



NESHER ISRAEL CEMENT ENTERPRISES LTD.
נשר מפעלי מלט ישראליים בע"מ



Environmental Report 2006



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CEO's message

In the last few years there has been a significant change in awareness regarding sustainability, corporate responsibility and the environment. Articles about these subjects fill the newspapers; they are the focal points for business conventions and are placed by politicians all over the world, at the forefront of election campaigns. The reasons for this awakening are apparently a combination of strategic factors, including the frequency of extreme climatic events in many parts of the world, the link between environmental issues and strategic and geopolitical subjects, a rise in energy prices and the maturing of public awareness about environmental quality and corporate responsibility.



The change in awareness and the live debate bring to our attention just how few are the examples for real action by commercial and governmental entities. Few meet the precepts and principles they have embraced, particularly during events when their principles come to test.

Over the last two years we at Neshet have had the opportunity to take action and lead:

- Despite and perhaps because we were the first in Israeli industry to publish an environmental report and among the first in the business sector in general, a demand on the part of local residents to receive more frequent information has risen – and we have responded by publishing monthly environmental data on our Internet website.
- A cave that was discovered in the center of our lime quarry at Ramle has thus far provided the world with 8 new species, previously unknown to the scientific community – all of them cave dwelling species that have never seen daylight. If we do not protect and maintain their below-ground climatic conditions they will be destroyed. In spite of severe disruptions to our quarrying program we worked hand in hand with the researchers, Israel Nature and Parks Authority and government ministries to change the zoning of the area from quarrying to a nature reserve, in the course of ensuring that the climate in the cave would remain in a state which, in the opinion of the researchers, will preserve its living content.
- Many discuss what laws, regulations and international treaties are required in order to take steps to cut back on the emission of greenhouse gases, that cause a worsening in global climate changes. At Neshet and at its parent companies we chose to take action voluntarily and to achieve a systematic cutback in emissions. This year a modern cement mill was constructed at Ramle at a cost of tens of millions of shekels. We are also preparing to switch our source of electricity to natural gas, at a significant investment, and in the future we will upgrade our production facilities at the other plants as well.

Let there be no mistake, the journey towards finding a synergy and balance between environmental, social and economic needs is still ahead of us. At Neshet this journey has begun – not in an effort to keep up with fashion, but with careful judgment and discretion and by making substantial investments – in actions, not in words.

Yoel Feldschuh
CEO

Guiding Principles and Environmental Policy

Nesher's management and its employees are aware of the impact on the environment inherent in the process of cement production, which serves human society generally and the Israeli public in particular, and we strive to reduce these effects by means of dealing with a wide range of environmental issues, including: raw materials, energy, water, biodiversity, emissions to the environment, products and services, compliance and transportation.

A POLICY OF COMMITMENT

- **Resource allocation:** allocating the necessary resources in order to maintain health, safety and environmental quality
- **Compliance:** complying with all legislative demands and cooperating in full with authorities in order to prevent safety and environmental hazards in all company activities, both on and off company sites

BUSINESS CULTURE

- **Awareness and involvement:** responsibility and total commitment of company workers and management in maintaining safety environmental quality and product quality.
- **Commitment, fairness and good neighborly relations:** commitment to fair and just management for the benefit of Nesher employees, the neighboring communities, and the social fabric within which Nesher operates
- **Transparency:** a policy of public transparency that includes the publication and distribution of up-to-date environmental information concerning production processes and company products.
- **Assurance:** periodic review and adjustment of company policy and technology by management to comply with research, legislation and environmental conditions

RESPONSIBLE MANAGEMENT

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- **Health, safety and environmental quality:** safety in production and transportation, safeguarding the worker's health in all activities, and preserving the environment while maintaining high standards in production, quality and company profits
- **Precautionary principle:** implementing a proactive approach to safety and environmental quality, instead of reacting.
- **Towards sustainability:** constantly aspiring to improve the environmental-social and economic functioning of the company, while setting quantitative goals for performance and follow up.
- **Environmental management:** the gradual implementation of a holistic system for environmental management at all company sites, including cement production facilities and quarries, as a base for increasing Nesher's economic strength
- **Energy conservation and climate change mitigation:** implementation of a proactive approach with regards to energy conservation and minimizing greenhouse gas emissions, including the use of alternative fuels
- **Recycling and reduction of raw materials:** use of recycled materials in the production process as an alternative for quarried raw material, while maintaining high environmental standards

