israel (OCS), an office in the Israeli Ministry of Industry, Trade & Labor, supports industrial R&D as part of its main goal to assist in the development of technology in Israel as a means of fostering economic growth, encouraging innovation, leveraging scientific potential, enhancing knowledge base and encouraging both national and international collaboration. Netafim's precision irrigation is state-of-the-art technology, recognized as leading edge throughout the world and brings significant benefits both for economic growth and for advancing sustainable business. Israel's OCS therefore sees Netafim as a worthy partner for investment and collaboration. Netafim, as a private business with limited resources, is pleased to partner with the OCS to gain funding for breakthrough innovative research that would otherwise not be possible at the same pace. Often these projects represent both high investment and are high risk and therefore merit special attention by the OCS.

The process of project selection is detailed and exhaustive, requiring full disclosure of Netafim technology approaches and detailed statistics and risk evaluation factors. The projects are generally selected by Netafim to meet particular challenges that the OCS has an interest in working on. The projects focus on Netafim's line of expertise in drip irrigation and precision agriculture, with the objective of developing and improving new farming methods and delivering solutions to global agricultural challenges. The ultimate selection of projects is made by a decision panel at the OCS.

For the past three years, Netafim's collaborative relationship with the OCS has intensified and at present, ten significant projects are under development. In 2009-2010, Netafim received over \$1 million from the OCS to advance these projects.

For more information about the Office of the Chief Scientist see:
<http://www.tamas.gov.il/NR/exeres/B3F78073-454A-48D5-A8BA-6D088DDECCD5.htm>

AGRONOMIC R&D – COLLABORATION WITH ACADEMIC INSTITUTIONS AROUND THE WORLD

Agronomic R&D is focused on developing growing methodologies that are compatible with Netafim's products. In many cases, this involves testing drip irrigation systems on crops that have never before been successfully grown using drip irrigation, for example, rice and other commodity crops which are generally low margin and have not been able to support an investment in advanced irrigation technology. By developing appropriate drip irrigation solutions that are both effective and affordable, Netafim is leading a transformation of sustainable agriculture to enhance productivity of basic crops that will lead to major additional availability of food in coming years. The result of Netafim's agronomic R&D is freely shared with Netafim customers, forming part of the service that Netafim provides to the farming communities that the company serves around the world.

One of the routes to best practical knowledge of crop applications is through collaboration with local academic institutions which can contribute growing facilities and research resources.

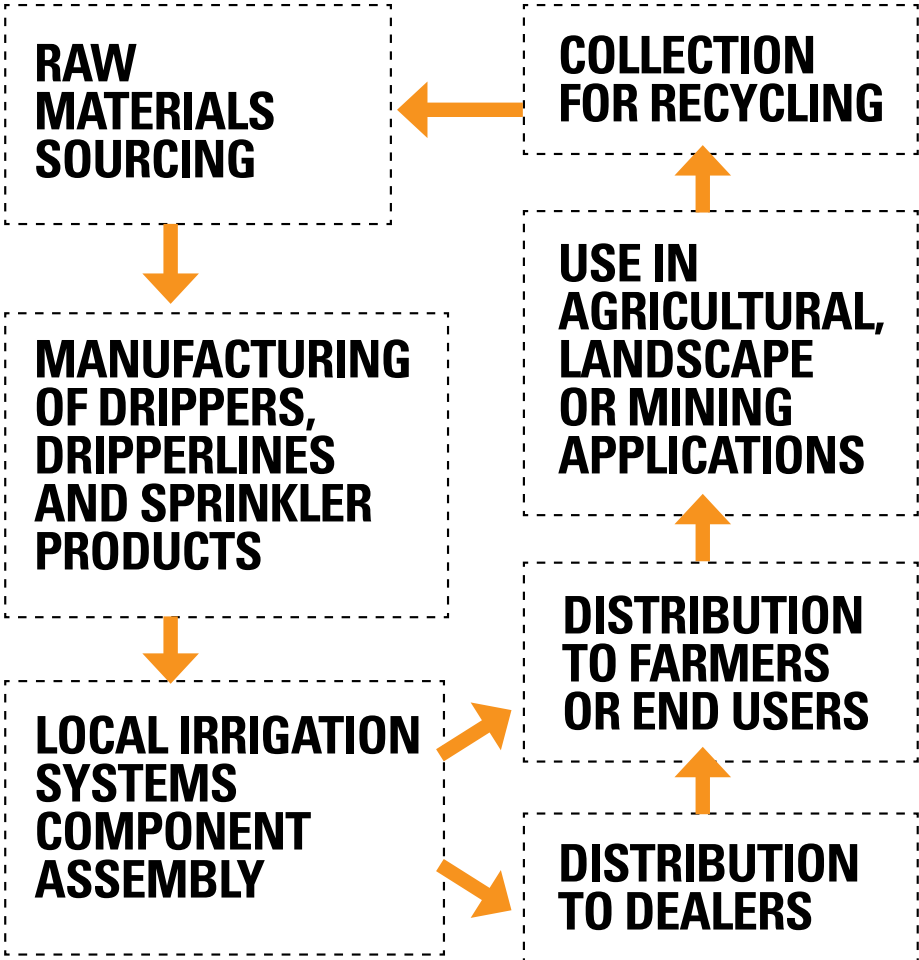
Netafim's extensive expertise and constant investment in innovation and irrigation technologies make a strong contribution to the advancement of academic studies in agriculture and sustainable productivity. By maintaining close relationships with academic institutions throughout the world, Netafim is able to both share knowledge and support academic studies while gaining the benefit of opportunities to run controlled and academically monitored field trials to assess the level of effectiveness of different technologies in diverse local conditions.

For a long list of Netafim's University collaborations, see: www.netafim.com/academic-relations



DOING MORE WITH LESS IN OUR SUPPLY CHAIN

Netafim's responsibility extends throughout the Supply Chain and includes responsibility for the entire life-cycle of Netafim products. At the design phase, Netafim products are manufactured to reduce material usage where possible and ensure compatibility with end-of-life recycling objectives. In order to reduce global logistics and transportation costs, Netafim has established a network of local manufacturing and distribution facilities in several countries, offering near-farm manufacture and assembly in Netafim's most important supply locations. All Netafim's manufacturing operations comply with all local regulations relating to operational licenses, safety and materials handling and Netafim has not been the subject of any monetary fines or sanctions for issues related to manufacturing at any time in the history of the company anywhere in the world.



Factory Location		ISO Quality Certifications
Country	City	
Australia	Melbourne	9001
Brazil	Ribeirao Prato	9001
Chile	Santiago	9001
Holland	Maasdijk	9001
India	Baroda	9001, 14001
India	Chennai	9001, 14001
Israel	Hatzerim	9001, 14001
Israel	Magal	9001, 14001
Israel	Iftach	9001, 14001
Mexico	Reynosa	9001
South Africa	Cape Town	9001
Turkey	Adana	9001
USA	Fresno	9001, 14001
Total	13 plants	

WORKING WITH SUPPLIERS

Netafim works with a wide range of suppliers of raw materials, products and services in Israel and abroad. The key raw material that Netafim purchases for the manufacturing of dripperlines and drippers is polyethylene. Netafim also sources other materials for packaging, such as nylon shrink-wrap, cartons and fasteners. In addition, Netafim sources agricultural equipment, such as electronic equipment, to supplement computerized crop management installations.

In many cases, due to proprietary technical specifications, Netafim has limited choice in supplier selection. Where possible, however, Netafim prefers to source locally when compatible with quality, lead-time and economic considerations. In many cases, Netafim suppliers are long-serving suppliers which work in partnership with Netafim on new product developments and improvements in design.

Netafim maintains a system of monitoring of supplier performance in terms of quality, timeliness of supply, adherence to safety standards and overall service, and ranks suppliers according to purchasing requirements. All suppliers undergo a strict approval process before they are approved for supply to Netafim and the best performing suppliers are awarded a certificate for good performance.

In 2012, Netafim will include requirements relating to ethical conduct and sustainability in purchasing contracts, in order to ensure further adherence to sustainable practices throughout the Netafim supply chain.

