



let's make it together

Corporate Social Responsibility in Times of Strategic Change

From Cellular Company to Communications Company

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About the social responsibility reporting

This report was written based on the accepted reporting format used throughout the world, set by the GRI, a European non-profit organization whose goal is to develop international guidelines for social-environmental reporting.

Appearing throughout the report are all the social-environmental indicators required according to the GRI G3 reporting format. Listed at the end of the report is the GRI Index specifying the location of each indicator in the report. As in the previous report, the reporting scope is level B. In order to confirm that the report complies with accepted standards, it was sent to GRI, who approved its compliance with reporting requirements.

While the previous report referred only to 2007, this report is the first report prepared based on the bi-annual format, and covers the years 2008 and 2009 (unless specified otherwise), and is applicable to all service and sales channels, broadcasting sites in Israel, and the company's HQ in Park Afek in Rosh Ha'ayin.

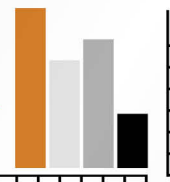
Report Application Level	C	C+	B	B+	A	A+
Standard Disclosures						
G3 Profile Disclosures	Report on: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15	Report on all criteria listed for level C plus: 1.2 3.9-3.13 4.5-4.13, 4.16-4.17	Same as requirement for Level B	Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	Report on each core 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.	Report on each core 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.
G3 Management Approach Disclosures	Not Required	Management Approach Disclosures for each Indicator Category	Management Approach Disclosures for each Indicator Category	Management Approach Disclosures for each Indicator Category	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 least 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 right, Labor, Society, Product Responsibility.	Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human right, Labor, Society, Product Responsibility.	Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human right, Labor, Society, Product Responsibility.	Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human right, Labor, Society, Product Responsibility.	Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human right, Labor, Society, Product Responsibility.
		Report Externally Assured	Report Externally Assured	Report Externally Assured	Report Externally Assured	Report Externally Assured

*Sector supplement in final version

Report Application Levels

		2002 In Accordance	C	C+	B	B+	A	A+
Optional	Mandatory	Self Declared						
	Third Party Checked			Report Externally Assured	✓	Report Externally Assured		Report Externally Assured
	GRI Checked			Report Externally Assured	✓	Report Externally Assured		Report Externally Assured





Statement by the company's Chairperson and CEO

Partner Communications Company Ltd., Israel's leading communications company, is committed to responsible management. From the date the company was founded, we have communicated to the Israeli public our five basic values: personal, simple, fair, innovative and international. The first four values are the foundations of our corporate social responsibility strategy:

Personal – approaching any person, worker or customer with a specific message customized to their needs

Simple – actions “at eye level”, that are clear and accessible

Fair – a transparent, equal and direct approach to all stakeholders

Innovative – the promise of advanced and groundbreaking solutions to all our stakeholders



Ilan Ben Dov
Partner Chairman



Yacov Gelbard
Partner CEO

Partner was the first communications company in Israel to declare, two years ago, in its CSR report, its commitment to social and environmental issues. This year, once again, we are the first communications company in Israel to report its social-environmental activities for 2008 and 2009. The report we are currently publishing expresses our continued deep commitment to customer, workers, the community and the environment.

Over the past two years we have undergone a fundamental change in strategy. From a company identified exclusively with the cellular sector, we have evolved into a communications and media company with the slogan “Together everything connects”. Partner has become the first company in Israel to offer a comprehensive communications package. The transformation we have undergone is multilayered: technological change, change in our ownership structure, change in our product basket and change in our organizational structure. Each one of these changes created new business challenges, and we have attempted to find corporately responsible solutions for each one of these challenges.

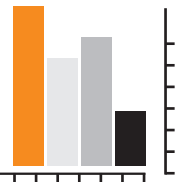
For us, corporate social responsibility is part of our business dealings and conduct, and part of the way we do business. Therefore, this year we chose to construct the report around the change we underwent and to describe the way we confronted the challenges, the changes we implemented, and the results.

We are opening the doors of our world to you, and presenting you with Partner's second social responsibility report. This is the first Corporate Social Responsibility report in Israel to be written in a case-study format, that explains and analyzes how the corporate social responsibility approach integrates with strategic-business change.

This report is intended for customers, workers, suppliers, investors and all our other stakeholders. We believe that it contributes to learning about Partner and its activities, about corporate social responsibility as a business and management approach, and about the process of strategic change from within.

We invite you to review the report, examine our activities critically, understand our path and give us feedback so we can continue to learn and improve.

Ilan Ben Dov Yacov Gelbard
Partner Chairman Partner CEO



Partner – Our Identity

The Israeli communications company operating in Israel under the name of "Partner Communications Company Ltd." ("Partner"), provides services and applications via the world's most advanced technologies under the orange™ brand. The company currently provides a comprehensive basket of advanced communications solutions to its customers, and actively endeavors to identify market trends and changing needs, and develop solutions suitable for its customers.

About the change we underwent Changing ownership: Scailex are in

Partner is a public company, and its shares are traded on the Tel Aviv stock exchange and on NASDAQ. Approximately a year ago, Partner's major shareholder was Advent Investments Pte Ltd. that held 51% of its shares. On the 28th of October 2009, the acquisition and control agreement was finalized, according to which Scailex Corporation Ltd. ("Scailex") acquired control of Partner. Scailex currently holds about 45% of the company's shares, and is traded on the Tel Aviv stock exchange. Scailex is engaged in importing, marketing and exclusive maintenance services for cellular telephones manufactured by Samsung corporation, and in the management of Scailex's financial assets. The rest of the company's shares are held by the general public.

Changing products and redefining who we are

Partner operates in accordance with the vision it defined for itself since inception: "To lead the communications market in Israel based on a different marketing approach, in the quality of service and technological innovation, to the benefit of our customers, shareholders and workers."

In 2006, seven years after its establishment, during a strategic workshop, it was decided that the changes in the communications market compelled the company to enter new fields. This decision was designed to position the company as an equal competitor in line with the large communications groups in the Israeli market.

The most natural route towards business expansion was entry into the telephony and Internet market as complementary solutions to Partner's existing cellular service. However, the remaining unanswered question was how our customers would accept the change.

As part of the company's desire to increase customer satisfaction, focus groups were held whose findings supported the idea of expansion. One of the basic service problems bothering the Israeli customer was the dispersal of

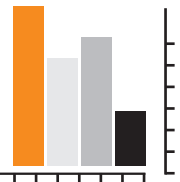
communications services among various providers. Additional findings uncovered during the dialog were that customers wished to concentrate all their communications services under a single provider. When we asked about the identity of their preferred provider, we found that among all the existing communications groups in Israel (telephony, Internet and media), the company from which customers were interested in receiving a range of communications services was Partner, by a large margin over the competition. These findings convinced the company's managers to execute the change.

Establishing a new division – ISP and fixed telephony

In order to implement the change, a new, designated company division was established: ISP and Fixed Telephony. Within a single year, work was completed, and as of 2009 Partner operates three consumer services that are not cellular services: Internet based telephony services, Internet access (ISP) and Video on Demand (VOD) services over the Internet. This year, the company was transformed from a cellular company to a communications company, while adding fixed telephony and ISP services. Currently, Partner is the only company in Israel to offer a comprehensive communications package in the home and outside it. The move was supported by organizational changes and new products.