ACHIEVEMENTS AND GOALS

	Goals from 2004	Where are we in 2006?		Goals for 2008
Energy and air quality		New venture: utilization of ammonia water from industry to minimize NOx emissions	☺	
	Improvement of cement-milling technology to minimize emission of air pollutants and greenhouse gases	Registration of a project to reduce 8,000 ton of CO ₂ annually	☺	Registration of an additional project to reduce 100,000 tons CO _{2e})
	Stepping up utilization of alternative fuels as energy sources	Decrease to 1.34% in 2006, Compared with 2.34% of alternative fuels in 2004	☹	Experimentation with various alternative fuels: refuse-derived fuel (RDF), tires and sludge
				Compliting the installation of on-line monitoring at Har-Tuv Assimilation of the ISO 14001 standard at the Ramle Neshet plant
Wastewater	Testing the utilization of waste water instead of water in production processes	Plann for experiment completed	☹	On-going utilization, if justified by the experiment results
Raw materials, natural resources and solid waste	Preparation of rehabilitation plans for Neshet quarries	Objectives of the rehabilitation plans discussed by the relevant planning committees	☺	Preparation of rehabilitation plans for Neshet quarries in keeping with the rehabilitation objectives set by the planning committees
	Stepping up utilization of recycled raw materials	Rise from 9.65% in 2004 to 10.55% in 2005 followed by decrease to 9.16% in 2006 in utilization of recycled raw materials	☹	Rise by 1% annually
		Use of polluted soil by standard fuels as clay replacement	☺	Handling all soils polluted by petroleum products in the State of Israel transportable to Neshet plants
	Locating nearby sources of raw materials while minimizing environmental impacts	Subtracting the site of a cave containing a rare variety of animal species and requesting an alternative quarrying site	☺	Action to obtain approvals for quarrying raw materials from nearby sites to minimize environmental impacts
Employee safety	Completion of the assimilation of pro-active approach to safety throughout company activities	Completed	☺	
	Reduction of the number of work accidents to zero by the year 2010	Rise in the number of light accidents and reduction of the number of serious accidents	☹	Reduction of the number of work accidents to zero by the year 2010

CEMENT PRODUCTION IN ISRAEL AND THE WORLD

Cement is the second most consumed material in the world, after water. Cement is the principal component in the construction of infrastructures, including residential buildings, public buildings, roads as well as water and sewerage systems. Due to its importance and characteristics, most countries around the world manufacture cement locally. The ingredients of cement are: about 80% limestone and about 20% clay and materials containing silicon, aluminum and iron. These materials are put into a kiln at a temperature of 1,400-1,500°C and in a chemical process clinker is formed. The clinker is then milled together with gypsum and other ingredients to produce cement.

There are three main processes of cement production: wet, semi-dry and dry. The processes differ in water and energy consumption needed for production. The wet process requires larger quantities of water to flow the mixture into the kiln and then requires investment of energy to dry it. The semi-dry and dry processes – the latter being the most modern of all, require less water and less energy.

Being a large consumer of energy and raw materials, the cement industry set itself challenges with which it will need to cope with in the short, medium and long term. **The environmental challenges of world cement industry are:**

- Reduction of energy consumption – cement production is energy-intensive. Production of a ton of cement requires between 60 and 130 kg of fuel oil and about 110 kWh of electricity.
- Minimizing the effects on climate – production of one ton of clinker releases into the air about one ton of CO₂. About 5% of the total quantity of CO₂ released into the atmosphere by man is produced due to cement production. This is one of the greenhouse gases causing climate change on earth.
- Rehabilitation of the quarries where the raw materials are produced, i.e. limestone and clay.
- Reduction of by-products in the production process (waste).
- Minimization of effects on the neighboring environment – dust, noise and traffic.

The world cement industry produces about 1.6 billion ton annually. During the production process the cement industry consumes 2% of the total world energy production and large amounts of raw materials and emits significant quantities of carbon dioxide. In order to answer the increasing need of the cement industry to cope with environmental challenges facing it, world cement industry laid down guidelines for the use of raw materials and substitute fuels. Proposals were developed in cooperation by 17 cement companies in consultation with interested parties from civil organizations, government, academic institutions and various communities worldwide. To answer some of these environmental challenges, a trend of industrial ecology has begun to take place in the cement industry, whereby the by-products of one industry serve as inputs to another industry. The cement industry can make use of many industrial by-products, to be combined in the final product or serve as fuel. Use of by-products serving as substitute fuel reduces the quantity of fossil fuel consumed in the production of cement.

This process is known as co-processing. The use of recycled materials contributes both to the reduction of environmental impacts of cement production and to the reduction of the quantities of waste which otherwise would be sent for disposal in land-fills.

Alternative fuels and recycled raw materials derived from waste serve as replacement for fossil fuels and mineral raw materials (for example, worn tires as an alternative source of energy and coal ash as a replacement of raw material). Such co-processing applies the principle of sustainability. This means that a single industrial activity will have several outputs. In the cement industry this mainly concerns cement production (output 1) while using recycled materials (output 2). This method answers the need of the cement industry and also serves as part of the solution of the waste problem which is becoming widespread around the world, in particular in developing countries, where increasing quantities of waste are indiscriminately disposed of, burnt or buried at illegitimate landfills. Such waste often includes hazardous materials. This results in pollution of the ground and water, endangering the health of the local population.