EMPHASIS ON QUALITY IN MANUFACTURING OPERATIONS

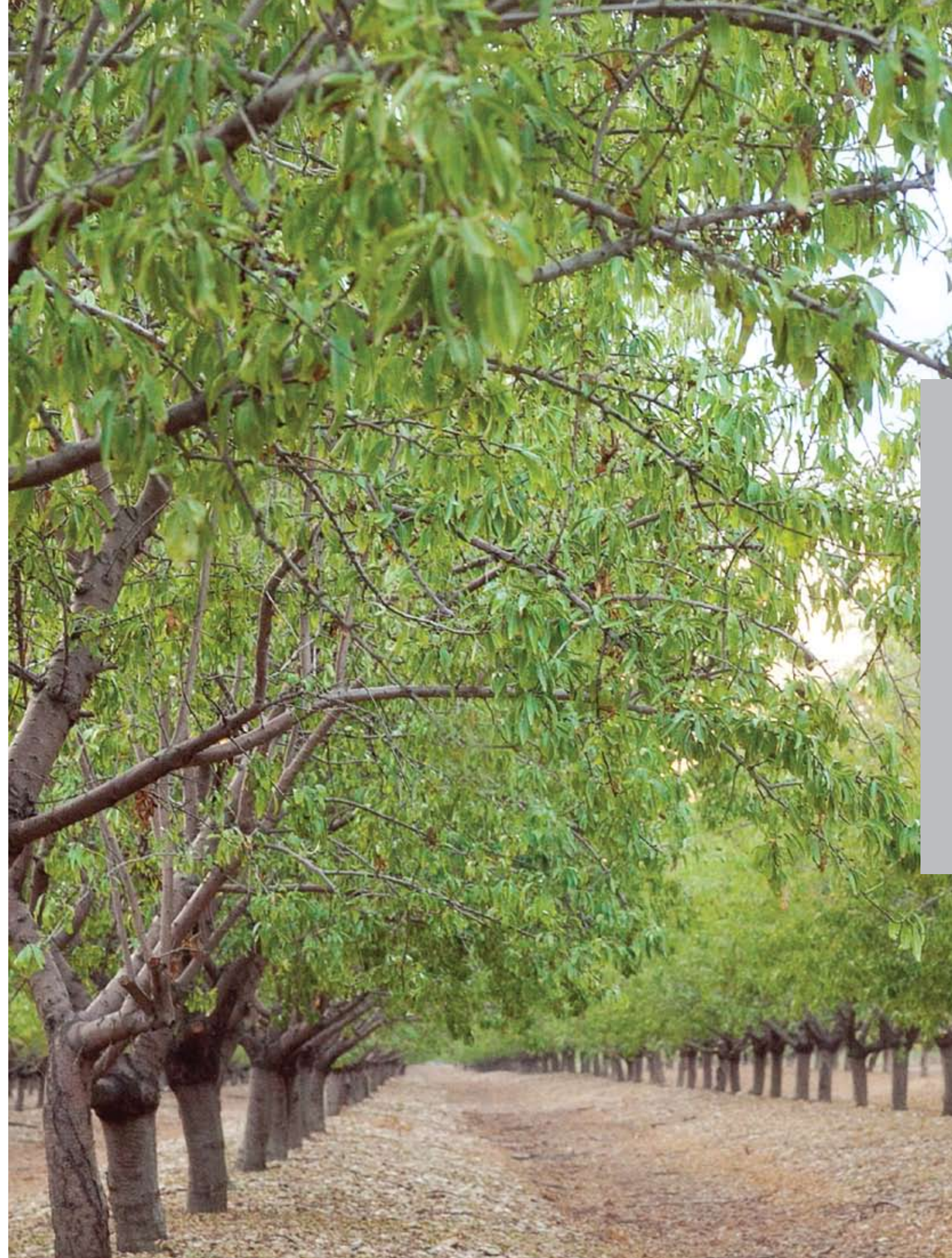
Netafim strives to maintain the highest standards of manufacturing quality excellence in its global manufacturing operations. All plants operate to the same high-quality standards and are certified to ISO Quality Standards and six plants are certified to ISO 14001 Environmental Quality certification. During 2011, several advances were made to improve the energy efficiency and environmental impacts of Netafim's manufacturing and logistics processes.

DOING MORE FOR THE ENVIRONMENT

OUR APPROACH

Environmental stewardship is core to Netafim's business offering and is constantly at the forefront of our priorities in all our activities from product development and design, to applications of Netafim products and their life-cycle impacts. Netafim's impacts on the environment through drip irrigation systems include optimization of arable land use, reduction of energy consumption, water conservation and lower agrochemical consumption, all of which make a positive contribution to climate change. We believe that our prime contribution is our responsibility to improve global sustainability through advancing awareness and use of precision irrigation systems for sustainable productivity, and enabling farmers around the globe to grow more with less.

In addition, Netafim strives to minimize the environmental impacts through the application of a precautionary approach to the way Netafim manages manufacturing, logistics and support operations and our direct consumption of materials for the purpose of manufacturing and distributing our products.



ENVIRONMENTAL POLICY

Netafim is committed to Sustainable Development and a positive overall impact on the environment. We aim to deliver a proactive, sustained improvement in environmental performance and minimize negative environmental impacts through Netafim's products and operations, while complying with all environmental legislation and regulations in every country in which we operate. We strive to quantify our environmental impacts and accept accountability for them through emphasis on environmentally positive product design, minimizing resource consumption in all manufacturing and supply chain operations, reuse, recycling and responsible waste management. We strive to work in partnership with key stakeholders to ensure environmental impacts are addressed at each stage of the supply process for the benefit of our customers, society as a whole and for future generations. In this way, we adopt a precautionary approach to environmental protection.

Netafim's works to uphold this Environmental Policy through:

- Environment Supervisors at Netafim manufacturing plants who are responsible for the implementation of the Environmental Policy.
- Establishing goals, targets and timetables for environmental performance, supported by performance measurement indicators and reporting systems.
- Allocating resources, defining authorities, responsibilities and environmental disclosures, informed by environmental legislation and Netafim Environmental Policy, as part of a multi-year plan to reduce environmental impacts in core areas such as carbon emissions, waste, energy and water efficiency, recycling and use of recycled materials.
- Delivering training programs for company employees at all levels to ensure awareness and adherence to environmental goals.
- Regular Executive Management Team reviews of Netafim's environmental performance against targets.

Key environmental practices at Netafim include:

- Adherence to ISO Standard 14001 at key factories which includes regular external audit and verification.
- Environmental Impact Assessments of Netafim products focusing on water, chemicals and power consumption effects during manufacture and use.
- Including conservation and rehabilitation of nature and biodiversity; air water and soil pollution prevention; noise and odor prevention; reduction of greenhouse gases; reduction of natural resource and water use and waste management and reduction (sewage and hazardous waste and detergents).

See Netafim's Environmental Policy: <http://www.netafim.com/netafim-s-environmental-policy>

DOING MORE WITH LESS IN NETAFIM MANUFACTURING PLANTS

RAW MATERIAL INPUTS

Raw materials for Netafim manufacturing processes are primarily plastics for the manufacturing of dripper lines. Netafim uses close to 100 million tons of plastic raw materials. In addition, Netafim uses small quantities of packaging materials (carton board) and plastic shrink-wrap, and paper for labeling and delivery documentation.

Initiatives to reduce the volumes of input raw materials used are therefore focused on reducing the amount of plastic used by Netafim and this is done in two ways:

1. All plastic waste from the production lines are rerouted back into production, resulting in near-zero raw material loss at all Netafim plants around the world
2. By design, Netafim targets to reduce dripperline wall thickness specifications in a way, which is compatible with the high performance of Netafim systems.

DIRECT ENERGY CONSUMPTION

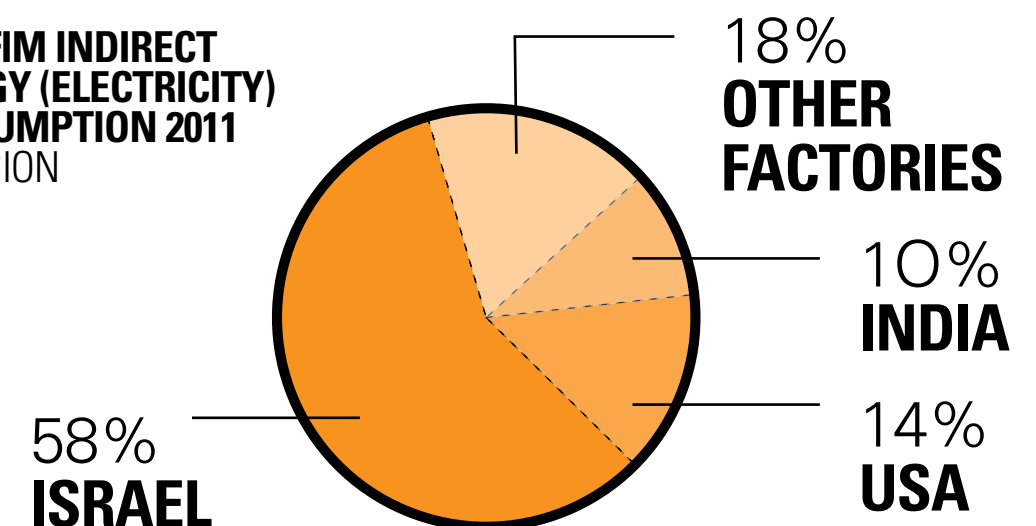
Netafim does not use any direct energy in its manufacturing and logistics operations. All power is sourced indirectly, with the exception of a small amount of diesel fuel in Netafim's production plant in Chennai, India, used for the purpose of powering a local generator. This is an insignificant amount as part of Netafim's overall energy consumption and therefore not recorded.

INDIRECT ENERGY CONSUMPTION

Netafim's only source of indirect energy purchased is electricity, which is used for the purpose of powering all manufacturing and office-based operations. Electricity is sourced from the national electricity grid in all countries in which Netafim operates. Netafim does not produce its own electricity.

In 2011, total global electricity consumption in Netafim plants was 305,411 gigajoules, a 19% increase over 2010, during which time Netafim increased overall production output by over 19%, representing maintained levels of energy efficiency in 2011.

NETAFIM INDIRECT ENERGY (ELECTRICITY) CONSUMPTION 2011 BY REGION



DOING MORE FOR THE ENVIRONMENT AT MAGAL PLANT, ISRAEL

Magal is one of the largest Netafim plants, delivering over 27% of Netafim's global dripperlines production. During the past three years, Magal plant has undertaken wide-ranging environmental initiatives, investing over \$250,000 in environmental infrastructure, serving as a model plant for other Netafim operations around the world. These activities have led to consistent reduction in energy consumption, water usage and improvements in waste handling.