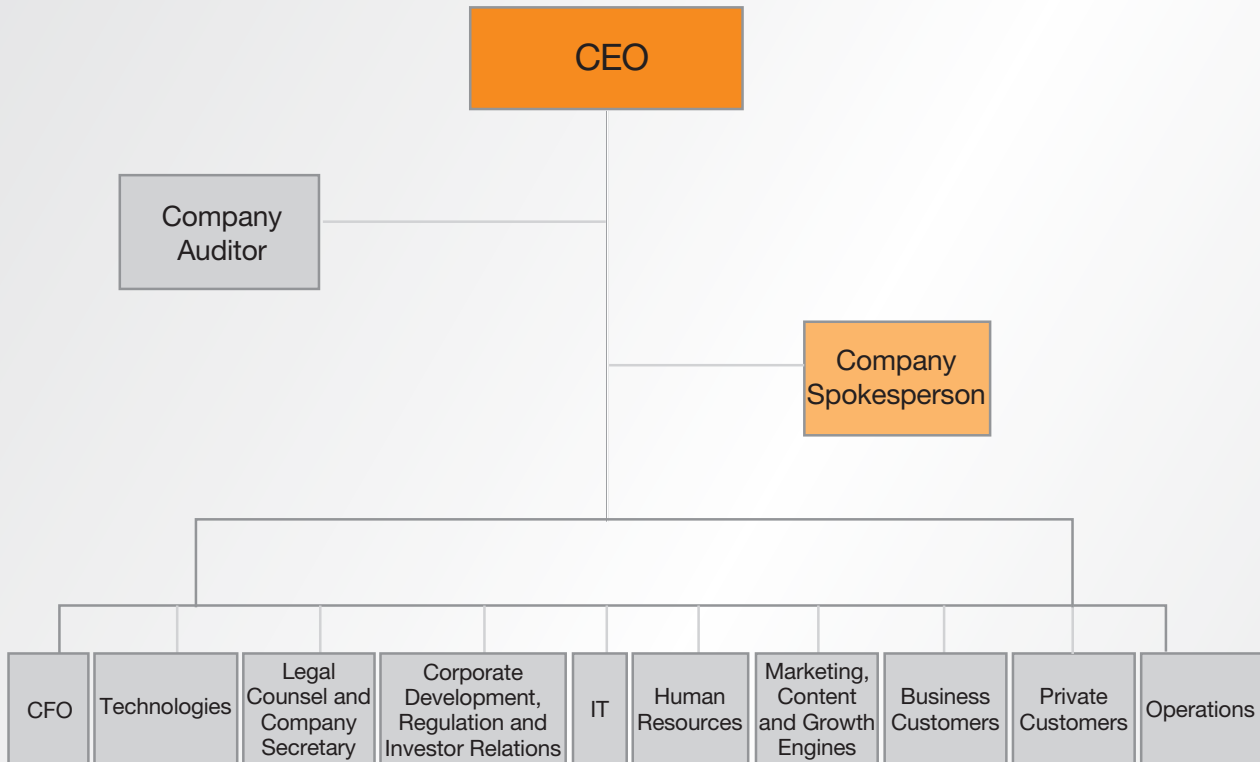
Changing the organizational structure

Over the past year (2010), the ISP and Fixed Telephony division was merged with the relevant existing division in the company. After Internet and telephony services became an integral part of our communications service basket, it was decided to merge the division with the Service and Customer Sales divisions.



Organizational Structure - Entire Company

Following is a chart of Partner's new organizational structure:
As of the date of this report



The Business Customers division and Private Customers division displayed in the chart are new divisions within the company, that were established in 2010 based on three previous divisions: Customers division, Sales division and ISP and Fixed Telephony division. This is an expression of a fundamental change in the customer service approach, based on end-to-end service to the private and business customer, from the sales stage, through continued service and support, to cultivating loyalty and customer retention.

Changes in corporate governance as well

Partner's Board of Directors is now composed of nine directors, one of whom is a woman. five out of the nine Board members are independent directors, and two are defined as external directors. The Chairperson of Partner's Board of Directors is Mr. Ilan Ben Dov, who does not hold any other position in the company.

The company's Board of Directors operates according to the Companies Law and has accepted Corporate Governance norms related to preventing conflicts of interests and introduction of issues to the board's agenda.

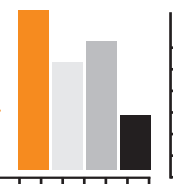
The Board of Directors includes four committees:

Investments committee

Security committee

Audit committee

Compensation committee that oversees and submits recommendations to the Board about executive compensation and specific compensation packages. In 2010, Partner plans to reconvene the company's Board of Directors in order to appoint a Corporate Social responsibility committee.



Code of Ethics

Partner's Code of Ethics was written as a central pillar of the company's operations. The Code of Ethics is distributed to every worker, manager and director of the company, and it is available on the company's website. The code is applicable to all company employees, from workers to senior executives. As of 2008, the company has an interactive educational software that requires every worker to keep up to date and undergo a test about the Code of Ethics.

Business Results of the Change

Despite the economic crisis of 2008 and 2009, the company has succeeded in maintaining a stable level of income throughout the period. In addition, its net profits over these years were higher than during previous years. The total compensation and benefits granted and those cumulatively credited to the directors and members of senior management for their work at Partner or its subsidiaries during 2009 was 33.25 million NIS. The total dividend payment announced over 2009 was 1,059 million NIS (about 281 million dollars), or 6.86 NIS per share, representing about 93% of Partner's net profit for 2009.

Table of Business results for 2008, 2009

In Millions NIS	2007**	2008*	2009*
Income	6,114	6,302	6,079
Operational profit	1,399	1,826	1,701
Profit before taxes	1,278	1,642	1,525
Net profit	940	1,198	1,141
Net profit per share	6.01	7.71	7.42
EBITDA	2,009	2,298	2,304

* Reporting according to IFRS

** Reporting according to US GAAP

Partner also continues to expand its customer base. In 2009, 144,000 new cellular service subscribers joined Partner, compared to 99,000 new subscribers in 2008.

The business move of penetrating into the ISP and Fixed Telephony market executed by the company was crowned with great success. More than 60,000 customers joined the new service, and this generated additional income of tens of millions of NIS for the company.

Partner's move also led to a general decline in prices in the fixed line communications market, and expansion of services to customers even among its competitors.

In summary, as of the end of 2009, Partner continues to enjoy financial robustness and increases in its market share and profitability.

Measuring social-environmental performance

Partner participates in the Maala ranking, that measures the corporate social responsibility of Israel's largest companies. In the previous report, the company set as its goal to maintain its standing in the Platinum group in Maala's ranking, which it did indeed meet: Partner has been ranked in the

Platinum group for three consecutive years.

In addition, Partner is a member of the Maala Index of leading companies that serves as a financial tool for investments based on corporate social responsibility criteria.



Goals and central issues for the future

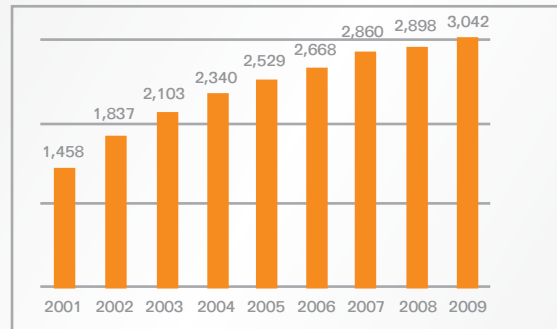
Issue	Goal for 2008/2009	Execution	Additional goals for 2010/2011
Ethical conduct	Assimilating the Code of Ethics among new workers	Executed	Re-examination of the Code of Ethics
Promoting transparency & profitability	Publishing a second CSR report	Executed	Publishing a third report
Corporate governance	Adopting the recommendations of the Goshen commission	Executed	



Products, Marketing and Customers

Our Identity: Customers and Services

As of the end of 2009, Partner has a 32% market share of cellular customers in Israel. In 2009, 144,000 new cellular service subscribers joined Partner, compared to 99,000 new subscribers in 2008. At the end of 2009, our customer base totaled 3,042,000, 26.7% of them prepaid customers. The churn rate in 2009 declined to 17.7%, compared to 17.8% in 2008.



Increase in the number of customers 2001 – 2009
(number of customers in thousands)

Description of new products and level of customer response

Following its transformation into an Internet Service Provider (ISP), in 2009 Partner began to offer its customers a home communications package. The package is based on the Smartbox, a household wireless router installed in the customer's home and provides a variety of services. The SmartBox supports high-speed Internet connection, connection to existing telephones in the home, a base station for wireless telephones and a household telephone exchange that supports an internal intercom.

The package includes several technological innovations:

In the field of fixed land line telephony

The company chose to offer its customers innovative features, headed by:

- Multi-line service that supports 3 incoming and outgoing calls simultaneously on the same phone number, without the maintenance costs of additional lines.
- Call hijacking service enabling users to answer incoming telephone calls on their orange cellular phone via their land line, and vice versa.
- Use of advanced compression technology to provide customers with high sound quality.

In the field of media

In 2008, Partner branded all of its content services (including on the 2G and 2.5 G networks) in its orange Time portal:

- The portal provides 2G customers with support for streaming and downloading applications and content, as well as surfing using WAP technology.
- 3G customers can also view and download high quality video and audio content - Video On Demand (VOD).

- Partner enables its customers to share content between computers over their home networks.

In addition to these products, in 2009 Partner launched accessible communications solutions for customers with special needs:

- Sending SMS voice messages to people who are visually impaired, enabling receipt of text messages as voice messages over the phone, aimed at facilitating the reading of the messages.
- Message services for people whose hearing and speech are impaired.

Profile of customers using the range of new services:

- More than 60,000 new subscribers, who generated additional income of more than 40 million NIS in 2009.
- More than 70% of the new subscribers are existing cellular customers, and in total one third of existing customers use the new service.

Moreover, customers who joined the service are characterized by higher than average usage patterns.



Expanding the product basket while preserving service values

The strategic changes that the company underwent, and expansion of the range of solutions it offers, have created several challenges in the field of service.

The company must develop and launch an array of supplementary services that will make it easier for customers to adapt to the new products. This array is required to operate according to the same high standards of quality to which Partner's cellular customers are accustomed.

Challenges Partner faced during the process vis-à-vis its customers:

Simplicity challenge – while developing a wider array of products characterized by technological leadership, the company needed to continue to provide customers with a user experience that is as simple and convenient as possible.

Transparency challenge – the marketing and advertising activities included reference to a complex system of products, while retaining the values of transparency and clarity towards customers, particularly with respect to prices. The transparency challenge also included a rigorous policy of protecting customer privacy – from both the information system security aspect, as well as the work procedures aspect.