COMPANY STRUCTURE AND ACTIVITIES

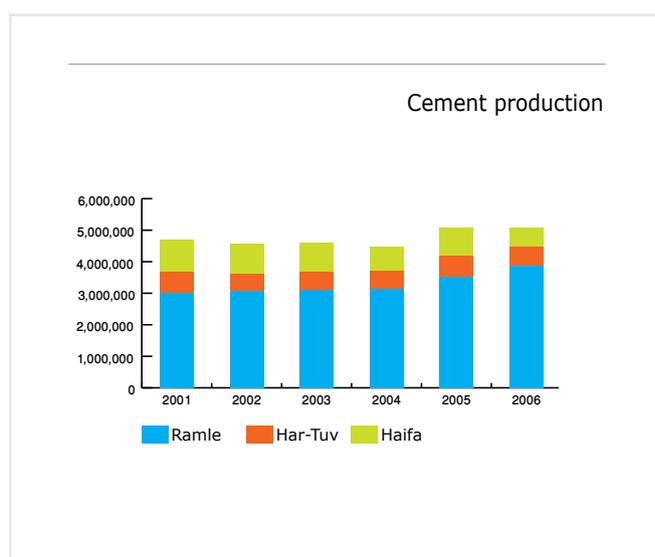
THE COMPANY'S ACTIVITIES

Nesher Israel Cement Enterprises Ltd. is the sole producer of cement in Israel and has been a leader in the Israeli building industry for over eighty years. In the course of its activity Nesher has produced more than 130 million tons of cement. The activity is carried out at three sites and includes a plant for paper bags. The plants are located in Haifa, Har-Tuv and Ramle. Nesher's plant at Ramle is among the largest in the world with leading modern facilities from the aspect of production capability and advanced production technologies. Nesher regards itself as being a leader in Israeli industry in customer service, quality of its products, the technologies it uses and its commitment to the environment.

PRODUCTS AND SERVICES

In 2006 Nesher produced approximately 5.1 million tons of cement. Nesher supplies the lion's share of cement in Israel and exports to the Palestinian Authority. In addition the company exports surplus clinker to various destinations around the world, primarily Europe.

Nesher stringently maintains a high level production and quality assurance of cement along with reducing the environmental impacts of the various production processes. The company's policy for meeting the highest standards and a top grade product quality standard is binding for all management levels. The principle of preventive care practiced in the organization is both from the safety aspect and also in the production setup. As part of the management and control system, the cement that comes off the production line is sampled on each day of production, and its conformance to the Israeli Standard (IS-1) and its compliance with the stringent criteria Nesher has set for its products are tested.



COMPANY STRUCTURE

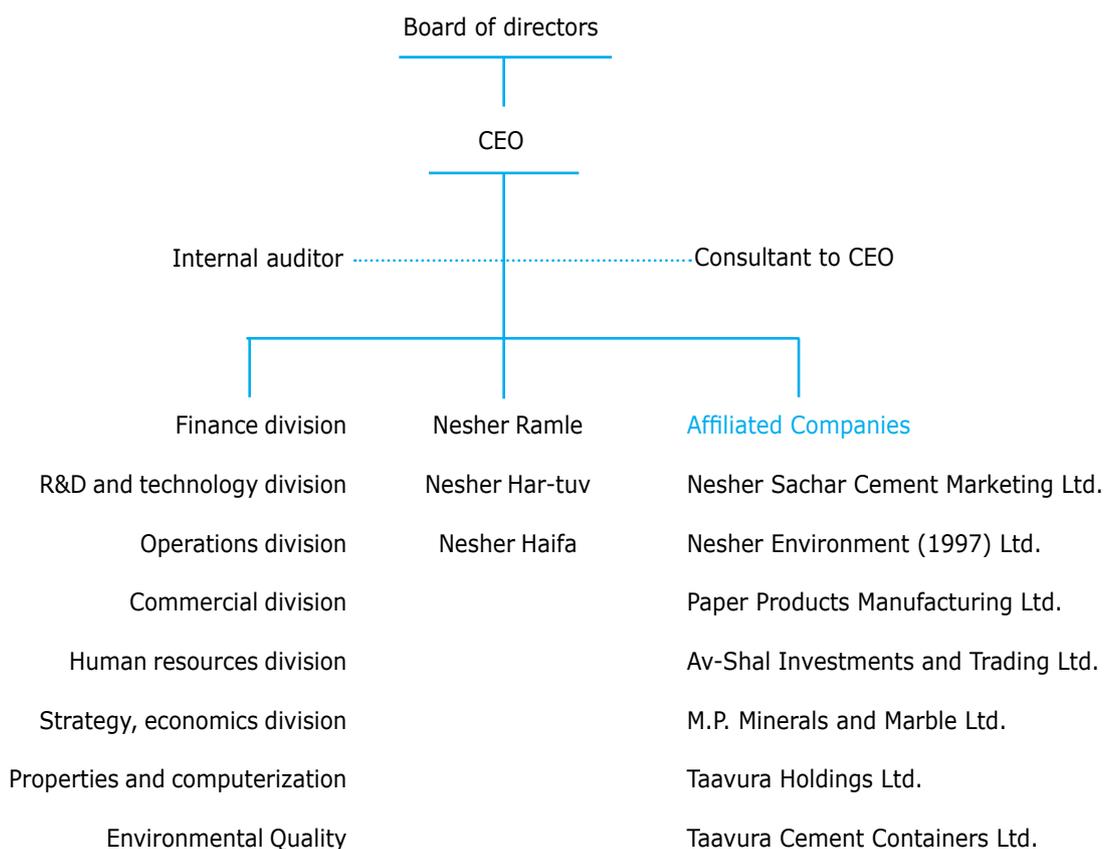
The company's headquarters are in Tel Aviv and include all the following operational department: CEO, finance, operations, technology, commerce, environmental quality, properties, computerization and human resources. In addition, Neshar Sachar, which includes the marketing department, is also found at the company's headquarters. Plant managers are subordinate to the CEO and coordinate with headquarters about on going work, with accordance to headquarters policy.