This has yielded a reduction in electricity consumption per ton of processed raw materials for the production of dripperlines of almost 20% KWh per ton from 2009 to 2011.

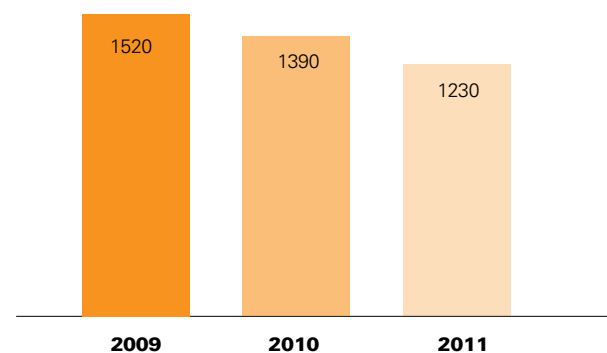
Extensive upgrades were implemented to save energy, including replacing light fixtures to T5 energy saving fluorescent lighting, installing motion-sensors for lighting activation, replacing air-conditioning units with new, more efficient models, adding insulation areas in different parts of the plant to prevent escape of cool air and installing automatic shutdowns on computers, air conditioning and lights. During 2011, a new energy-efficient chiller, which is used to cool

manufacturing halls, equipment and water used in the manufacturing process, was purchased. Additionally, a recycling extruder, which produces new raw material from waste and rejected plastic materials, was selected and installed due to its energy efficiency properties, consuming over 50% less energy than its predecessor when calculating its energy use and manufacturing capabilities.

In terms of water consumption, Magal plant has installed water meters for controlling the flow of water in all parts of production operations. In addition, Magal has pioneered a new process for recycling water in extrusion operations. Extrusion operations require limescale-free water to ensure efficient operations. During 6 months of the year, when air conditioning units are in full operation due to high temperatures in Israel, Magal routes used water from A/C units for use in extrusion operations, avoiding special water softening processes to remove limescale. This saves 300 m3 of water per year, or close to 3% of the plant's annual water consumption.

In 2012, Magal plant will continue doing more with less energy with the isolation of 17 extruder lines from the remainder of the packing hall in order to heat the lines more efficiently and avoid heat loss, and the installation of energy-saving transformers that will further reduce electricity consumption by up to 20%.

ELECTRICITY CONSUMPTION AT MAGAL PLANT IN KWH



WATER CONSUMPTION

Water in Netafim locations is primarily used for manufacturing processes, cooling and hygiene purposes. All water that Netafim consumes is delivered by the National Water Company in the locations in which Netafim operates. In 2011, Netafim's water consumption was 91,803 cubic meters, representing a reduction of 2.4% 2010 (94,083 cubic meters). During the same period, production output increased by 19%, demonstrating an improvement in water efficiency levels of over 20%.

WASTE, RECYCLING AND LANDFILL

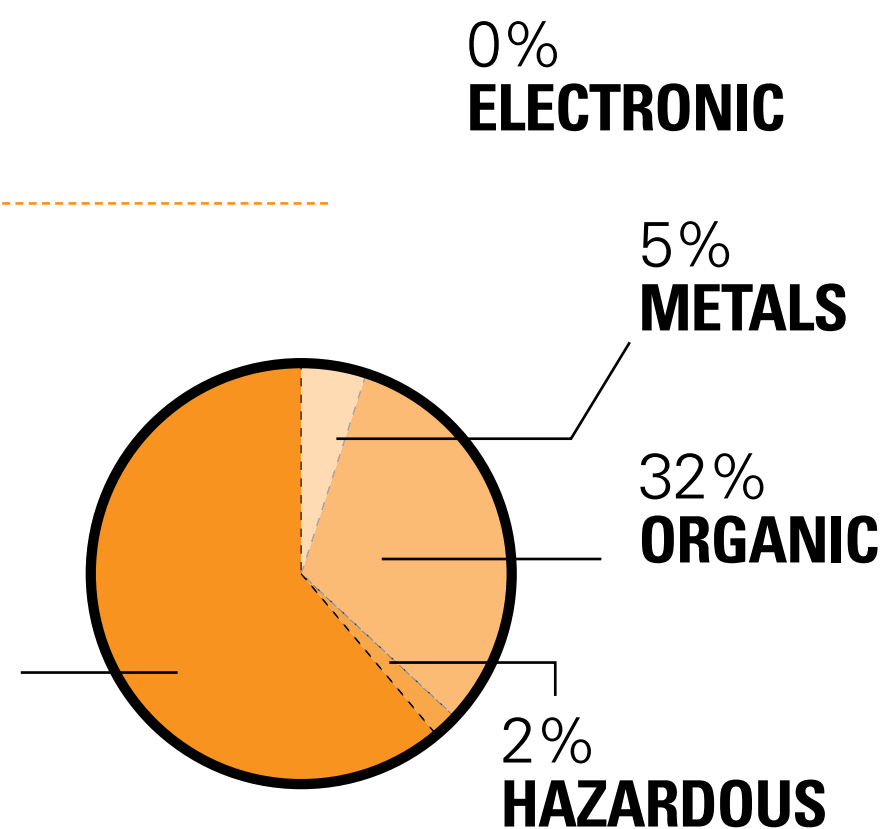
Netafim takes particular care to control waste levels resulting from manufacturing operations. All raw materials used in production, which are not fit for sale are routed back into production so that virtually no plastic material is routed to

waste. Waste is generally from supplier packaging materials, and we have taken measures in recent years to move from single-use packaging to multi-use packaging and large shipment volumes. Waste in offices is generally paper, electronic equipment or organic waste from dining rooms, with the main source of waste (61%) being paper and plastic waste, which is mainly recycled. Almost all electronic equipment waste is routed locally for recycling.

During 2011, the waste generated by Netafim manufacturing operations was 1,006 tons. Of this total amount, an estimated 65% (654 tons) was routed for recycling and 35% (353 tons) were routed for disposal at local landfills.

COMPOSITION OF MANUFACTURING WASTE IN 2011

61%
**PLASTICS & PAPER
RECYCLABLE**



PAPER CONSUMPTION

Netafim attempts to minimize the use of paper in all operations and carefully controls purchase and use of paper. In general, paper is used in logistics transactions for shipments of products and for all office based tasks. All paper purchase for office use is made from post-consumer recycled content.

PACKAGING MATERIALS

Netafim ships thousands of individual shipments per year to Netafim dealers all over the world and directly to customers. Most of these shipments are local, given Netafim's global manufacturing network, and packaging materials are designed to be sturdy enough to withstand local transportation but light enough to optimize energy-efficiency and material utilization. In general, dripperlines are shipped without external packaging.

RECYCLING OF PLASTIC DRIPPERLINES

Depending on the specification and crop application, some dripperlines need to be replaced annually, while others remain in use for as long as 15 years. Disposal of used dripperlines is problematic for farmers as incineration is now prohibited in many parts of the world and landfill costs are expensive. On the other hand, many farmers are reluctant to purchase dripperlines made from recycled materials because of their fear of crop sensitivities to recycled materials.

As part of Netafim's environmental responsibility and life-cycle approach, as well as responsiveness to customer needs, Netafim has been developing processes to retrieve used dripperlines and recycle them back into production or redeploy them for use in other industries. Netafim has applied advanced technologies to develop recycling processes which are able to clean used dripperlines sufficiently thoroughly so as to meet specifications for new production, which is a major challenge, given the level of dirt and contaminants which become embedded in plastic dripperlines over a long period of time. Because of farmer preference, it is not always possible to use recycled materials for agriculture, but landscape and extraction systems can use recycled content dripperlines without concern. Therefore, recycled dripperlines are mostly routed for use in landscape and mining applications while unusable materials are resold for applications in other sectors or sent to landfill.

Since 2007, Netafim has partnered with local recycling operations in many of the countries in which Netafim operates to retrieve dripperlines and route acceptable quality products for recycling and the remainder for resale. During 2012, Netafim will formalize a retrieval and recycling policy to apply to all global operations.

The countries which have made the greatest progress in terms of dripperline recycling at Netafim are U.S., Israel and Australia. In 2010, Netafim collected, recycled and put back into production 945 tons of material, and 1,250 tons in 2011.

ENVIRONMENTAL SUSTAINABILITY IN THE U.S.

Netafim USA tracks several sustainability programs as part of its Balanced Score Card approach to managing the business. This Scorecard reflects established goals for each month and tracks progress at senior management monthly meetings. Programs and metrics currently tracked include: onsite scrap reduction, energy efficiency, landfill avoidance through reuse of bulk shipping containers, paper recycling in the office and a general reduction in paper consumption through electronic ordering, payments and technical literature.

RECYCLING DRIPPERLINES IN THE U.S.