Personal service challenge – entry into the home communications field required the company to view the customer from a totally new perspective, that required transition from viewing the customer as a private user to looking at the overall communications needs of an entire family. Yet the company was committed to continuing to provide as personal a service as possible by developing a quality service and support system for its basket of new services.

Facing the simplicity challenge

Partner took several steps to ensure that expansion of the product basket would not detract from the simplicity of use by the customer:

Comprehensive solutions for customers

As a strategic step, Partner decided to provide customers with support throughout the service chain, including support for the new home communications services.

For this purpose, the Sales division and Customers division were merged, and constituted the foundations for the Private Customers and Business Customers divisions. Partner became the first communications company in Israel to offer its customers One Stop Shop services in

their contacts with call center representatives – concentrating all service in one unit, with one party, responsible for sales, retention and technical service, instead of three separate parties, as was the case in the past.

Use of SmartBox as a uniform installation standard

In order to establish a uniform standard for all customers, Partner decided to install the SmartBox device in every new visit to a customer's home. The device is characterized by advanced technology, which enables the user to receive a range of services easily and conveniently.

Facing the transparency challenge

Despite expansion of our product basket and technological innovations, Partner needed to preserve clarity and simplicity in its presentation of the products and prices to its customers. Therefore, the company prepared programs that are as simple as possible for its customers and for its sales and service representatives. In addition, the variety of rate plans was reduced, to ease the overload of information to which representatives and customers are exposed.

Creating a simple and clear rates plan

Prior to the company's entry into the fixed telephony market, two separate rate plans were common in the market: calls on the fixed land line and calls on the cellular phone. Partner prepared the new service based on an innovative pricing method that combines Internet services and call minutes for the fixed land line. **Partner is the first communications company in Israel to offer its customers one price, fixed in advance, for calls in Israel to all destinations – over both fixed and cellular lines.** Merging the accounts also enables customers to cut their ongoing contacts with service centers.



An example of a rate plan from 2009:

	Home basic 600 minutes to all destinations	Home classic 1200 minutes to all destinations	Home premium 2400 minutes to all destinations
*Connection speed	All packages include multi-line service and call hijacking service		
1.5 Mega	NIS 128 99+29	NIS 158 129+29	NIS 258 229+29
2.5 Mega	NIS 138 99+39	NIS 168 129+39	NIS 268 229+39
5 Mega	NIS 168 99+69	NIS 198 129+69	NIS 298 229+69

* All Internet connection packages include an orange mail mailbox, anti-virus for personal computer and wireless home network based on full monthly deduction

1. All prices in the rate plan are for a year long commitment

2. Price per minute after usage of 29 agora package is identical for all packages and for all destinations

In 2010, Partner began to market its orange Triple Internet program – one package for household Internet, cellular and computer usage, in order to simplify the rates for customers.

Protecting customer privacy

As part of data security aimed at protecting customer privacy, and as part of the new basket of products, Partner chose to offer complete protection for its Internet users – Kaspersky anti-virus service for the computer, virus scanning and spam filtering in personal inboxes, and a built-in firewall.

Fair marketing

Our marketing strategy for new products was adjusted to correspond to the company's values. The new services were marketed in a fair and responsible manner, with respect to all the sectors in the Israeli market, and avoid any use of violent, blatant or exploitative messages.

Facing the personal service challenge

In order to continue to offer customers the service experience they are accustomed to, Partner established a multi-dimensional service network that includes a designated call service center and network of frontal service representatives for

ISP and Fixed Telephony, alongside a network of professional technicians that execute installations, training and support in the customer's home.

Among others, Partner developed the following services for the benefit of its customers:

- **Initiating contact with customers who encountered service problems** – the company maps customers who encounter service problems and initiates three party conference calls between a representative, the customer and the infrastructure provider (Hot or Bezeq) in order to resolve the problem.
- **Remote technical support** – technical support from the ISP and Fixed Telephony support center that enables connection to the communications equipment installed at the customer's home and helps provide a solution.
- **Establishing a central repair laboratory** – the company established a central laboratory and increased threefold its collection points for devices and sale of devices (we now have more than 120 points). In addition, repair services are provided within two business days, and service hours for delivery and collecting devices were extended until 21:30.

Developing marketing channels for the sale of company products

As part of a business move, Partner opened dozens of sale centers for fixed telephony products, located over a wide geographical area. This move allowed Israeli customers to make direct purchases of these products throughout the country. As of the end of 2009, there were 32 service and sales centers located throughout the country, 33 stands and 8 stores. Many of the branches are located in peripheral areas: over the past year, we opened centers in Dimona, Netivot and Yerucham, and the center in Kiryat Shemona was expanded. According to the company's policy and the goal that was set in the previous report, all the service and sales centers are accessible to the disabled, and 13 of them provide access that is above and beyond legal requirements, and include service stations that are adjusted for customers in wheelchairs. In 11 of the sites there is a kit that helps people who are hearing impaired to hear the service representatives better. As part of Partner's policy of improving accessibility, every new service and sales center that is built, and every existing center that is renovated or undergoes any change, are adjusted as described above for use of disabled people.



Dialogue to evaluate customer satisfaction

During the entire period covered in this report, Partner continued to conduct periodical surveys, ongoing surveys (contacts with direct service, telephone service and sales teams) and designated surveys. Following are the average scores of monthly service quality surveys for January 2009 to May 2009:

	Frontal service	Telephone service
Service	97.1%	97.3%
Professionalism	95.4%	95.1%
Problem solving	83.1%	82.7%

Partner analyzed the information from the surveys, and when necessary set targets for changes and improvement. Partner measured the implementation of changes and extent of improvement in the service via additional surveys.

In addition to the use of these surveys, Partner conducts ongoing control and monitoring of the quality of service, using the following means:

- Mystery shoppers that visit the service centers and telephone the call centers.
- System for reporting service faults (cooperation and feedback) – a system open to all representatives allowing them to report any service fault they encounter during their work.
- Use of a designated team whose goal is to listen to customer conversations (frontal and over the phone) and prepare a report for unit managers about the quality of the conversation, the representative's skills and identify processes that need to be improved.

In parallel to the internal surveys it conducts, Partner won recognition as a leader of customer satisfaction in the Israeli cellular market: in a survey measuring the service experience conducted by TheMarker newspaper in October 2009, Partner ranked first in all ten categories of customer satisfaction measured by the survey.

Dialogue with suppliers

In parallel to the challenges related directly to the company's customers, Partner faced the challenge of meeting a target it set in the previous report – developing its corporate social responsibility management of relations with suppliers. For this purpose, the company began to assimilate a system that provides suppliers with access to information about various issues related to the business process (order status, invoice status, payment date, etc.). Partner intends to develop additional dialogue mechanisms in this field,

such as supplier conferences and satisfaction surveys.

Partner also requires all sub-contractors to sign an agreement appendix that includes requirements to fully comply with employment and labor laws, pay all wages, expenses, costs and rights owed to its employees (including salaries that are not lower than the minimum wage) and other social benefits. The environmental quality chapter describes the company's steps in the field of relations with suppliers in the environmental context.

Outstanding results and goals for the future

Partner's business move has won acclaim and appreciation by the public and by the business community. As an expression of appreciation of Partner's management and performance, the company has won the most prestigious prizes in various fields, as well as high rankings in leading market indexes:

In a survey of customer service quality satisfaction in 2010, conducted by the Yedioth Aharonot newspaper, Partner won first place for service in the cellular communications sector, as well as prizes in the following categories:

- The most valued cellular network
- The leading cellular company for 3G cellular telephones
- The leading cellular network in customer service
- The most valued cellular network based on cost-benefit considerations
- The most valued cellular network for Israel-Overseas and Overseas-Israel calls

Moreover, the company won first place among cellular companies in a survey conducted by Yedioth Aharonot for the shortest waiting time for service.



2009:

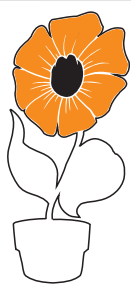
- In the ranking of brands by Globes and the Gal Hachadash, orange won first place.
- In surveys by Yedioth Aharonot, Partner won two gold cups:
 1. Gold brand
 2. First place in cellular communications service
- The June BDI survey ranked Partner in second place among the most highly esteemed companies and first place among communications companies.
- In July, Globes' index of brands ranked orange as the leading communications brand in Israel.
- In October, TheMarker newspaper's customer service experience index and Market test Institute ranked Partner in first place.
- In November, the TheMarker's executives survey ranked Partner as the most innovative company in Israel, following its entry into new fields of activity: the orange Time content venture on the Web, fixed telephony and web services. In addition, in the same month, TheMarker ranked orange as the most influential brand in Israel.

In 2008 also, Partner also won numerous prizes in the fields of service and marketing:

- In BDI's index of most esteemed companies and managers in Israel, Partner won first place among communications companies and second place in the overall ranking.
- In the index of future brands by TheMarker, orange won first place among cellular companies.
- In the Israel Customer Experience index by TheMarker, Partner won first place among cellular companies.
- In Globes' index of brands, orange won first place among communications companies and second place in the overall ranking.
- In July, the company was honored with an award of appreciation for IT system implementation as worthy of note, in the national conference saluting the computerization sector held by ThePeople.
- Partner was chosen as the best service provider for 2008 by TheMarker.