Neshar Israel Cement Enterprises Ltd. is a private company wholly owned by Mashav Ltd. which is held jointly by two companies: 75% is owned by Clal Industries and Investments Ltd. and 25% by the CRH Group, a multinational corporation based in Ireland which is one of the world leaders in the production and marketing of building products.

The company's board of directors is comprised of 7 members, 2 being representatives of CRH and 5 members from Clal Industries and Investments Ltd. The chairman of the board of directors is elected from amongst the members of the board who represent the owners.

In the course of the reporting period there were no significant changes in organization.

Organizational structure of Neshar



AFFILIATED COMPANIES

[Nesher Environment \(1997\) Ltd.](#)

Nesher Environment was established in 1997 with the objective of maximizing the potential of Nesher's facilities in general and of the kilns in particular and to recruit the knowledge and experience accumulated in the company for the benefit of solving environmental problems.

[Paper Products Manufacturing Ltd.](#)

Paper Products Industries was founded in 1952 with the aim of producing paper bags for the cement industry. Today the plant produces cement sacks as well as bags in various sizes for the agricultural, chemistry, plastics and food industries. The company complies with international quality standard ISO 9002 and has at its disposal laboratory and a department for research and development.

[Nesher Sachar Cement Marketing Ltd.](#)

Nesher Sachar Cement Marketing Ltd. is responsible for marketing Nesher's cement on the domestic market and in the Palestinian Authority. Nesher Sachar meets the international quality standard ISO 9002.

[M.P. Minerals and Marble Ltd.](#)

Quarrying and production of lime and its byproducts.

[Taavura Holdings Ltd.](#)

Israel's largest logistics and trucks transportation company.



MANAGEMENT AND CONTROL SYSTEMS

Nesher has an internal and external auditing setup which monitors its activities both from the financial aspect as well as with regard to environmental and social aspects.

INTERNAL AND EXTERNAL AUDITING

Internal auditing:

The internal auditing in all units of the company is carried out by certified accounting firms. The annual audit program is based on a three-year plan, with additional occasional tasks assigned by the CEO and Chairman of the Board of Directors. This program is coordinated with the internal auditor of the parent company – Clal Industries and Investments Ltd. - and is approved by the committee for auditing matters. Following the submission of reports to the auditing committee and management, implementation of the recommendation is monitored.

The manner in which senior management conducts itself is scrutinized by the internal auditor of the company. The internal auditor is subordinate to the chairman of the board of directors.

In addition to this, the company has a built-in feedback mechanism from its employees. Once each year a survey is conducted regarding the attitudes of employees to all fields of works, beginning with the standard of equipment, decision making, managerial capabilities and in their satisfaction with their employment at Nesher. This survey provides a comprehensive feedback from the direct manager level and up to the level of the CEO and the company's headquarters.

External auditing:

The company engages the services of two accounting firms. Every other year a different accounting firm performs the audit. Part of the audit is performed on an on-going basis and part is performed for purposes of verifying the financial reports. The auditors also submit long-form reports. These reports are also brought to the attention of the auditing committee to enable company-level effective implementation and monitoring. Financial reports audited by the accounting firms are submitted to the financial committee of the Board of Directives.

Code of ethics

As part of the management setup Nesher has adopted a code of ethics. The parent company CRH compiled rules of business behavior and conduct, which embody aspects pertaining to personal responsibility, information, compliance, conflicts of interest, and ethical behavior in business conduct. In 2004 Nesher adopted the code of ethics of the parent company - CRH and acts in accordance with it.

SENIOR MANAGEMENT – MANAGEMENT AND CONTROL SETUP

Hiring of the senior management is done in a process that examines the professional proficiency and qualifications of the candidates. The process is comprised of interviews with the candidates, psycho-technical tests and an examination of their qualifications and talents, such as education and work experience. The senior management is under the supervision of the company's internal auditor.

In addition to the internal and external audit, a review and an audit is conducted in the company with regard to different aspects of Nesher's activities.

Nesher's responsibility on the various subjects is not manifested in isolated activities at one plant or another, but is rooted at all levels of management and responsibility within the company as well as in its corporate culture. Each quarter a meeting is held to discuss performance and results at factory level and at the company level. Each week there is a management meeting which discusses any relevant subject concerning production, environmental quality, work safety, the community and any other matter requiring attention.

Once a month a quality and production forum meets, which is made up of the managers of the three plants, the production managers, a technologist, the CEO of Nesher Sachar, the manager of the operations division and Nesher's CEO. Recently, the environmental affairs manager has also joined the quality forum.

The periodic monitoring of matters relating to the environment is also carried out in the company through:

Monthly update – a meeting of the environmental affairs manager with the CEO in order to give a current report.

Environment forum – a quarterly meeting headed by the CEO and in which vice-presidents, external consultants, plant managers and other relevant office-bearers participate.