At present, the U.S. market is the most advanced in terms of legislation requirements relating to recycling. Netafim USA has offered farmers the service of collecting old plastics tubing for many years and in 2009, Netafim USA acquired its own recycling equipment, enabling the Company to better control the quality and performance of the recycled plastic. Netafim collects waste plastic tubing from farmers' fields in the State of California and recycles plastics for use in dripperline products for mining and landscape applications. Netafim is the only manufacturer to qualify for Leadership in Energy and Environmental Design (LEED) Building Credits for recycled content of dripperlines used in building and landscaping applications. Netafim's U.S. recycling program is currently limited to California farmers, as state laws prohibit transportation of used dripperlines into the State of California. However, Netafim is progressing an initiative to expand recycling efforts into other parts of the U.S. As a result of Netafim's recycling program in 2011, plastic waste sent to landfill by farmers was reduced by 730 tons.



DOING MORE FOR OUR COMMUNITIES

For more information about
this project, see:
<http://www.asyv.org> www.
asyv.org

OUR APPROACH

Netafim's establishment is firmly rooted in the social value system that characterized the development of the Kibbutz movement in Israel. This placed emphasis on shared resources, shared community values and providing for all members of society including the most vulnerable. Community involvement has therefore been a core element of Netafim's corporate identity from the very beginnings of the company. Netafim's approach is based on two key elements:

CONTRIBUTION OF NETAFIM'S CORE BUSINESS SKILLS AND PRODUCTS

Netafim's core business which advances precision irrigation and sustainable productivity, supports community empowerment and economic development. Drip irrigation products provide a basis for improving livelihoods and enable communities to do more with less. Through donation of Netafim's products and providing training to local communities, Netafim makes a significant contribution to the quality of life and sustainability in communities around the world.

In 2011, Netafim's total community contributions around the world, including cash donations and donations of Netafim products, amounted to over \$550,000 worldwide.

EMPLOYEE VOLUNTEERING IN COMMUNITY PROJECTS

Netafim employees are encouraged to get involved in community projects, providing a response to local community needs in a spirit of collective responsibility and solidarity. Netafim's volunteering programs include long term large scope programs as well as specific projects that provide ad hoc volunteering opportunities. In the ongoing community programs, Netafim employees are engaged in regular activities, donating their time and skills to assist different populations in need, such as those with disabilities, school children, and vulnerable communities. Ad hoc volunteering opportunities include food drives, building or renovating community gardens, and participating in an annual 'Good Deeds Day'.



THE ARMY IS GROWING

TEACHING IRRIGATION IN AFGHANISTAN

As part of its commitment to educate farmers around the world about drip irrigation, Netafim was happy to support a project led by the Noble Foundation with the cooperation of the US army, to promote self sufficiency of farmers in Afghanistan. The Noble Foundation is an independent, nonprofit institute headquartered Oklahoma, US. The Foundation assists farmers and ranchers and conducts plant science research and agricultural programs, to enhance agricultural productivity regionally, nationally and internationally.

The purpose of the project is to advance the self-sufficiency of farmers in Afghanistan by bringing them improved technology and practices, to help ensure a long-term livelihood. As a partner in this project, Netafim donated three Family Drip System (FDS) kits, one for training and two to be taken to Afghanistan by the Texas Army National Guard Agribusiness Development Team, to provide a tool for educating Afghan farmers on advanced agricultural solutions, including drip irrigation, for growing vegetables, wheat and alfalfa. In addition, Netafim provided training and guidance for the use of the FDS kits: in 2011, Netafim US District Sales Managers Danny Sosebee and Jim Hunt, and Diversity D (Netafim distributors) salesman Jim Fields, met for two days of training with the Agribusiness Development Team to educate them in drip irrigation before they traveled to Afghanistan.

During the training, the US Army team was able to assemble the FDS kit in a plot prepared by the Noble Foundation on their grounds, with the guidance of Netafim. This gave the team first-hand experience of how farmers can improve their yields and their own livelihoods in Afghanistan.

For more information about
the Noble Foundation, please
see: <http://www.noble.org>
www.noble.org

EMPOWERING COMMUNITIES IN ZAMBIA

Water shortage, contamination, and food insecurity in Sub-Saharan Africa have been the cause of serious concern for several decades. Extreme poverty and recurring water-related diseases such as cholera and diarrhea affect many rural areas.

A research study, led by a doctoral student at Ben Gurion University of the Negev, and the Blaustein Institutes for Desert Research in Israel was established in 2010 to investigate the different ways that rural communities could finance their own path toward water improvements and prosperity. A main part of the research includes a program in the Kazungula District in southern Zambia which aims to enable economic development for 5,000 villagers through income-generating gardens. The program is centered on Simango, the largest village in the area, where the region's school and health clinic is located. Two more gardens are located in two other villages in the area - Sibunimba and Simakalanga.

The income from the gardens will be used to sustain these communities and fund development of clean water sources. Like much of rural Zambia, 98.5% of residents of the region village earn less than \$1.25 a day, and many go hungry through the long dry season as most depend wholly on their yields of rain-irrigated maize to meet their subsistence needs and household expenditures. Water sources are commonly contaminated or located far from households.

Netafim has cooperated in this project by donating 50 Family Drip Systems (FDS) for growing peppers, zucchini, squash, cabbage, onions, beetroot and more, providing the Kazungula District villagers with a financial platform to improve their water infrastructure.

Villagers participating in the program receive their own plots within the gardens and take responsibility for growing their crops. Irrigation is managed centrally by two trained Garden Managers who are paid to help set up and operate the irrigation equipment. All other aspects of farming including weeding, crop support and spraying are handled by the plot owner. In this program, residents receive not only a garden, crops and tools but also knowledge and a framework to improve their ability to generate income.

Netafim's FDS contributed greatly to this program and research. The simplicity of the FDS unit makes it easy for farmers with no previous experience with drip irrigation, thus enabling a fast-learning curve and a good chance of success. The project began in 2011 and 25 drip systems were installed. The project is expected to cover its entire cost within 2 years.

Netafim's involvement in this project demonstrates its commitment to building sustainable productivity and advanced agricultural capabilities in emerging economy countries. By enabling Zambian villagers to do more with less, whole communities can become self-sustaining.

For more information about this project, see:
www.globalgiving.org/projects/abundant-zambia

MORE DRIP...



A VILLAGE OF HOPE AND PEACE IN RWANDA

The Agahozo-Shalom Youth Village (ASYV) was founded in 2007 by Ann Heyman, a South African lawyer residing in New York. The village is a home for 500 children aged 15-21 who were orphaned during and after the Tutsi tribe genocide in 1994. Ann Heyman envisioned and initiated the idea of the village based on the Israeli youth village model, which absorbed thousands of orphans that arrived in Israel after the Holocaust in the 1940's and 50's. ASYV is designed to care for, protect and nurture young people. It is a place of hope, where "tears are dried" (signified by the Kinyarwanda word agahozo) and where the aim is to live in peace (from Hebrew, shalom). Life at the village includes a full curriculum, providing the children with the education they need to succeed as adults. Informal activities such as photography, computers, painting, traditional dances and yoga provide the children skills for life as well as an outlet for dealing with the suffering they have experienced.

The Village Farm produces a large variety of fruits and vegetables, providing for approximately 35% of the ASYV daily food needs. It allows the village to save on costs while generating income from the sale of farm produce, which include pineapples, bananas, peppers and assorted vegetables. Money earned by selling crops is used to purchase other foods and staples not grown on the farm. Students work on the farm on Saturdays, learning about agriculture and acquiring farming skills and knowledge.

The farm is equipped with 20 drip systems, purchased from Netafim during the village's construction phase. This connection led to further involvement and collaboration between ASYV and Netafim. In 2010, ASYV received a highly advanced, automated

For more information about ASYV, please see:
www.asyv.org



irrigation, nutrition and filtration system as a joint contribution from Netafim and the Jewish National Fund, to provide irrigation for ASYV's four greenhouses.

During 2011, the first seeds of another idea were planted in which Netafim and ASYV will collaborate to create an agricultural-educational program for the senior-year students at the village. The program's curriculum will include learning about drip irrigation and provide hands on experience. Upon graduation, the students will be able to become drip irrigation agents employed by Netafim or operating as independent resellers, with a role of demonstrating the equipment, closing sales and training small holding farmers in different villages throughout Rwanda. A faculty member from the village, an agronomist, visited Netafim in Israel in April 2011 to learn about advanced agriculture technologies and drip irrigation.

The 20 weeks academic program is scheduled to begin in March 2012, and will include 60 hours of theoretical studies, and 60 hours of practical experience. All syllabus materials and training guides are currently in preparation. Upon graduation, each student will receive a drip irrigation kit donated by Netafim to start him or her off in a new venture, bringing sustainable productivity to rural Rwanda. The first class is scheduled to graduate in November 2012.

...MORE PROSPERITY

For more information about ASYV, please see: www.asyv.org



PEACE, HOPE AND AGRICULTURE

DISASTER RELIEF – REBUILDING JAPAN

In March 2011, an 8.9 magnitude earthquake followed by a Tsunami hit Japan's north-east region, causing unimaginable devastation and loss of life. Extensive areas were damaged by the Tsunami that washed into the area as it surged salt water as well as oil, fuels, chemicals and radioactive matter. The once prosperous agricultural area is now deemed unfit for farming due to serious contamination, which will take years to overcome.

The region now suffers from a shortage of fresh produce, as well as a high level of unemployment among farmers that can no longer work their land.

In order to help with the rehabilitation efforts and return the fields back to the farmers, Netafim, in cooperation with the Israeli Government, has initiated a relief package for agriculture in north-east Japan.