Goals and central issues for the future

Issue	Goal for 2008/2009	Execution	goals for 2010/2011
Service quality	To continue to lead in customer service quality	Executed	Preserving customer satisfaction Increasing customer scores related to problem solving
Accessibility of company sites	Making the new and renovated service centers accessible, beyond legal requirements	Executed	Continuation of the policy
Responsible supply chain management	Developing communications channels with suppliers & requiring responsible acquisitions	Executed	Reinforcing the dialogue with suppliers



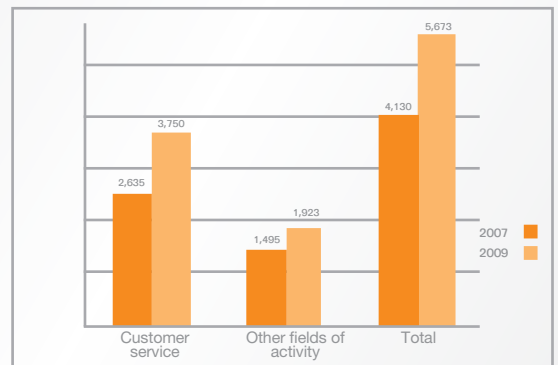
Employees and Work Environment

Our Identity: Partner's employees

As of December 2009, the company employs 5,670 full time employees, compared to 4,671 at the end of 2008. Following is the segmentation of company employees as of the end of 2009, based on various cross-sections and compared to the data in the previous report (for 2007):

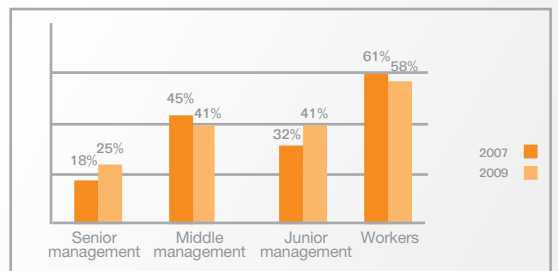
Segmentation of employees according to field of activity

The field of activity in which there was the greatest increase in the number of employees over the past two years was customer service. Following is the number of positions in the field of customer service, and in other fields, in the previous report (for 2007) and in 2009.



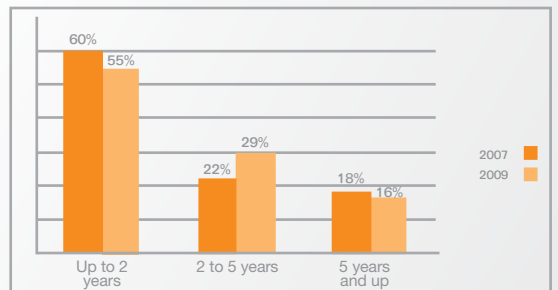
Distribution of employees by gender

The percentage of women in managerial positions has increased compared to the previous report. The percentage of women in senior and junior managerial positions has increased, while there was a slight decrease in middle management positions. The percentage of women among other employees has remained steady, with no significant change. Following is a chart illustrating the percentage of women at various ranks compared to the previous report.



Distribution of employees by age and seniority

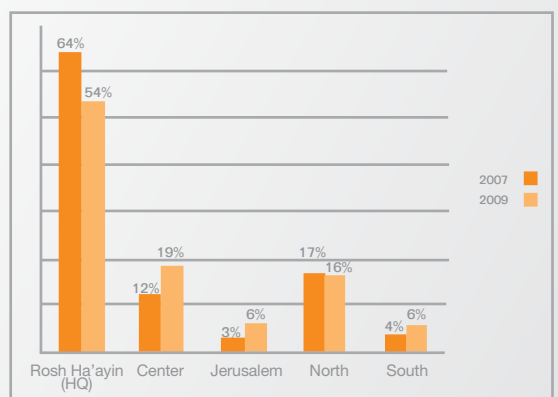
Compared to the previous report, there has been a slight increase in the average age of employees, despite new recruitment of employees: the percentage of employees up to age 25 declined from 39% to 36%, while the percentage of employees aged 25 – 35 has risen from 53% to 55%. In parallel, there has been a rise in the seniority of employees: the percentage of employees with relatively low seniority (up to 2 years) has declined from 60% to 55%, while the percentage of employees with two to five years of seniority has risen from 22% to 29%. The percentage of employees with seniority of 5 years and more remained steady.



Distribution of employees by geographical regions

As part of the expansion of our customer service, the company has opened call service centers and frontal service centers in peripheral regions, and has increased the percentage of employees in these regions.

Following is a chart of employees distribution by geographical regions on the date of the previous report (for 2007) and in 2009: according to the chart, there was a significant increase, following recruitment of employees, in the relative percentage of the organization's employees employed in various regions, with the exception of the central region and company HQ.



Distribution of employees by education (no graph)

In 2008, the company employed 1,509 university graduates (32.3%) and in 2009 this figure increased to 1,535 (27.1%).



Managing change with employees

The business change that Partner implemented meant that the company faced two complex challenges relating to human resources:

- **Challenge of establishing a new division** – once the decision was made, it was necessary to rapidly establish an innovative and complex network, on the scale of an entire division, with a quick learning curve, that would be capable of providing output at a high work rate, while continuing to operate within a large and hierarchical organization.
- **Challenge of involving and connecting all employees to the change** – the complementary challenge was to involve and connect all employees to the strategic and organizational change and provide support for the new division. The process required an understanding that the business change creates changes in language and thinking, and that it is necessary to transit from the concepts of the "cellular" world to the language of "communications".

Facing the challenge of a new division

The challenge of establishing an Internet and Fixed Telephony division required employee recruitment and training processes at an unprecedented scope, and establishment of several secondary functions.

Diverse employment and assimilation of values

Entry into new business operations created a significant increase in the number of employees the company needs, especially in its customer service network, that grew within one year by about

30%. In addition, changes were also required in the definitions of candidate profiles. In the new organizational structure, service representatives must have the skills and capabilities necessary to provide integrative service to the customer.

Despite the need for an urgent solution on a wide scale, recruitment of new personnel was conducted with special attention to employment of employees from all geographical regions in Israel, and from the entire social spectrum, with equal treatment of all employees, regardless of religion, race, gender, age, ethnicity, nationality and sexual preferences.

During the recruitment process, Partner carefully selected high quality personnel, and instructed each employee about the company's human rights policy. Part of the training included instruction about the issues of sexual harassment and discrimination, and honoring the cultural, religious and social needs of other employees. In 2008, no complaint related to sexual harassment were received, while in 2009 three complaints were registered. Two of the complaints were found not to meet sexual harassment criteria, and one turned out to be improper conduct by a company manager. During these years, no complaint was received relating to discrimination.

In addition, throughout the process of recruiting personnel, the company rewarded employees who recommended candidates that were subsequently recruited, and was careful to maintain an ethical business approach towards its competitors. According to company policy, all new employees received salaries and social benefits beyond those required by law, including a minimum wage that was 10% higher than the legal minimum wage.

Emphasis on internal recruitment

During the recruitment process, Partner opened all new positions for internal tenders, before opening them up for external tenders, based on its policy of emphasizing the personal and professional development of its employees. 64% of the positions in 2008 and 66% of the positions in 2009 were filled by via internal repositioning of company employees. This result complies with the goal that Partner set for itself in the previous reports – to fill at least 60% of positions via repositioning and internal promotion of existing employees.

Internal recruitment of executives – in the managerial ranks that were recruited for the new division, Partner attained an even higher result with respect to internal recruitment – the company selected about 80% of the managers of the new division from within its existing personnel.



Retaining quality personnel and creating a challenging work environment

Establishment of the ISP and Fixed Telephony division was conducted while endeavoring to provide a unique and empowering environment for employees, based on the company's vision and values.

For this purpose, the advantages stemming from the establishment of the division were communicated to employees in letters and meetings with managers. In addition, numerous launches and parties were held.

The new division was indeed perceived by employees as an innovative entity expected to grow quickly, and thus a positive atmosphere was created around its establishment, that attracted prominent and high quality employees from all ranks. The managers recruited for the division described an experience similar to the Establishment of a start-up within a large company. The process enabled managers who were not among the first generation managers who founded the company to experience the establishment of a new business entity, an experience that had formerly been limited to veteran managers.

Creating a new employment channel for technicians

Partner is a cellular company that has extensive experience in employing telephony service and frontal service personnel, yet in the field of technicians that provide service in the customer's home, the company took its first steps only in 2009.

Partner decided to set as a target a high quality level of technicians, and in order to meet this target the company created a unique process for these employees, from recruitment, throughout training, to the employees' and customers' satisfaction.

Recruitment - it was decided that technicians would be employed both via expert contractors and directly by the company.

Training service at the customer's home was identified as being of special sensitivity, and required zero installation faults. A designated training program was created for this purpose.

Developing a code of ethics for technicians' conduct – for this purpose, a clear code of business ethics was developed for technicians, including behavior towards the customer throughout the services stages.