Environment management survey – a yearly report regarding the environment is prepared by the environmental affairs manager and is sent to CRH.

BENEFITS TO SENIOR MANAGEMENT

Benefits to senior management are directly connected with the company's performance. Senior management receives a bonus which is dependent on the company's financial results. Benefits to second-tier managers are fixed according to the meeting of personal targets, evaluation by direct manager, evaluation by a subordinate and an assessment of professional manager.

POLICY FOR MANAGING THE EFFECTS OF THE SUPPLY CHAIN

In addition to a process of assimilation of the aspect of environmental responsibility, Nesher broadens the positive influence circle and also takes steps to ensure environmental performance by its suppliers. The chain of Nesher's suppliers includes a number of transportation companies, which transport raw materials and products to markets and to various customers. The transporters are bound by contract to comply with the requirements of the Ministry of Environmental Protection and to furnish Nesher with the appropriate certificates. It is worthy of mention that Nesher supplies most of the raw materials itself and the chain of suppliers is relatively short.

RELATIONSHIP WITH STAKEHOLDERS

In addition to the audit conducted for the company by way of internal processes, Nesher reports on its environmental activities to the general public by means of environmental reports that are published every two years as well as periodic meetings and by way of a specially-dedicated Internet website called "What's in the air" (for more details see p. 16).

MEMBERSHIP IN LOCAL AND INTERNATIONAL TRADE AND INDUSTRY ASSOCIATIONS

Manufacturers' Association – Israel's representative organization for all industrial sectors: private, public, kibbutz and governmental.

ICC – International Chambers of Commerce - an international organization for businesses with a wide scope of activities aimed at promoting international trade.

ECRA – European Cement Research Academy - the pan-European forum of the German cement industry (VDZ) for the purpose of information, research and training in cement related fields.

WBCSD – World Business Council for Sustainable Development - a global organization primarily concerned with utilizing business leadership as a catalyst for promoting sustainable development, ecological efficiency, innovation, and social responsibility in business.

WEC – World Energy Council – an international organization which endeavors to achieve a saving in fossil and electrical energy which is prompted by the conservation of energy sources.



STAKEHOLDERS ENGAGEMENT

Nesher is in an on-going process of broadening its contact with its stakeholders and strengthening the environmental dialog with them. In 2004, as part of a broad process with stakeholders, which also included the publication of Nesher's first environmental report, a process of identifying stakeholders and the relevant subjects took place. This is an on-going process and in the course thereof stakeholders are added. Nesher maintains constant contact with the following stakeholders:

- The neighboring communities – representatives of committees of the following towns and settlements: Beit Shemesh, Ramle, Gezer Regional Council, the Modiin region, Lod, Tamra, Kabul, Nesher and Haifa
- Local authorities – municipal mayors, city engineers and planners
- Government ministries – the Ministry of Environmental Protection, Ministry of National Infrastructures, Ministry of Industry, Trade and Labor.
- Other statutory authorities – Israel Nature and Parks Authority, the Jewish National Fund and the Antiquities Authority
- The civilian society – academy, labor organizations, environmental organizations
- Shareholders and investors – Clal Industries and Investments Ltd. and CRH Group
- Customers – the building industry in Israel, national projects, contractors and builders
- Employees of the company – at the various production sites and at headquarters departments
- Local and national newspapers.

Contact with the stakeholders has put the focus on the environmental and managerial topics with which Nesher is required to contend. The main subjects which have arisen from the contact with stakeholders are:

- Information – stakeholders, and primarily the neighboring communities, have demanded updated information with regard to the environmental effects of Nesher, especially with regard to air quality. Nesher responded to these requests on two courses – one is a detailed environmental report that is published every two years. Another track that answers the needs of the stakeholders for updated information, with the emphasis on air quality, is the Internet website (see p. 17)
- Complaints about the emission of dust to the environment
- Complaints about noise
- Interest in and questions about the use of alternative fuels.

Nesher maintains a relationship with the stakeholders, which is conducted via a number of supplementary channels. Nesher, with the assistance of the Ministry of Environmental Protection, holds meetings with local stakeholders. These meetings are part of a broad and continuing process for strengthening contact with stakeholders. Various stakeholders are invited to these meetings, including active representatives of the communities in close proximity to the Nesher factory at Ramle. These meetings focus on relevant subjects that have been raised by the stakeholders and subjects that Nesher wishes to bring to the attention of the public.

During 2006 research was conducted for the Ministry of Environmental Protection by the Shmuel Neeman Institute at the Technion on the subject of applying existing principles in the treatment of solid waste in Israel. Nesher was one of the initiators of the research as research supervised by an inter-disciplinary and inter-sector task team. Professionals who participated in the team were chosen from universities, the government, environmental organizations and from the business sector, persons having a wide range of experience and different perspectives regarding the waste crisis. Other participants included entrepreneurs, environmental consultants, social-environmental campaigners, jurists, planners and ecologists. Based on the research and the dialogs that accompanied it, a document was produced containing tools for structuring a pertinent, non-abrasive and balanced public discussion regarding the various initiatives in the field of waste. Dr. Azriel Pillersdorf, environmental affairs manager at Nesher, represented the company in this process.