During 2011, Netafim donated 50 Family Drip System Kits, which work by gravitation, suitable for areas with irregular electricity and water infrastructure. As the soil is contaminated, crops are cultivated in a disconnected flatbed with coconut husk media – a soil substitute donated (by the Israeli company Pelemix) together with the FDS kits. In accordance to Netafim's tradition of sharing knowledge with farmers, Netafim provides technical and agronomic training by the Netafim Japan local team. Each Family Drip System Kit has the potential to provide fresh, uncontaminated produce for hundreds of people.

For more information about Pelemix, see: www.pelemix.com

COMMUNITY VALUES - WITH VEGETABLES

MORE VEGETABLES, MORE EMPOWERMENT!

The Kalisher Absorption Center in the southern city of Beer Sheva in Israel houses hundreds of new Ethiopian immigrants for periods of up to 4 years. Most immigrants arrive from rural areas, where agriculture plays a central role in their heritage, economy and community life.

Immigration to Israel requires a major adjustment, not only to the language and culture, but also to the new urban way of life which is a far cry from the simple village life they led in Ethiopia.

In 2010, a community garden project, designed to help immigrants with this life-changing move, was launched by the non-profit organization Earth's Promise. The garden was constructed in a neglected plot near the Absorption Center, inviting new immigrants to grow vegetables (such as tomatoes, lettuce, beans and corn) and spices.

Netafim, a key partner in this program, contributed a drip irrigation system and employees from Netafim's Hatzerim plant dug trenches in the plot, installed the irrigation system and lent agronomic support.

The garden functions as a community center and provides residents with neighborhood empowerment and pride. Today, a group of Ethiopian immigrants regularly tend their garden plots and several tons of produce have been harvested, serving the local community.



For more information about Earth's Promise, please see: <http://earthspromise.org>

BIKING TO SUSTAINABILITY



MORE RIDING, MORE HOPE!

The non-profit organization Etgarim was established in 1995 by a group of disabled Israel Defense Force veterans and rehabilitation experts to enable children, adolescents and adults with special needs to realize their optimum potential and to integrate within society through outdoor sports and active recreational activities. Currently, around 5,000 disabled children and adults participate in Etgarim activities in 240 different frameworks across Israel.

This was the beginning of a fruitful collaboration between Etgarim and Kibbutz Hatzerim. The spirit of sports, challenge and giving quickly spread in Netafim's plant and offices at Hatzerim, and later to the entire company inspiring a great deal of employees to take part.

Netafim volunteers participate in activities at Etgarim clubs throughout the country. Ten employees from Netafim's Hatzerim offices take part in the weekly tandem rides with Etgarim members with disabilities that prevent them from riding bikes on their own. Etgarim also organizes special rides and annual marathons. Netafim volunteers participate in these events, and in 2011, over 100 Netafim volunteers participated in "Wheels of Hope", a nation-wide riding experience.

For more information about Etgarim, please see: www.etgarim.org



ENTREPRENEURSHIP - DROP BY DROP

MORE ENTREPRENEURSHIP, MORE FUTURE!

Maavarim, a non-profit organization which runs an occupational center for the benefit of the residents of Israel's periphery areas, maintains a program called Tipat Yozma (A Drop of Initiative) designed to encourage entrepreneurship and business development in the low-income southern area of Israel. Such an agenda is very close to home for Netafim, whose organizational culture and success has been built on entrepreneurship, innovation and business advancement.

This is the third year Netafim has been supporting the Tipat Yozma program, and the latest class "graduated" in 2011. Training for the young entrepreneurs includes customer focused marketing, product development, presentation skills and business analysis tools. Participants in this program have established and are currently running a variety of businesses including event production, coaching, jewelry design, project management, interior design and more.

For more information about
Maavarim, please see:
www.maavarim.org.il

MORE YOUTH, MORE BUSINESS!

Netafim supports the Young Business Leadership Program, led by the Israel Export and International Cooperation Institute (IEICI), a non-profit organization working to promote Israel's industrial export and international commerce relationships. The Young Business Leadership Program is a summer camp for 10th grade students with an interest in entrepreneurship and social initiatives. Volunteers from Netafim give lectures during the program, providing the students with tools and know-how for developing successful projects and achieving objectives.

During the program, students select a business project and work to implement it. Netafim volunteers provide advice, guidance and support. For example, volunteers from Netafim assisted a group of students who wished to develop a community garden, providing technical support and advice at all stages of the development.

MORE WORK, MORE FUN!

In 2011, Netafim added its support to the new Leap to Industry Program, organized by the Leap to the Future Organization, which operates programs for the advancement of youth from the periphery and under privileged neighborhoods around Israel, with an objective to reduce educational gaps and increase social leadership. The Leap to Industry Program aims to reduce high school drop-outs among youth by providing them with learning skills, personal development training, and building motivation and confidence. The program includes one day a week studying electronics and administration at a nearby college, and another day of practical training at the Netafim plant. At Netafim, a group of 18 students from the Yitzhak Rabin Comprehensive School in Beersheba report in every Monday at the Netafim plant in Hatzetim for an enriching work experience. Six Netafim employees act as sponsors to the students.

Left image:
Amit Yerushalmi,
Netafim's Hatzetim
Plant Manager briefs
students as they begin
their day at the factory.

Right image: David
Teresh, Assembly and
Packaging Department
Manager shows the
young employees the
ropes.

For more information about
IEICI, please see:
[www.export.gov.il/heb/
Homepage](http://www.export.gov.il/heb/Homepage)

HORSING AROUND

MORE HORSES, MORE THERAPY!

Therapeutic horse riding is known to have positive physiological, psychological and social benefits for children, particularly those with emotional or physical disabilities. The non-profit Misholim Association hosts a variety of activities for children with disabilities based on therapy with horses, dogs and other animals. Through its activities, Misholim reaches children with disabilities from disadvantaged communities, offering them an opportunity for a special kind of treatment.

13 Netafim volunteers participate in this program, arriving once a week for three hours to assist 20 children in therapeutic activities involving animals. Netafim volunteers develop supportive relationships with the children and enjoy seeing progress from week to week.



For more information about Misholim please see: www.magal-horses.dpages.co.il/apage/42564.php

A WISH COME TRUE

MORE FUNDRAISING, MORE WISHES COME TRUE!

Employees at Netafim USA have been supporting the Make-a-Wish Foundation of Central California since 2007 with fundraising activities, including lunches, raffles, cookbook sales, bingo games, yard sales, auctions, bake sales and more. In 2011, employees, with company support, raised \$10,000 to grant holiday wishes to two local children, Mario, age 10, afflicted with a genetic bone disease, and Nathan, age 12, battling a brain tumor. Mario will soon have an opportunity to meet professional wrestler Rey Mysterio and Nathan recently had a chance to meet the players on the Dallas Cowboys football team.



For more information about the Make-A-Wish Foundation, please see: www.wish.org

A GREENHOUSE OR A CLASSROOM?

MORE NATURE, MORE CHILDREN!

Since 2003, Netafim employees from Netafim's Magal site have volunteered with Arazim boarding school, a home for 120 children and underprivileged or at-risk youths aged 6-18. At the school, the children receive emotional and educational support and tools for self-realization and empowerment. Netafim volunteers run a 'Greenhouse Class' for the children, in which they learn about agriculture and nature. To support this program, Netafim built a greenhouse and a vegetable garden to teach the children to grow vegetables and spices and later sell the yield. Irrigation equipment was provided by Netafim, allowing the children to learn advanced agricultural methods including drip irrigation and computerized systems.

In addition, several times a year, Netafim organizes outings for the children to nature parks and other outdoor activities. Every year, on a special holiday in Israel, 15 Netafim volunteers organize a social event, using sales from the Arazim greenhouse to raise additional funds.



For more information about Arazim school, please see: www.dys-yeladim.com/arazim/who_we_are.html

MORE SCHOOL, MORE WORK!

Renanim, located in Kiryat Shmonah, Israel, is a school for 120 children aged 6-21 with mental disabilities, which strives to provide children with tools to help them integrate successfully in society. Netafim has made a commitment to support Renanim by teaching the older children at the school about the workplace including, work processes, safety, and production. Netafim hosts 3 children, once a week, for 3 hours, for a factory work experience. The children are given simple tasks in the Manual Assembly Department under the supervision of Netafim employees and school staff. Netafim also donated equipment for a manual assembly room on the school's premises, to provide continuity for the children in their learning process.

Netafim employees at the Yiftach site are involved in many other activities with Renanim School to help make the children's school experience more productive, more environmentally aware and more fun.

For more information about Renanim School, please see: www.att.org.il/k12/renanim/SitePages/home.aspx

MORE IRRIGATION, MORE HOSPITALS!

As a member of the Irrigation Association, Netafim USA took part in Smart Irrigation Month 2011 in California. The Irrigation Association is the leading membership organization for irrigation equipment. The purpose of Smart Irrigation Month is to increase public awareness of the value of water-consumption efficiency and grow demand for water-saving products, practices and services. Smart Irrigation Month launched in 2005 and has taken place every July for the past six years.

For the 2011 Smart Irrigation Month, Netafim USA organized a run with all proceeds going to the Children's Hospital of Central California. The initiative drew 150 participants and generated more than \$5,000 for the hospital.

For more information about Smart Irrigation Month, please see: www.smartirrigationmonth.org

MORE TREES, MORE FRUIT!