Measuring customer satisfaction – with respect to all aspects of the service provided by technicians.

Examining employees satisfaction – Partner measured employee satisfaction from their new jobs. Although their work is conducted far from the company's "home base", attitude surveys conducted among the new service technicians indicated a high level of identification with the company.

Facing the challenge of involving and connecting employees with the change

For an organization as large as Partner, the challenge of connecting employees with the change required creation of a new organizational language, cultivating of a sense of security among existing employees, and harnessing and involving them in the change.

Creating a uniform language

The transition from a cellular company to a communications company required employees to adapt to a new organizational language. For this purpose, experience-based training conferences were held for all company employees.

Every training conference was opened by the CEO or Deputy CEO, who presented the change and the new division established within the company. At the end of the conference, the knowledge level of participants was tested in a "one against all" style game.

Each training conference was two hours long, and was conducted during the work day. In order to include all of the company's employees, five training conferences were held (with about 200 to 300 employees per day) over 6 work days.

In total 5,500 employees underwent training, during 40 training hours.

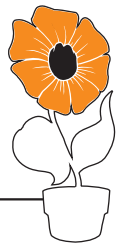
The conferences were held on the roof of the company's building in Rosh Ha'ayin, and a huge tent was erected especially for the conferences. Company employees scattered among various sites were transported to Partner's HQ via an extensive transportation network.

Ongoing professional training

The massive recruitment effort also meant that Partner faced a significant challenge in matters related to ongoing professional training and qualification.

The training division prepared to train employees utilizing a limited budget, with most trainings conducted by managers in staff meeting format.

Following are figures related to the duration of professional training in 2008, 2009



	2008	2009
New employees during recruitment	Course (4 weeks)	Course (5 weeks)
Company employee	Average of 3 days annually	2.5 training days
Manager	Average of 9 days annually	About 7 training days
Average no. of training days per employee (including training for specific jobs)	15 days	14 days

The number of training days for managers in 2008 increased, primarily due to manager training for improved efficiency and focused management. In parallel, many frontal training programs were replaced by computer training programs that employees underwent as part of their workday, and this impacted on the number of employee training days.

Refraining from termination of employees

After completion of its business expansion, Partner succeeded in implementing the merger in 2010 of the ISP division into existing divisions while

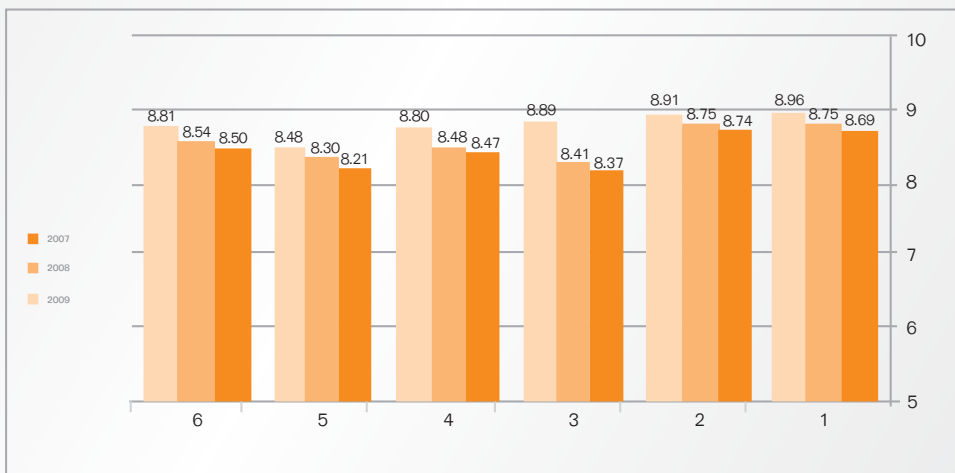
refraining from initiated termination of employees by the company and retaining the high quality personnel in all the divisions. The company's management implemented a policy of termination as a last resort, and thus by the end of the merger process only three managers had left the company for personal reasons.

In any case of termination of employment of an employee, Partner provided advanced legal notification, and in some cases even beyond legal requirements, based on its commitment in personal employment agreements.

Joint dialogue with employees

Dialogue with employees was conducted at several points in time throughout the change process:

- **employee satisfaction survey** – according to the company's policy, employee satisfaction in a range of aspects of company operations, was examined. In the internal attitudes survey conducted during 2009, the new division was awarded the highest scores among all the divisions, from the point of view of employee satisfaction. The overall satisfaction by Partner employees remained steady and relatively high compared to similar companies. An expression of the importance of this issue is the scores of the attitudes survey and improvement in employee satisfaction, which were some of the goals the company set in the previous report, alongside financial and business performance.



1. Investment in and commitment to Partner
2. Proud to work for Partner
3. Loyalty to Partner
4. Recommends working for Partner
5. Exciting to work for Partner
6. Total average of overall general satisfaction



- **Setting targets and annual feedback by the direct manager** – at the beginning of every year, a discussion is held between each employee and his/her direct manager, to define goals for the year. Individual goals are derived from the annual work and business plans. At the end of the year, feedback is collected by the company relating to attainment of the goals that were set. The purpose of the feedback is to reinforce the dialogue and connection between the manager and his/her employees, to improve the worker's performance, to identify skills that require strengthening and to motivate the employee towards growth and development. The employee receives feedback about his/her realization of the goals that were set at the beginning of the year or goals of his/her position, the extent to which his/her conduct is in line with company values, as well as a general verbal evaluation. In 2009, each company employee (who met the criteria – for examples employees employed for at least 3 months) received feedback about their work, in the form of annual feedback or ongoing periodical feedback.
 - **Inter-organizational cooperation survey** – this survey is conducted annually among company managers, and enables evaluation of the extent of inter-organizational cooperation between the various units. The survey's data is considered part of the company's business goals, and in 2008 and 2009, the survey included the new division. From 2008 to 2009, the scores for cooperation between company divisions increased in all parameters. The average cooperation score rose from 8.04 to 8.3. The score for cooperation between the new ISP & Telephony division and other divisions were high in absolute terms, but were slightly lower in relation to scores for cooperation with other divisions.
 - **Communicating the merger of divisions to employees** – the merger of the ISP and Telephony division at the beginning of 2010 was communicated to all the division's employees in a clear and extremely transparent manner: a special set of messages was prepared for managers, and the company's CEO and Deputy CEO wrote special letters to employees and addressed them.
- In parallel, Partner maintained existing channels of dialogue with employees, and continued to maintain them on a regular basis:
- **Direct line to the CEO** – a site in the company's internal website designed to enable employees to share with the company's CEO their ideas, suggestions, questions or requests.
 - **orange Idea** – a channel opened to all company employees in the middle of 2007 in order to submit ideas for improvement in various fields. An employee whose suggestions are received and implemented is rewarded. In 2008, 415 ideas were proposed via this channel, and 13 of them were accepted. In 2009, 494 ideas were proposed and 16 of them were accepted.
 - **Coffee with the CEO** – an informal meeting that is held every few weeks between the company's CEO and 12 employees or managers.
 - **Internal auditor complaint box** – the company's internal auditor operates a complaints box, enabling submission of complaints regarding any subject, anonymously or with specification of a name.



Results and Central Issues for the Future

In the previous report, Partner set as its target to remain the best company to work for in the telecom industry. In a 2008 survey (Coface BDI and TheMarker) aimed at determining which companies are best to work for, Partner maintained its leading position in the telecom industry. In

May 2009 the company ranked first among all telecom companies and ranked fourth overall. In June 2010, Partner once again ranked first among all telecom companies in Israel, for the third consecutive year, and was ranked right behind Intel as second overall.

Issue	Goal for 2008/2009	Execution	goals for 2010/2011
Employee Promotion and Development	Maintain employment of at least 60% of posts by internal movement and promotion of employees.	2008 – 64% 2009 - 66%	Maintenance of movement and promotion targets
Qualification for Standards	Qualification for Health and Safety Standard OHSAS 18001	Completed	SA8000
Advanced Work Environment	First place among all telecom companies as the best company to work for	Completed	To maintain the leading position in the telecom industry



The Organization and the Community

Our Identity: Partner's Community

Strengthening of Community Relations During the Economic Crisis

The years 2008, 2009 were characterized by an economic crisis which resulted, among others, in substantial cuts in the community budgets of many organizations. Despite this financial crisis, and despite the investments involved in the business expansion, for Partner these years were characterized by strengthening of the company's involvement in the community. The annual budgets for these years remained unaffected by the crisis, a fact which reflects the company's commitment to continued involvement, effective contribution and volunteering for the community.

The company has identified three fundamental challenges in Community Relations:

Focus Challenge - Focusing on a single, compatible, social flagship project and finding a strategic partner for the overall process, including a dialogue with stakeholders.

Measurement Challenge - Development of a measurement system for monitoring processes of inputs, outputs, and social benefits of the selected project.

Expansion of Spheres of Influence Challenge - The expansion of the organization's spheres of influence for promotion of volunteer work and company involvement in Israeli society.