ENVIRONMENTAL REPORT – Principles of Reporting

Reporting period: 2006

Report scope: The quantitative data in this report pertain to the three production plants of Neshet Ltd.: Neshet Haifa, Neshet Har-Tuv and Neshet Ramle. The affiliated companies are not included in the report: Neshet Environment (1997) Ltd., Paper Products Industries Ltd., Neshet Sachar (Cement Marketing) Ltd., M.P. Minerals and Marble Ltd., Transportation Holdings Ltd., as well as outsourcing and joint ventures carried out outside the aforesaid three plants.

Green organizations have recently published the Environmental Poverty Report for 2006 which stressed that out of the 25 environmentally most influential companies in Israel, most publish incomplete reports on the potential of the environmental damage they cause and the measures they undertake to curb it. Neshet, which is not a public company, chose to undertake a pro-active approach and to voluntarily get involved in this important issue before it comes up for legislation and imposed regulations.

Reporting method: Neshet Ltd. publishes reports pursuant to the principles of the Global Reporting Initiative (GRI). This is an initiative for environmental-social reports on business activities, with the collaboration of environmental-social organizations and commercial entities. Among the environmental-social prominent organizations are included the World Wildlife Fund, Greenpeace International, Amnesty International, etc. The list of business entities furthering the GRI includes multi-nationals such as Lafarge, Holcim, Intel and Ford.

The GRI provides guidelines for sustainability reports, based on the understanding that information published according to agreed standards will enable comparison of social, economic and environmental performance of different companies and a reasoned and public interchange concerning the essential issues which involve business firms with the communities in which they operate.

This year the GRI principles were updated. Updated and more detailed principles of reporting were issued, known as G3. In addition to updating the reporting areas, the G3 includes a grading index for the reporting level. The G3 reporting index recognizes three report levels: beginners, intermediate and advanced. The corresponding levels are A, B and C, when the criteria for each level represent the extent of implementation of the GRI guidelines (further details are available at www.globalreporting.org).

This second report of Neshet Ltd. complies with level B requirement of the GRI. The first report was written in 2005, in which our environmental activity was reviewed for 2004 and before. It was decided to issue a new report once every two years in order to periodically monitor the trends and activities going on at Neshet and in the company's plants.

In order to explain the trends taking place at the company concerning each of the items reported, we attempted to provide information from past years. The data is presented in the report as is done by other companies participating in the GRI. The GRI index is on p. 52. The reported data is the result of direct measurement (unless otherwise indicated). Data collection was carried out by internal units of the company, by the relevant departments handling environmental issues, the human resources department and by the reporting plants.

The subjects reported hereunder were chosen according to the GRI relevance criterion. These are the subjects which were brought up by stakeholders as relevant for reporting. In addition, Neshet's main environmental effects are also reported, listed by the various plants. Constructive criticism obtained concerning the 2004 Environmental Report has been assimilated in formulating the present report.

An essential addition to the report framework is the publication of updated data on greenhouse gas emissions: the report states the total emission of greenhouse gases by Neshet (gross CO₂ emission) as well as the net CO₂ emissions. The net emission per ton of product is an internationally significant criterion which is now being increasingly monitored in the cement industry. Standard methodology for reporting greenhouse gas emissions in the cement industry was recently introduced by the Cement Sustainability Initiative, which includes most leading cement producers, including Neshet, under the auspices of the WBCSD (World Business Council for Sustainable Development). For the purpose of environmental management and reporting, Neshet uses the methodologies protocol prepared by the CSI.



NESHER 2006 – ECOLOGICAL BALANCE AND ENVIRONMENTAL EFFECTS

In 2006 Neshor produced 4,465,916 tons of clinker, 5,088,861 tons of cement and 23,149 tons of ecosoil. Neshor consumed 8,234,236 tons of raw materials, of which 9.16% were from recycled sources, 696,000 m³ of water, 400,495 tons of fuel and 515 GWh of electricity.

The cement quantity produced rose by 13% in 2006 relative to 2004 (the year of last report). This rise represents the increasing demand of the Israeli economy. In order to answer this need, the cement kiln at Har-Tuv was restarted in May 2005 after having been shut down for 30 months. (For details concerning the re-activation at Har-Tuv see p.48).

ENERGY

Petcock 389,288 tons per year
 Fuel oil 13,251 tons per year
 Diesel oil 3,827 tons per year
 Alternative Fuels 5,500 tons per year
 Electricity 515 GWh



WATER

696,000 m³ per year



RAW MATERIALS

Quarry Material

Limestone 6,281,700 tons per year
 Clay 1,006,000 tons per year
 Sand 20,370 tons per year
 Gypsum 171,954 tons per year