In 2011, Netafim USA launched a collaboration program with Common Vision, a non-profit organization working to create real change in health, hunger, environmental justice, and climate change through inspirational education and on-the-ground community action. The organization's Fruit Tree Tour Program, in which Netafim USA takes part, has directly impacted 60,000 students, transformed over 180 low income schools and community centers into abundant orchards with the planting of over 4,300 fruit trees. During 2011, Netafim donated 50 drip irrigation systems for each of the trees planted, which enable students and staff to care more easily for the trees and to grow more fruit. In addition, Netafim provided the irrigation system for over 1,000 newly planted trees. Netafim employees train the school staff to use the irrigation equipment to achieve the best results. Fruit from the trees are eaten by the students, so that not only is their world enriched, but also their diet.

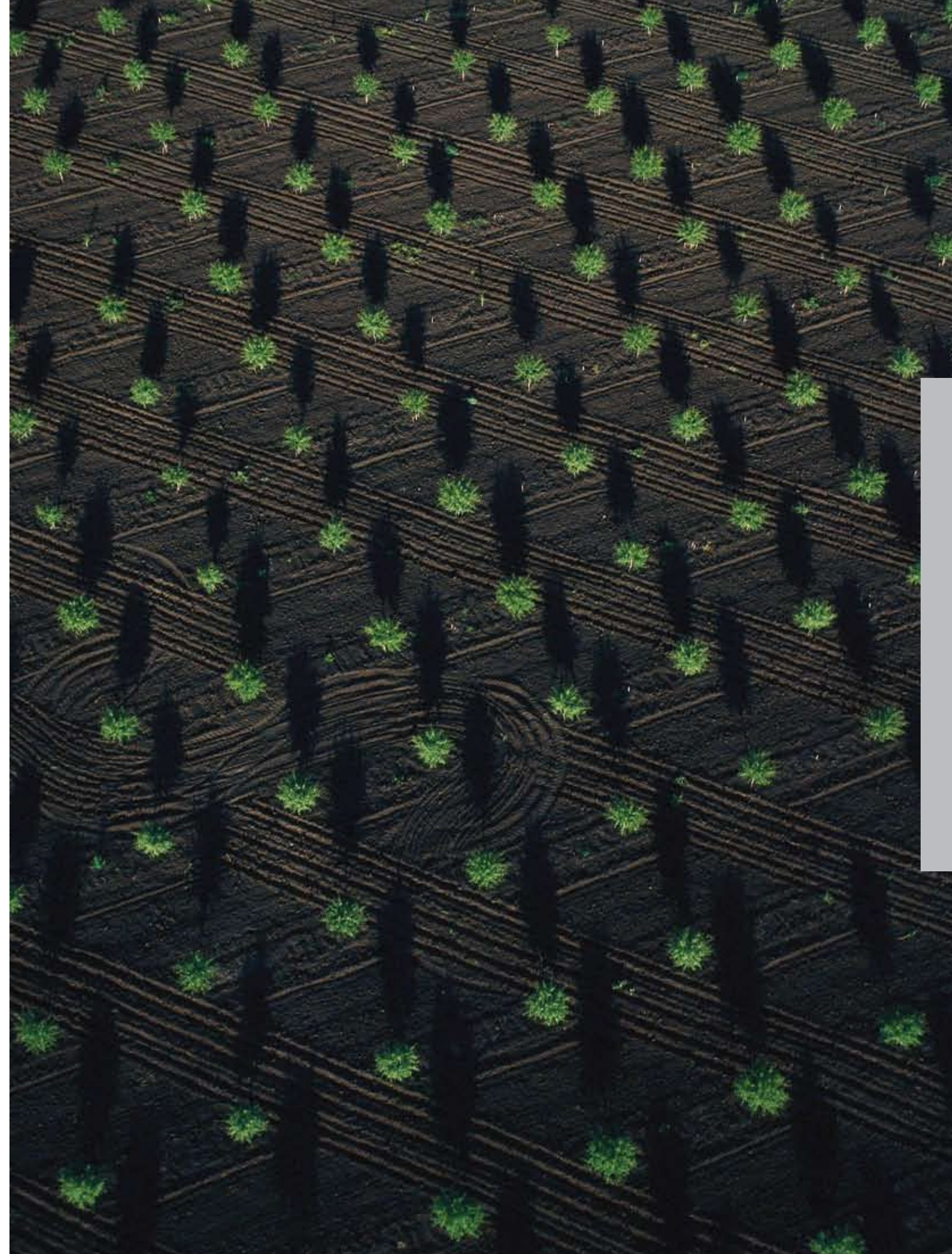
For more information about Common Vision, please see: <http://www.commonvision.org>

MORE GIVING, MORE GARDEN!

In 2011, Netafim participated in a project for planting a garden at Rata High School in California that serves disabled students aged 13-18. Netafim collaborated with the school's PTA and the California Agriculture Leadership Foundation, donating equipment and volunteers during the course of this 12 week project. Over 600 meters of dripperlines were put in place to serve the 300 plants and trees in the garden. Netafim also organized a drip irrigation workshop, teaching volunteers and gardening enthusiasts how to install and maintain a drip irrigation system.

In this project Netafim achieved a triple outcome – helping build a garden that will benefit disabled students at the school, creating a spirit of volunteering in the community and among Netafim's employees and providing a tangible economic outcome – selling fruits and vegetables at the local Farmers' Market .

For more information about the Giving Garden, please see: www.netafimusa.com/givinggarden



SUSTAINABILITY AT NETAFIM - LOOKING AHEAD

GOVERNANCE AND ETHICS

- Netafim will lead a comprehensive training program in the recently updated Netafim Code of Ethics for all employees, including establishing procedures for ethics training for new employees by end 2012.
- Netafim will conduct a comprehensive risk management audit, including aspects of environmental and social risks, and develop an action plan to address these risks for 2012-2013.

MARKETPLACE

- Netafim will continue to develop new, advanced technologies for irrigation of commodity crops, to enable more farmers to grow more with less and contribute to global food security.
- Netafim will continue to develop its presence in emerging economies, providing awareness and training for rural small-holding farmers in Asia and Africa and providing locally relevant irrigation systems.
- Netafim will expand its solutions for urban farming in developed countries in support of local initiatives.

EMPLOYEES

- Netafim will conduct a comprehensive employee survey to review employee levels of satisfaction and engagement with Netafim's sustainability mission.
- Netafim will re-examine employee diversity in management roles and develop a plan to encourage and facilitate greater diversity at Board and Senior Management levels during the coming year.
- Netafim will improve efforts to ensure greater employee safety and include third-party employees in monitoring of safety performance in the future. Netafim targets to reduce its Workplace Accident rate significantly as a result of these efforts.



COMMUNITIES

- Netafim will establish a comprehensive tracking and reporting system for employee involvement in the community to ensure all volunteer hours are recorded.
- Netafim will increase efforts to support agricultural productivity in Asia and Africa through donations of irrigation systems and collaboration with local organizations to identify and meet local needs.

ENVIRONMENT

- Netafim will establish a comprehensive tracking and reporting system for key environmental impacts of Netafim manufacturing plants: energy consumption, carbon emissions, water consumption, waste generation and recycling content. Full data will be reported in Netafim's 2012/2013 report.
- Netafim commits to the following environmental targets by end 2013 using 2011 as a baseline:
 - Energy consumption: reduction of 10%
 - Water consumption: reduction of 5%
 - Recycling content: increase of recycling content of Netafim products by 15%
- Netafim will increase efforts to gather used dripperlines from farmers for recycling purposes in all countries in which Netafim operates.

PART FOUR

GROWING ACCOUNTABILITY AND TRANSPARENCY

Transparency and reporting are the backbone of responsible and sustainable businesses. This Sustainability Report is an attempt to ensure all our stakeholders have enough information about the Netafim business to be able to make informed decisions regarding their relationship with Netafim, whether this is a financial relationship or otherwise.

In Part Four of this report, we explain the underlying assumptions, scope, boundary and principles governing our reporting process and the methods used to gather the data which is included in the report. We confirm our commitment to the UN Global Compact principles and to the most widely-used framework for sustainability reporting, the Global Reporting Initiative framework, and include the customary GRI Index Table, showing where readers can find specific disclosures and performance indicators within the report.

ABOUT THIS REPORT

This first global Sustainability Report for Netafim Ltd describes our approach to sustainability and the key actions we have taken during 2011 to advance responsible and sustainable practices in our business. As this is a first report for Netafim, we have tried to provide perspective through case studies and data, where available, relating to prior years. In all cases, data relates to the 2011 calendar year unless otherwise stated.

In developing this report, we have considered input from our primary stakeholders – employees, customers, suppliers – and additional stakeholders including agricultural and agronomic experts with whom we have a collaborative relationship. A Reporting Steering Committee headed by the Chief Sustainability Officer and including Company executives determined the selection of content for this report based on an assessment of material issues for Netafim and those known to be important to stakeholders. This team met several times during the process of developing this report. This report follows the Global Reporting Initiative (GRI) G3 Guidelines at an Application Level B, and has been checked by the GRI.

This report has been written in accordance with the principles advised by the Global Reporting Initiative Technical Protocol for defining report content. These are: Materiality (the issues most important for our long-term business growth and which are of most importance to stakeholders), Stakeholder Inclusiveness (responding to stakeholder expectations and interests), Sustainability Context (presenting our performance in the wider contexts of sustainability issues) and Completeness (inclusion of all the information which reflects significant economic impacts in order to enable stakeholders to assess our performance).