Focus Challenge

In early 2008, and as one of the targets set in the previous report, Partner decided to merge all the resources invested in community involvement - uniting a variety of small-scale projects into a single flagship project. One reason for this was to increase effectiveness of the company's social involvement based on the belief that focusing on a single flagship project would yield a higher social return than investment in several smaller initiatives.

As part of Partner's strategic approach to management of the company's community relations, the company examined, using selected focus groups from among the general public and company employees, which fields of operations would be best for involvement. In the last quarter of 2007 the company conducted a comprehensive study using several focus groups from the general public throughout the country, both in the center and periphery. In addition, two focus groups were established among company employees.

The study examined the attitudes of all participants concerning fields of Partner's contribution to the community. The findings indicated that the general public, like company employees, believe the company should **focus on activities which provide technical and communications related knowledge and skills**. Such activities are also consistent with the expansion of Partner's business services into the domestic Internet market, and therefore meets the criteria for compatibility with Partner's core business as a technological company operating within the telecom industry.





Other projects that were considered during the process include initiatives in the field of encouragement of open, beneficial and civilized communication between people, such as:

- Encouragement of proper behavior when using mobile phones.
- Workshops for provision of tools for better, more polite and respectful communications between people.
- Support of groups with communications disabilities, such as for deaf, blind, mute or autistic individuals.

Furthermore, the company considered additional projects that deal with encouragement of enjoyable and experience-based activities in daily life, which contribute to a better quality of life, such as:

- Construction of recreational playgrounds and leisure areas in public gardens.
- Establishment of bicycle trails and operation of "bike stations".
- Workshops to encourage positive thinking among youths.

Study results indicated the need for establishment of community centers across the country, for all sectors of the population and for all ages - children, youth and adults.

Because the operation of community centers is not within Partner's field of expertise, the company initiated an orderly process for identification of a party that specializes in management of business initiatives. As part of its business partner selection process, Partner implemented an orderly and methodological procedure and applied various qualitative indexes.

Partner defined in advance the criteria for selection of such a partner:

- Nationwide and cross-sector deployment
- Quality personnel
- Knowledge in preparation of training programs
- Organizational abilities
- Proven experience in collaboration with the business sector
- Public image
- Treatment of the target population

In light of these criteria, several options were examined, out of which a single partner was chosen in early 2008 - the "Perach Tutorial Project". Perach is the largest tutoring project in the world, and includes approximately 29,000 students and over 55,000 children who participate in the project every year. In 2008 the project won the Israel Prize for Lifetime Achievement.

Partner's Community Centers Project is a prime example of collaboration between three separate sectors - the business sector, the public sector and third sector organizations. Additional partners in the project are:

- Local authorities that allocate a structure for these activities: At the end of 2008 the first two community communications centers were established in District 4 of Beer Sheva and in Ramla. In 2009 two additional centers were opened in Nazareth Elite and Rehovot, and in early in 2010 the fifth center was opened in Ariel. A sixth center, in Tamra, is currently under construction.
- AppleSeeds Academy (Previously the Tapuah Association): An organization that specializes in operation of educational technology programs throughout the country. The association places emphasis on empowerment programs for development of life-skills which are required for vocational and academic integration.

Measurement Challenge

Every month the centers are frequented by hundreds of children, youth and adults who enjoy training in the fields of computer science, an assortment of workshops, classes, experiential and joyful activities to mark religious holidays and more.

Centralization of activities around the flagship project has enabled Partner to efficiently measure the effectiveness of its contribution and to continue its efforts for improvement in this area too: Partner monitors the number of visitors in each center according to days and the type of activity, and updates the activity schedule based on these results in coordination with the social partner.

July 2009	Beer Sheva	Ramla
Absolute no. of childrens' visits to the center	671	396
Net no. of children that visited the center	90	80
Absolute no. of youth visits to the center	-	61
Net no. of youth that visited the center	-	6
No. of Computer Classes conducted - Children	2	3
No. of children participating in computer classes	64	18
Net no. of children participating in computer classes	39	6
No. of Computer Classes conducted - Adults (class + exercises)	4	7
Net no. of adults participating in computer classes	3	16
No. of children visits in 2007-2008 season (before initiation of Partner activities)	No summer activities conducted	No summer activities conducted

On the left is an example of one such report that is issued on a monthly basis.

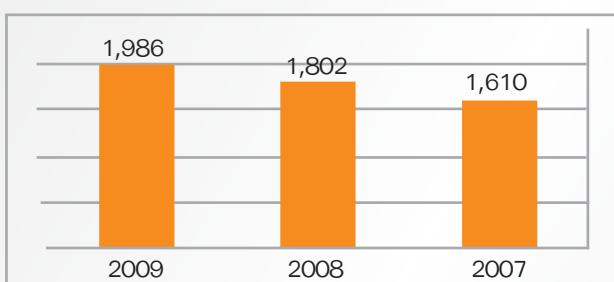


Compared to previous years, during which the center functioned only as a Perach Enrichment Center, the total number of visitors recorded has increased since Partner initiated its involvement.

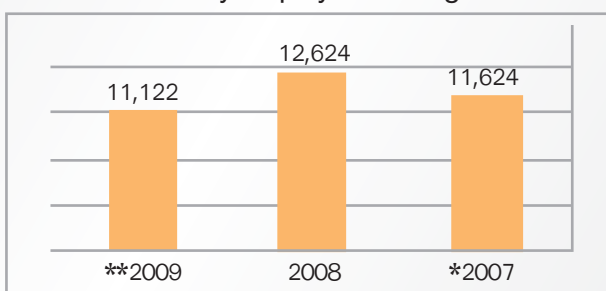
Expansion of the Spheres of Influence Challenge
Partner considers volunteer work a value and virtue. Accordingly, the company has decided to promote volunteer work among both company employees and the general public.

Increase of Employee Exposure to Volunteering Opportunities

Partner has specified the increase in the scope of volunteer work performed by its employees, in both number of employees and number of hours, as a long-term on-going target. Employees leave the workplace and participate in various volunteering activities organized by their organizational unit (team, department, division or section), with minimum disruption (transportation, organization, etc.). as part of their work hours. In addition, Partner encourages independent community volunteer work by its employees and their families. The company donates an annual sum to associations in which its employees and their families volunteer on a regular ongoing basis. The following graph illustrates the number of employees engaged in community volunteer work during 2007-2009:



During 2009, there was an increase in the number of volunteers despite the fact that the Latet project was not held that year. The company's target for 2010 is to cross the 2,000 employee threshold. The following graph illustrates the total number of volunteer hours by employees during 2007-2009:



* 2007 – This represents a revised estimation, relative to the previous report, as a result of a change in method of measurement.

Between 2007 and 2008, a rise of approximately 12% was recorded in the total number of volunteer hours. This number is significantly higher than the 5% target set in the previous report for this period.

**As a result of various external constraints, the Latet project, which normally includes 7,000 volunteering hours by company employees, was not held in 2009.

Promotion of Volunteering Values among the Public



As part of its deep social involvement, Partner has decided to incorporate the concept of contribution to the community as part of the company's marketing activities in a manner previously unheard of in Israel. Accordingly, orange launched the "orange Rockcorps" project – including an initiative to bring the singer Rihanna to Isreal.

This initiative constituted the largest community orientated activity in Israel. As part of the project, Rihanna's concert tickets were offered to the company's younger customers in exchange for volunteer work hours in the community. The move was considered innovative and the first of its kind in Israel, and encourages community activity among young people in combination with music. The orange Rockcorps initiative is a partnership between orange and the International Rockcorps organization, and strives to inspire thousands of youth and teenagers to transcend their daily routine and volunteer for the community.

A dedicated website for project registration was launched at www.orangerockcorps.co.il with full details of the numerous activities included, exact locations, dates of activities and times of activities.



Voluntary projects were selected by Arison Group's "Ruach Tova" Association ("Good Spirit") in coordination with other associations, social organizations and social welfare departments in various local municipalities. In total, over 200 projects were selected in the following fields:

- **Environmental Responsibility** – Marking of trails, cleaning rivers and beaches, pruning of JNF forests, cooperation with JNF Activities and ecological gardens.
- **Arrangement, Packaging and Sorting** - Packaging and distribution of food to the underprivileged, sorting of secondhand clothing and arrangement of storerooms.
- **Painting and Refurbishment** - Repainting and refurbishment of community centers across the country and gardening – arrangement of garden beds, planting plants and pruning in various institutions.

During the ten weeks prior to the concert, more than 10,000 volunteers registered and accumulated over 50,000 volunteer hours. Based on this data, the project is now considered to be the largest of its kind in Israel.

Community Dialogue

As stated above, the flagship project selection process was carried out while maintaining dialogue with various focus groups - both among the general public and among company employees.