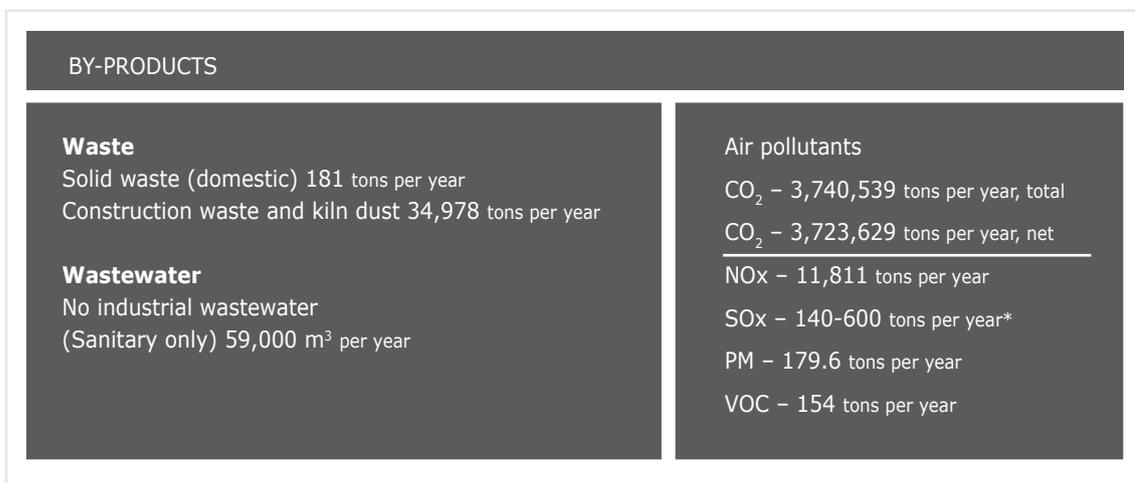


Recycled Materials

Gypsum from industry 92,490 ton per year
 Coal ash 568,308 tons per year
 Slag 8,026 ton per year
 Clay substitutes 12,845 tons per year
 Iron ore 73,000 ton per year

PRODUCTION PROCESSES

NESHER RAMLE
 NESHER HAR-TUV
 NESHER HAIFA



* Depending on raw materials

ENVIRONMENTAL PERFORMANCE INDICATORS

ENERGY AND AIR QUALITY

The main environmental effort at Neshar is focused on the prevention of air pollution. This includes various activities:

All production facilities are equipped with the most modern systems in the world for filtering and precipitating particles emitted in the course of production. All raw materials at Ramle are stored in closed and ventilated facilities.

The paved plant roads are continuously swept, plant roads that are not paved are regularly wetted.

Cement kilns operated by Neshar include highly-efficient air pollutant precipitators. At the Ramle Neshar plant all material handling in the plant and out of it is carried out within closed systems.

In order to verify that these measures indeed provide the desired result, i.e. compliance with air quality standards, in the stacks as well as the surrounding environment, a monitoring system was set up, including monitoring in the stacks and ambient air quality.

Monitoring instruments are installed in the kiln's stacks, cement mills and in the coal mills for monitoring any change in the level of pollutant emissions. The data is sent regularly to the relevant authorities and to the Ministry of the Environmental Protection.

Two environmental monitoring units have been set up to check the air quality in the area of Neshar-Ramle, the main production site: one at the Yad-Rambam settlement and the other Karmeit-Yosef. These units operate around the clock and provide accurate data regarding the quantity of particles, Nitrogen Oxides, Sulfur Oxides and Ozone (at Karmeit-Yosef only) in the air.

In the town of Beit Shemesh, which neighbors the Neshar Har-Tuv plant, a monitoring station is operated by the Ministry of the Environmental Protection.

The reactivation of the kiln at the Har-Tuv plant has led to a rise in the overall emission of air pollutants by Neshar. A mild rise in the emission per production unit is due to the technology used at Har-Tuv – which operates a "semi-dry" kiln.

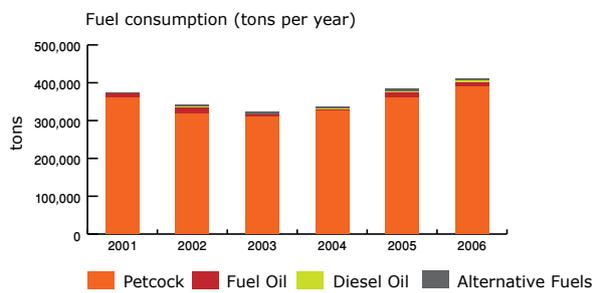
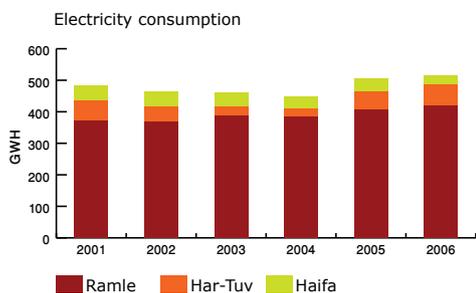
Emission of air pollutants in the years 2001-2006 (tons per year)

Pollutant	Units	2001	2002	2003	2004	2005	2006
Nitrogen Oxides (NOx)	ton/year	13,293	14,300	13,000	10,662	11,379	11,811
Particulate Matter (PM)	ton/year	242.7	188	265	201	214.0	179.6
Sulfur Oxides (SOx)	ton/year	77.7	56	81.6	55.5	83	*140-600
Carbon Monoxide (CO)	ton/year		700	695	695	1,240	1,335
Volatile Organic Compounds (VOC)	ton/year		195	150	184	155	154