The scope of this report is all Netafim's global operations including all subsidiary companies where Netafim has a majority shareholding (over 50%). Our intention is to report every two years. Netafim has chosen not to seek external assurance for this Sustainability Report due to resource limitations.

More information can be found on the Netafim corporate global website, www.netafim.com, and the websites of Netafim subsidiary companies (accessible from the Netafim global site).

UNITED NATIONS GLOBAL COMPACT

STATEMENT OF SUPPORT FOR THE UN GLOBAL COMPACT

Netafim's participation in the UN Global Compact dates back to mid-2008. Netafim was one of the first five companies in Israel to confirm its commitment to upholding and promoting the ten principles of the United Nations Global Compact and broad support for the Millennium Development Goals. We continue to see our business goals as perfectly aligned with the spirit and practice of participation in the UN Global Compact and hereby reconfirm our intention to maintain, increase and intensify our adherence to the UNGC goals. This is why, in 2011, we were among the first 50 companies around the globe to confirm our participation in the Global Compact LEAD program and the Blueprint for Corporate Sustainability framework established by the UN Global Compact. The delivery of this first global Sustainability Report, which represents our first, full, comprehensive Communication on Progress, addressing all the UN Global Compact Principles, is a testimony to our renewed commitment.

We appreciate the efforts of The United Nations Global Compact as a truly global initiative to raise the bar for corporate responsibility and we are proud to be an active member. We regularly speak at UNGC Network events, bringing our unique experience of sustainable agriculture to the table for the benefit of other UNGC participants. Netafim has endorsed the CEO Water Mandate, the only Israeli company to do so, and participates in the Water and Human Rights Workstream.

We are committed to doing everything in our power to ensure we comply with the 10 principles of the UN Global Compact, the LEAD program and the CEO Water Mandate and commit to reporting publicly each year on our progress. We will ensure that our stakeholders are aware of this commitment and receive our updates.

Igal Aisenberg
President and CEO

April 2012
UN Global Compact Index and GRI Cross Reference Table

UN GLOBAL COMPACT INDEX AND GRI CROSS REFERENCE TABLE

Global Compact Principles		GRI Indicators	Referenced on page:
Principle 1:	Business should support and respect the protection of internationally proclaimed human rights.	HR1, HR2, HR3, HR4	116-117
Principle 2:	Business should ensure that they are not complicit in human rights abuses.	HR2, HR3	116
Principle 3:	Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.	HR5, LA3, LA4	63, 117
Principle 4:	Business should support the elimination of all forms of forced and compulsory labor.	HR7	117
Principle 5:	Business should support the effective abolition of child labor.	HR6	117
Principle 6:	Business should support the elimination of discrimination in respect of employment and occupation.	HR4,LA10, LA11	69, 117
Principle 7:	Business should support a precautionary approach to environmental challenges.	3.13, EN1, EN2, EN3, EN4, EN5, EN6, EN7	82, 92, 93, 83-84, 109, 114
Principle 8:	Business should undertake initiatives to promote greater environmental responsibility.	1.1, EN8, EN9, EN10, EN11, EN12, EN13, EN14, EN15, EN16	4, 84, 114
Principle 9:	Business should encourage the development and diffusion of environmentally friendly technologies.	EN17	114
Principle 10:	Business should work against corruption in all its forms, including extortion and bribery.	SO2	117

Please see the inside cover of this report for contact details for the purpose of providing feedback.



The CEO Water Mandate

UN CEO WATER MANDATE DISCLOSURE AND GRI CROSS REFERENCE TABLE

Netafim endorsed the UN CEO Water Mandate in 2008 and submitted a first Communication on Progress in 2010. This Sustainability Report will serve as Netafim's second COP for the Water Mandate in line with the CEO Water Mandate Transparency Policy.

Below is a table showing Netafim's alignment with the Six Elements of the CEO Water Mandate, cross –referenced, where relevant, to the Global Reporting Initiative indicators.

Global Compact Principles		GRI Indicators	Referenced on page:
Element 1:	Direct Operations	ENDMA (water aspect), EN8, EN9, EN10	84, 114
Element 2:	Supply Chain and Watershed Management	Working with suppliers	93
Element 3:	Collective Action	4.13	7, 21
Element 4:	Public Policy	SO5	7
Element 5:	Community Engagement	SO1	87
Element 6:	Transparency	3.1-3.13	2, 103, 108-109

Netafim's President and CEO, Igal Aisenberg, confirms that Netafim continues to endorse and promote the CEO Water Mandate and will continue to disclose transparently regarding Netafim's water management performance.

For more information about the CEO Water Mandate, please see: <http://ceowatermandate.org>

GRI REPORTING GUIDELINES

GRI is a global non-profit international organization which acts to increase the level of social and environmental reporting among companies throughout the world. The main way of assimilating this process is the use of the reporting framework which contains detailed guidelines for reporting on impacts and provides a consistent structure which thousands of companies around the world now use for sustainability reporting.

This report complies with Application Level B of the GRI G3 Framework. This has been confirmed by experts at the Global Reporting Initiative who checked our report in draft form and found it to be compliant with this reporting level.

The different levels of the GRI framework relate to the level of transparency and disclosure in the report. Below is the table of the Application Levels of the GRI:

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures	Report on: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.19 4.5-4.13, 4-16-4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3 Management Approach Disclosures	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at list one from each of: Economic, Social and Environmental		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Responsibility.		Report on each G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

* Sector Supplement in final version

For more information, please see: www.globalreporting.org.



PROFILE DISCLOSURES

G3 indicator	Description	Report	Page No.	Comment
1.1	Statement from the most senior decision-maker	Fully	6	
1.2	Description of key impacts, risks, and opportunities.	Fully	40-44	
2.1	Name of the organization.	Fully	10	
2.2	Primary brands, products, and/or services.	Fully	12	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	25	
2.4	Location of organization's headquarters.	Fully	10	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	20	
2.6	Nature of ownership and legal form.	Fully	24	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	12,20	
2.8	Scale of the reporting organization.	Fully	10	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	24-26	
2.10	Awards received in the reporting period.	Fully	36	

G3 indicator	Description	Report	Page No.	Comment
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Fully	142	
3.2	Date of most recent previous report (if any).	Fully	This page	This is Netafim's first Sustainability Report.
3.3	Reporting cycle (annual, biennial, etc.)	Fully	142	
3.4	Contact point for questions regarding the report or its contents.	Fully	5	
3.5	Process for defining report content.	Fully	142	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	142	
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Fully	142	Netafim operations which are not more than 50% owned by Netafim are excluded from this report.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Fully	142	Netafim operations which are not more than 50% owned by Netafim are excluded from this report.
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Fully	This page	Data measurement techniques and the bases of calculations are included in the body of the texts, alongside the relevant data tables.

G3 indicator	Description	Report	Page No.	Comment
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement e.g., mergers / acquisitions, change of base years/periods, nature of business, measurement methods).	Fully	This page	This is Netafim's first Sustainability Report.
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	This page	This is Netafim's first Sustainability Report.
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	148	
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	142	
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Fully	24, 26-27	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	26	
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Fully	26	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	27	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Fully	26	

G3 indicator	Description	Report	Page No.	Comment
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	This page	The Board of Directors adheres to the Netafim Code of Conduct and is subject to whistleblowing policies.
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	Fully	26	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Fully	23, 28	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Fully	26,27	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	This page	Currently the Board of Directors does not have a specific mechanism for evaluating its own performance.
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Fully	116	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Fully	15,36	

G3 indicator	Description	Report	Page No.	Comment
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	Fully	32-33	
4.14	List of stakeholder groups engaged by the organization.	Fully	15,36	
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	32-33	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	32-33	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Fully	34	

MANAGEMENT APPROACH DISCLOSURES

Categories and Aspects		Report	Page	Comment
ECDMA	Economic goals, policy, plans and procedures.			
	Economic Performance	Fully	82	
	Economic Impacts	Fully	82-83	
	Market Presence	Fully	58	
ENDMA	Environment goals, policy, plans, procedures.			
	Materials	Fully	119	
	Energy	Fully	119	
	Water	Fully	121	
	Biodiversity	Fully	This page	While Netafim believe in the importance of protecting biodiversity, none of Netafim's sites or products has a material impact on areas of high biodiversity value. Therefore Netafim does not have a strategy for managing biodiversity.
	Emissions, Effluents, and Waste	Fully	118	
	Products and Services	Fully	118-119	
	Transport	Fully	118	

Categories and Aspects		Report	Page	Comment
LADMA	Compliance	Fully	This page	Netafim ensures that the company complies with all environmental legislation in all countries in which the company operates.
	Overall	Fully	118	
	Labor Practices goals, policy, plans, procedures.			
	Employment	Fully	84	
	Labor/Management Relations	Fully	84,91	
	Occupational Health and Safety	Fully	92	
	Training and Education	Fully	100	
	Diversity and Equal Opportunity	Fully	90	
	Human Rights goals, policy, plans, procedures.			
	Procurement Practices	Fully	119	
	Non-discrimination	Fully	90	
	Freedom of Association and Collective Bargaining	Fully	91	
	Abolition of Child Labor	Fully	92	
	Prevention of Forced and Compulsory Labor	Fully	This page	
HRDMA	Complaints and Grievance Practices	Fully	29	
	Indigenous Rights	Fully	This page	Netafim's operations do not negatively impact Indigenous people's rights.