One prime example of Partner's dialogue with community partners is the company's involvement in the subject of "accessibility": Partner is a participant in the Business Accessibility Promotion Forum, an initiative of the Access Israel Association, including more than 30 leading executives in the Israeli market. The purpose of this forum is to create a framework for use by organizations interested in promoting accessibility within the companies

Results and Central Issues for the Future

Issue	2008/2009 Target	Execution	Targets 2010/2011
Increasing the Effectively of Contributions	Launch of a new perennial long-term community project in 2008	Completed	Measurement of training effectiveness
Promoting employee Volunteering	An increase in employee volunteer hours by 5% in 2008	An actual increase of 12% in 2008	An average increase in employee volunteer hours by 5%
Expanding the Sphere of Influence	Establishment of community communications centers in geographical and social peripheries	Completed	Establishment of additional nationwide and across-sector centers

themselves, to serve as an example for imitation and to promote awareness to accessibility issues within the Israeli business sector.



Partner also cooperates with a wide range of other community partners:

- **Children's Museum in Holon** – Partner has been sponsoring the Invitation to Silence exhibition, which serves as a meeting place between deaf and hearing individuals since 2007.
- **Servicemen's Welfare Association** – Partner has been sponsoring two army battalions as part of the Adopt a Soldier project since 2005.
- **Latet Organization** - Partner has been maintaining a partnership with the organization since 2004 as part of the To Give With Love project, aimed at collecting food for underprivileged families in Israel.

For additional information and details regarding other social partners and projects, please read the 2007 Corporate Social Responsibility Report (CSR) at the following address:

www.orange.co.il/betterfuture/index.html



Environmental Responsibility

Our Identity: Partner's Environment

How to Grow while Reducing Resource Consumption

Partner embraces responsibility for protection of the environment as an integral part of its business activities. The recent change in the company's business model has not changed its commitment to environmental protection and public health. In fact, in recent years such issues have become even more important among company customers and other stakeholders, and for this reason, the company now considers all activities concerning environmental matters as of higher importance than ever before.

- In the field of Public Health **the company continues to confront the challenges involved with cellular radiation** and its implication on public health. Current cellular broadcasting methods, have become part of the public agenda. The company considers such public concerns as highly important.
- In the field of Environmental Responsibility, in recent years the company has confronted **the challenge of reducing the use of sustainable resources** and development of products and services that help customers reduce their environmental impact. Partner recognizes that considerations related to reduction of environmental impact are a strategic goal that creates a common value for the company, stakeholders and future generations. In recent years the company has been focusing on the development of environmental friendly products, reuse of equipment, recycling, and controlled removal of waste in order to minimize its environmental impact and encourage its customers to do so as well.



Facing the challenges of Cellular Radiation Impact

Strict Observance of Standardization

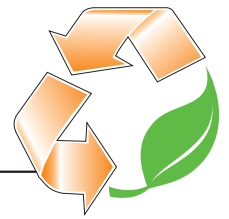
The Company complies with all safety standards required by the authorities related to radiation emitted by antennas and phones, including compliance with requirements of the Ministry of Environmental Responsibility.

The company's VP of Technologies is responsible for overseeing these areas of activity, and strictly implements all regulations. The amount of radiation emitted by electromagnetic broadcasting of cellular antennas is subject to strict control.

The Standard recommendation was determined by the International Commission on Non-Ionizing Radiation (ICNIRP) and was subsequently adopted by the World Health Organization. Partner's antennas comply with the most stringent directives of the Israeli Ministry of Environmental Responsibility which require all Israeli based cellular antennas to comply with strict standards that are approximately ten times more stringent than those recommended by the World Health Organization.

The radiation level permitted in Israel is under constant supervision by the Ministry of Environmental Protection and is lower than that of many countries including Holland, UK, Spain, Sweden, the United States and many more.

Upon identification of new coverage areas, Partner's technical team determines the optimal location for a new site, the coverage requirements, its characteristics, and the best way to connect the site to the national network (by using Partner's infrastructure or infrastructure that is leased through a wireless link or landlines etc.). Next, a survey is carried out on the area and potential sites are inspected: in urban areas some sites are located on building rooftops, while in open spaces they are normally installed on masts erected in the area. Upon selection of the optimal location and specifications for the site, Partner begins the process of obtaining the required permits for erection of the site: building permits from regional or local committees (such permits are required in most cases) and other certifications, such as approvals of the Ministry of Environment Responsibility, the Civil Aviation Authority (in some cases) and the Israeli Defense Force.



Transmission Power and Device Radiation Levels

The recommendations of the International Radiation Protection Association (IRPA / ICNIRP) from 1998 state that the output absorbed by each unit of head tissue weighing ten grams should not exceed 20 mW, or in other words, SAR <= 2W/kg. This level actually defines the maximum radio energy output permitted for the entire national or global population. These standards also include significant safety coefficients designed to ensure the safety of all people regardless of age or state of health.

All cellular device models that are distributed in Israel are designed and manufactured to comply with the maximum permissible level of exposure to radio waves (RF), as determined by strict international standards or by the Ministry of Industry and Trade in each country. The tests by which maximum radiation levels emitted by transmissions of a given device are determined are conducted on every device prototype by transmitting the highest intensity possible by that device, and in all frequency ranges under which it is licensed to operate. In actual fact, cellular devices are designed to reduce their intensity in such a way that they operate using the lowest intensity under which they can still connect to the cellular network.

All tests are conducted on finished devices in proper working order. It should be noted that any repair, damage or change in shape may change

the device's level of transmission.

For more information about radiation levels emitted by a given device please refer to the information leaflet issued by the Cellular Company Forum which is included with all devices, or to the forum's website at www.infocell.org, or to any of the following sites:

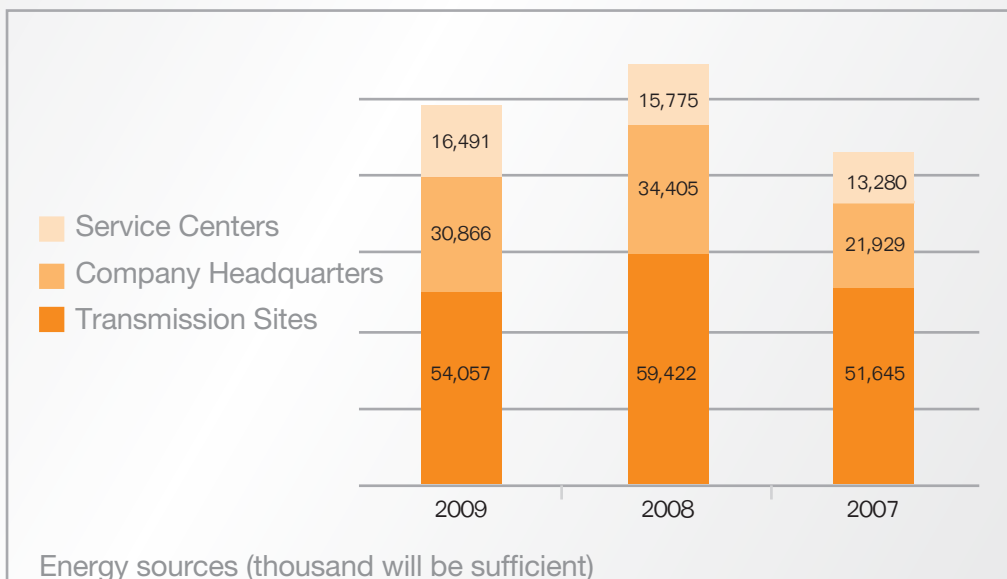
- The Ministry of Environmental Protection www.sviva.gov.il
- The ICNIRP (International Commission on Non-Ionizing Radiation) International Commission on Non-Ionizing Radiation www.icnirp.de
- The World Health Organization website www.who.int

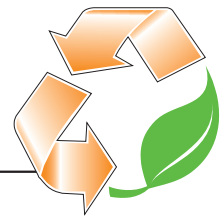
Facing the Challenges Involved in Reduction of Environmental Resource Consumption

Partner's business expansion has led, as noted, to an increase in the number of employees and scope of activities. Despite this fact, the company continues to strive for reduction of its environmental impacts as part of its ongoing commitment to sustainable use of resources and protection of natural resources for the benefit of this generation as well as future generations.

Outstanding Results in the Field of Energy

Between 2008 to 2009, there was a drop of 7.5% in total energy consumption despite the expansion of activities, as detailed in the energy consumption by sources graph below (thousand kW):





Partner is constantly striving to reduce power consumption in several ways:

- In accordance with targets set in the previous report, 2009 saw the completion of 3G network equipment replacement to more energy efficient equipment, an initiative which reduced 2008 power consumption by 785 MW (1.3% of total transmission consumption) and 2009 consumption by an additional 635 MW (1.16% of total sites consumption).
- In the previous report the company had set a target to complete replacement of all lighting fixtures installed on masts located in transmission sites to cost-effective LED lighting by 2011. To date, lighting has been replaced in all new transmission sites, and in total, LED lighting has been installed in approximately 8% of the sites (64 sites).
- The scope of energy consumption reduction activities has been significantly expanded: In computers, printers, photocopy machines, screens, Thin Client operation by service representatives and in work with remote management tools that reduce the necessity for travel. In addition, the number of computer room virtual servers has been increased, various services have been consolidated, computer equipment was selected according to planned energy consumption and there are plans for integration of additional technologies such as SSD to increase information storage efficiency.
- The company encourages and promotes reduction in energy consumption among its customers – the new routers used by the company (the SmartBox) is of a model type that shows improved environmental performance - lower energy consumption by the base station (docking station) in standby mode, and no energy consumption at all in wireless phones in standby mode.

Increasing Efficiency of the Vehicle Fleet and Reduction of Greenhouse Gas Emissions

Total emissions of greenhouse gases increased from 12,107 tons in 2008 to 13,924 tons by 2009 (this value includes consumption of Diesel Fuel in sites, vehicle fleet fuel for transfers and logistics, electricity, and flights).

The total distance traveled by the company vehicles increased from 37,160,000 km in 2008 to 43,884,000 km in 2009. This increase is a result of the substantial increase in company activities (an increase of 6.3% in the number of cellular customers between 2007-2009) and in the number of vehicles used as a result of expansion of activities into the Internet market and provision services at customer homes.

The company operates an extensive system of transportation for employees working at the company headquarters in Rosh Haayin, thus contributing to the reduction of greenhouse gas emissions. During 2008/9, the efficiency of this employee transportation system was streamlined and the average number of kilometers per employee in 2009 decreased by almost 3% in comparison to 2008.

Further steps in the field

- As of July 2009 the company established an annual quota of company vehicle travels. In addition, all employees can now track their monthly vehicle usage via the Internet. Within six months from the moment the initiative began, there was an average reduction of approximately 10% in vehicle travels.
- As part of company efforts to reduce emissions, the vehicle fleet manager receives a current snapshot of all vehicles, manner of driving and necessary maintenance. Such information allows for reduction of pollution from the engine and accelerated amortization. The service can achieve savings on fuel costs and in operating costs.

Reduction of Water Consumption

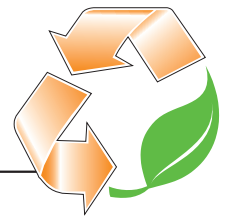
As a result of a rise in the number of employees employed at the company headquarters in 2009, the annual water consumption (cubic meters) increased from 45,532 in 2008 to 47,170 during that year (an increase of 3.6%). In terms of water consumption per employee, the consumption rate decreased by 9%, from 7.34 to 6.68 cubic meters per employee.

Reduction of Paper Consumption

The size of packaging in which devices are sold has been reduced, and devices are shipped in crates that may be used multiple times in place of cardboard boxes that were discarded in the past. Despite such efforts, paper consumption increased from 114.7 tons in 2008 to 125.5 tons in 2009.

Partner is taking initiatives to encourage savings in paper by introducing additional online services that require no paper:

Fax2mail Customer Service - This service allows customers to receive faxes directly into their Email accounts thus saving on paper and ink. In 2010, sending of faxes from personal computers was introduced.



Computerized Wage Slips – As of mid-2008, all wage slips were transferred to a centralized computer system and may now be viewed in the company's in-house intranet site thus saving the need to print wage slips.

Additionally, the company continues to send customer invoices directly into customer Email accounts.

Initiatives for Reuse, Recycling, and Reduction in Volume of Waste

Recycling of Devices - Partner encourages its customers to return unused devices when performing upgrades or transferring between carriers by offering refunds in return for the old device. Some devices are disassembled for spare parts while others are resold in different countries. In addition, faulty devices are also disassembled for spare parts.

The majority of 2G network equipment that is purchased for new sites or for maintenance of existing sites is in fact renewed equipment: Partner reuses such network equipment, thus reducing the consumption of new equipment.

The Rate of Recycled Spare Parts

The total amount of second-hand spare parts used in 2008 was 18.8%, and 15.5% in 2009. This decrease in the percentage of recycled parts used is primarily a result of process changes:

- Increased disconnection of electronic circuit boards that do not include used spare parts.
- Manufacturer directives to use new spare parts.

The company expects an increase in recycling rates during the third quarter of 2010 as a result of employee trainings in this field.

Phasing-Out of old Company Computers – Partner maintains a policy of selling phased out computers to a recycling company that either repairs them or sells selected internal components. In 2008 approximately 257 computers were shipped for recycling while in 2009 this number rose to 270.

Ink Cartridges / Toners / Printers - Are collected by the product supplier and transferred for recycling. Partner also observes collection of batteries, cans and bottles.

Solid Waste: Partner has succeeded in reducing the total amount of solid waste transferred from the company sites. In 2008 this amount included approx. 799 tons of waste, while in 2009 the amount decreased to 746 (a decrease of 6.6%).

Dialogue with stakeholders

In recent years, environmental dialogues with stakeholders were held in cooperation with several authorities.

Standardization Bodies and Voluntary Organizations

Partner is a member of the Cellular Company Forum established in 1999 which includes the three major carriers in the country. The purpose of this forum is to present various facts regarding the safety of the nationwide network being installed to the general public, and constitutes a part of the company's commitment to maintain safe communications, public safety and health.

Partner operates in compliance with requirements of international Environmental Management Standard ISO14001, for which it was certified in 2008, based on a target set in the previous report. The company operates in compliance with guidelines set forth in the Environmental Responsibility chapter of the Social Responsibility Code of the Maala Organization.

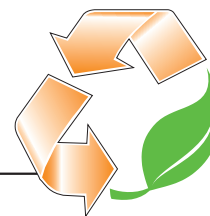
Environment Responsibility in the Supply Chain

As an extension of the expansion in the range of products and services offered by the company, Partner has begun requesting relevant suppliers to produce permits and certifications regarding activities that impact the environment (for example: removal of waste to authorized sites, compliance with environmental management, health and safety standards).

Suppliers who do not meet these standards are required to complete a questionnaire which examines the manner by which they implement various issues such as operation of processes for identification and control of environmental impacts, activities performed for reduction or elimination of environmental pollution, employee training and qualification in safety and hygiene issues.

Municipal Authorities and Regulation

Partner is working in full cooperation, and in accordance with directives of the regulatory agency and local authorities in which company sites are located. In recent years the company has invested many efforts in the deployment of infrastructure in coordination with the local authorities and regulatory agencies, particularly regarding the number of antennas, to improve the quality of service to its customers.



In 2009 two separate criminal proceedings were filed against the company concerning the construction of sites without proper building permits. As of the 31st of December 2009, there are nine criminal proceedings pending against the company regarding the same matter, one of which is pending and directed against company functionaries and directors. The company is engaged in negotiations with the relevant local authorities in order to reach an agreement concerning relocation of these sites, or obtainment of building permits for them.

Partner operates in accordance with BCP (Business Continuity Programs) standards to ensure business continuity during states of emergency. Policies are determined by the executive committee and include operations of support systems, facilities, and conduct of human resources derivatives. As part of its preparations, the company practices various scenarios several times a year. Almost all scenarios involve transfer of the sales and service centers to protected bomb shelters, mobility of service for customers who were recruited for military duty, deployment of mobile network equipment and dynamic planning of the network according to loads using mobile systems. Once every 3 years all procedures undergo review.

Results and Central Issues for the Future

Issue	2008/2009 Target	Execution	Targets 2010/2011
Savings in Energy Consumption	Replacement of 3rd generation equipment during 2009	Completed	Replacement of all lighting fixtures installed on transmission site masts to cost-effective LED lights by 2011
		To date, 8% of site lamp replacements are complete.	Task Completion
Central management of this field	Certification of the company to ISO 14001 Environmental Responsibility Standards in 2008	Completed	Continuance of central management
Promotion of employee awareness to the subject	Performance of employee training on the subject	Employee training was conducted during the Quality Awareness Week and educational software was prepared.	Continuance of training and increase of activities for stakeholders within the company – quality, environmental, safety and hygiene functionaries. Presentation of the subject to all company employees.v

To contact us regarding environmental Responsibility topics: environment@orange.co.il

Summary and Acknowledgement

Closing Words

Ended but not yet completed.

As described above, the company maintains numerous dialogue channels with stakeholders such as customers, employees, suppliers, shareholders, community representatives, environmental representatives and more. This report represents another channel, both personal and direct, that enables anyone to contact us, propose ideas, submit comments and ask questions.

We promise to listen to any suggestion or idea we receive, to consult with relevant organizational units and to consider all matters in a serious manner as part of our ongoing efforts to conduct an honest and fruitful dialogue.

Dialogue is essential for successful continuation of our process of social-environmental performance improvement as related to expectations of all stakeholders in all fields.

We welcome feedback, comments and observations that can be sent to the following address:

Partner Communications
The Community Relations and Social Responsibility Department
PO Box 435
Rosh Haayin, 48103
Fax: 054-7816574
E-mail: community@orange.co.il

Thanks ...

We would like to thank all our employees from various divisions who assisted us greatly in the fascinating and educational process involved in the preparation of Partner's second CRS report.

We thank you for your response to the challenge, your willingness, ideas, comments, data collection, analysis and writing.

Many thanks to the corporate responsibility department of the BDO Consulting Group for their advice and accompaniment throughout the preparation of this report.

Thanks to all marketing communications personnel for the vision and creativity in presentation of this report to stakeholders.

Thank you for your time.

We hope to see you in the next report two years from now.



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