Categories and Aspects		Report	Page	Comment
SODMA	Security Practices	Fully	This page	Netafim does not employ security personnel aside from in-house security managers, 100% of whom are trained in the organizations policies concerning human rights.
	Society goals, policy, plans, procedures.			
	Community	Fully	124	
	Corruption	Fully	28	Ethics
	Public Policy	Fully	10	
	Anti-Competitive Behavior	Fully	28	Ethics
	Compliance	Fully	28	
	Product Responsibility goals, policy, plans, procedures.			
	Customer health and safety	Fully	100	
	Product and service labeling	Fully	This page	There were no incidents of corruption of non-compliance regarding product labeling.
	Marketing communications	Fully	This page	There were no incidents of corruption of non-compliance regarding advertising and marketing communications.
	Customer privacy	Fully	This page	There were no complaints regarding customer privacy breaches.
	Compliance	Fully	This page	Netafim has not been the subject of fines for non-compliance relating to the use of Netafim's products.

PERFORMANCE INDICATORS

	Indicator	Report	Page	Comment
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Not reported	This page	As a privately owned company, this data is not disclosed in order to protect Netafim's competitive position.
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Fully	44-45	
EC3	Coverage of the organization's defined benefit plan obligations.	Partially	91	
EC4	Significant financial assistance received from government.	Fully	111	
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Fully	90-91	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Fully	This page	Netafim does not have a formal policy to use local suppliers. However, in practice, for cost reasons, local supply is often preferred. Netafim does not calculate the proportion of spending on local suppliers.

	Indicator	Report	Page	Comment
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Fully	96	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Fully	This page	Netafim has not made any infrastructure investments.
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Fully	82-83	
EN1	Materials used by weight or volume.	Not reported	-	
EN2	Percentage of materials used that are recycled input materials.	Not reported	-	
EN3	Direct energy consumption by primary energy source.	Fully	119	
EN4	Indirect energy consumption by primary source.	Fully	119	
EN5	Energy saved due to conservation and efficiency improvements.	Fully	120	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Fully	This page	Netafim's products are energy efficient. Products save energy in agricultural applications during customer usage.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Fully	120	
EN8	Total water withdrawal by source.	Fully	121	

	Indicator	Report	Page	Comment
EN9	Water sources significantly affected by withdrawal of water.	Fully	This page	No water sources are affected by Netafim's operations. All water is drawn from national water authorities in the countries of operation.
EN10	Percentage and total volume of water recycled and reused.	Not reported	-	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Fully	This page	None of Netafim's sites are in areas of high biodiversity value.
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Fully	This page	Netafim's products have no direct effects on biodiversity.
EN13	Habitats protected or restored.	Fully	This page	Netafim has not engaged in restoring or protecting habitats.
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Fully	This page	None of Netafim's sites are in areas of high biodiversity value. Therefore Netafim does not have a strategy for managing biodiversity.
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Fully	This page	None of Netafim's sites are in areas of high biodiversity value and no species are at risk from Netafim's operations.
EN16	Total direct and indirect greenhouse gas emissions by weight.	Not reported	-	
EN17	Other relevant indirect greenhouse gas emissions by weight.	Not reported	-	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Not reported	-	

	Indicator	Report	Page	Comment
EN19	Emissions of ozone-depleting substances by weight.	Fully	This page	Netafim does not have emissions of ozone depleting substances.
EN20	NOx, SOx, and other significant air emissions by type and weight.	Not reported	-	
EN21	Total water discharge by quality and destination.	Not reported	-	
EN22	Total weight of waste by type and disposal method.	Fully	121	
EN23	Total number and volume of significant spills.	Fully	This page	There have been no significant spills in Netafim operations.
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Fully	This page	Netafim does not ship hazardous waste across borders. All hazardous waste is treated locally.
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Fully	This page	No water bodies are affected by Netafim's operations.
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Fully	123	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not reported	-	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	This page	Netafim has paid no fines or non-monetary sanctions for non-compliance with environmental laws and regulations.

	Indicator	Report	Page	Comment
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not reported	-	
EN30	Total environmental protection expenditures and investments by type.	Not reported	-	Netafim does not track environmental expenditures.
LA1	Total workforce by employment type, employment contract, and region.	Fully	88-89	
LA2	Total number and rate of employee turnover by age group, gender, and region.	Not reported		
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Fully	91	
LA4	Percentage of employees covered by collective bargaining agreements.	Fully	This page	None of Netafim's employees are covered by collective bargaining agreement.
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Fully	This page	Netafim always provides notice periods as required by law, usually one month.
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Fully	This page	There are no union employees at Netafim. Worker health and safety is managed by Netafim with direct input from employees as required.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Fully	94	

	Indicator	Report	Page	Comment
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	This page	Serious diseases are not a significant risk for Netafim employees. Netafim does not therefore conduct training on these matters.
LA9	Health and safety topics covered in formal agreements with trade unions.	Fully	This page	There are no union employees at Netafim. Worker health and safety is managed by Netafim with direct input from employees as required.
LA10	Average hours of training per year per employee by employee category.	Partial	100	Operations training hours only.
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Fully	100	
LA12	Percentage of employees receiving regular performance and career development reviews.	Fully	98	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Fully	26,90	
LA14	Ratio of basic salary of men to women by employee category.	Fully	90	
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Fully	This page	Netafim has not made any such relevant agreements during the reporting period.

	Indicator	Report	Page	Comment
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Not reported	-	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Fully	This page	No such training was conducted in 2011. Plans are to train employees in 2012.
HR4	Total number of incidents of discrimination and actions taken	Fully	This page	There were no incidents of discrimination at Netafim during the Reporting Period.
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Fully	This page	Netafim does not specifically analyze risks relating to freedom of association. This is not considered to be a significant risk for Netafim's operations, most of which are owned and managed by Netafim.
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Fully	This page	Netafim does not specifically analyze risks relating to child labor. This is not considered to be a significant risk for Netafim's operations, most of which are owned and managed by Netafim.
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	Fully	This page	Netafim does not specifically analyze risks relating to forced labor. This is not considered to be a significant risk for Netafim's operations, most of which are owned and managed by Netafim.
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Fully	This page	Netafim does not employ security personnel aside from internal security managers, 100% of whom are trained in the organizations policies concerning human rights.

	Indicator	Report	Page	Comment
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Fully	This page	There have been no incidents.
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Fully	124	
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Fully	This page	Netafim does not specifically analyze risks relating to corruption. This is not considered to be a significant risk for Netafim's operations.
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Fully	This page	No such training was conducted in 2011. Plans are to train employees in 2012.
SO4	Actions taken in response to incidents of corruption.	Fully	This page	There were no incidents of corruption.
SO5	Public policy positions and participation in public policy development and lobbying.	Fully	15	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Fully	This page	No contributions were made by Netafim.
SO7	Legal actions for anti-competitive behavior.	Fully	This page	Netafim has not been the subject of any legal action for non-competitive behavior.
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	This page	Netafim has paid no fines or non-monetary sanctions for non-compliance with laws and regulations.

	Indicator	Report	Page	Comment
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not reported	-	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Fully	This page	There were no incidents of corruption of non-compliance with codes regarding health and safety.
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Not reported	-	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Fully	This page	There were no incidents of corruption of non-compliance regarding product labeling.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Fully	104	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Fully	This page	Netafim sells to businesses and there are no specific codes covering the nature of Netafim's business.
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Fully	This page	There were no incidents of corruption of non-compliance regarding advertising and marketing communications.

PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Fully	This page	There were no complaints regarding customer privacy breaches.
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	This page	Netafim has not been the subject of fines for non-compliance relating to the use of Netafim's products.

CONSULTANT'S STATEMENT

Beyond Business Ltd is a leading Corporate Responsibility Consulting and Sustainability Reporting firm. We have worked with Netafim in the preparation of this Sustainability Report. Our work has included:

- Supporting the Sustainability Steering Team in developing the scope, boundary, concept and content of the report.
- Interviewing over 40 Netafim employees in several locations around the world to review their approach to sustainability and reporting mechanisms.
- Review of data collection processes and checking of data against internal reporting systems.
- Preparing the report content for Executive Management approval.

While, as Netafim's Sustainability Consultants, it would not be ethical for us to provide formal assurance or verification for the content of this report, we can confirm, that in our experience, the data presented represents an accurate, fair and balanced view of Netafim's sustainability performance in the reporting period. We can also confirm that sustainability is a common theme at Netafim which energizes employees who see growing more with less as a social mission and not just a business.

As a private company, this first report from Netafim has represented a significant investment in time and energy of many people in the Company. Netafim is one of those companies which has always upheld sustainable principles as part of its core culture and practice, so formulating this into a coherent report has required digging deep into the personal experience of people and generating data in new ways. We commend Netafim for making this effort to formalize sustainability processes and advance transparency, though we recognize that this is just another step on the journey and that more needs to be done.

We are proud to work with Netafim and believe the Company is showing important leadership, both as private Israeli company and as a global leader in drip irrigation and sustainable productivity.

Elaine Cohen
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www.b-yond.biz/en



BeyondBusiness
corporate social environmental responsibility