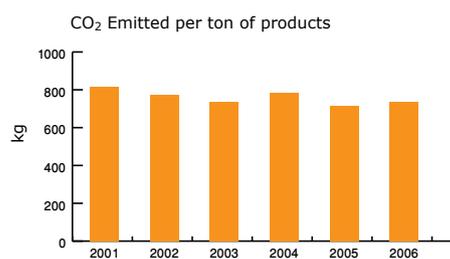
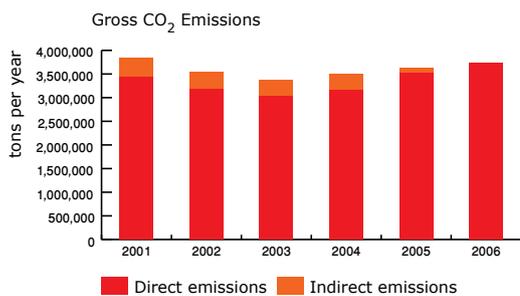
The Har-Tuv kiln had been shut down for 2½ years and re-started in the middle of 2005.

* Depending on raw materials.

Energy consumption



Carbon dioxide emission



Exceedence Of Air Quality Standards - Ambient Air Monitoring

The number of incidents of non-compliance in particulates and nitrogen oxides for 2006 according to the Ministry of Environmental Protection (published in the website of the the Ministry of Environmental Protection during 2006), as well as data provided by the Israel Electric company and Neshet.

		Particulate Matter (daily standard)	Nitrogen Oxides (daily standard)	Nitrogen Oxide (half-hour standard)
Standard		150 micrograms/m ³	298 (ppb)	500 (ppb)
Tel Aviv center	Municipal High School D (transportation)	Not measured at this station	0	29
	Amiel (transportation)	17	1	16
Jerusalem	Clal (transportation)	Not measured at this station	1	31
	Safra	9	0	0
Carmiel		9	0	0
Modiin		20	0	0
Beit Shemesh		11	0	0
Ambient air quality monitoring around Ramle	Yad-Rambam	19	1	6
	Karmeit-Yosef	11	0	0

NESHET - THE FIRST INDUSTRY IN ISRAEL REGISTERED UNDER THE U.N. CLEAN DEVELOPMENT MECHANISM (CDM)

In May 2006 Neshet Ltd. started operating the new cement mill in Ramle (Mill 12). The mill is considered very advanced and utilizes technology which increases production efficiency, saves energy and provides environmental benefits. The marked advantage in vertical milling, a new milling mode, is its lower energy consumption, enabling production of kinds of cement having more economical composition, without reducing the strength of the final product. About 100 million shekels were invested in the new mill.

The mill reduces of operational and environmental costs. A saving of about 30% in power consumption is expected with the new mill, which would reduce operational costs.

The new mill significantly reduces emission of greenhouse gases. By using the new mill the greenhouse gas emission may be reduced by about 8,000 tons per year. The certified emission reduction will be traded with an entity in a developed European country through the Clean Development Mechanism. This mechanism (CDM) enables industrialized states to purchase emission reductions generated in projects carried out in developing countries. The projects in the developing country will reduce the emitted quantity and the entity in a developed country will "purchase" this reduction. This is a market mechanism attempting to minimize the global damage caused by the increasing 'greenhouse effect' (global warming) due to the accumulation of greenhouse gases in the atmosphere.

In addition to this project, Neshet's parent company is also engaged on an additional project for reduction of greenhouse gases: a 50 MW power station to be fueled by natural gas arriving by pipeline, in the Gezer area.

NESHER'S ENVIRONMENTAL PERFORMANCE IN AN INTERNATIONAL CONTEXT

Nesher reviews its performance over time in many different areas. In the 2004 environmental report, Nesher compared its performance with leading international companies. Two years ago the main air pollutants were checked: nitrogen oxides, sulfur oxides, particulate matter and carbon dioxide, and the comparison was made opposite three large multi-national companies.

The present report includes a broader analysis of international benchmarks for the cement industry. This year the benchmarks are based on data of the seven largest cement producers in the world, representing a production capacity of about 490 million tons of cement in 2005, amounting to 31% of global production. This year the report also extends the review to additional criteria: use of recycled materials, alternative fuels and the clinker:cement ratio.

In order to strike a balance between development and resource conservation, industry is required to find alternative solutions for more efficient production consuming less raw materials and less virgin fuel. One criterion of industry efficiency is the clinker:cement ratio. Clinker, the kiln product, is produced by an energy-intensive process which also produces emissions to air. Therefore it is desirable to develop a clinker:cement ratio as low as possible while preserving final cement. The operation of Mill 12 at Nesher-Ramle is part of Nesher's effort to reduce the clinker:cement ratio to air (see p. 21).

In addition, an attempt was made to replace some raw materials with recycled materials, such as coal ash and gypsum from industry and other materials which replace quarry stone. The percentage of recycled materials is somewhat better than international benchmark. Since the process of cement production is an energy-intensive, a global effort is being undertaken and particularly in developed countries to replace fossil fuels with alternative fuels. The alternative fuel mix used by leading companies include used tires, solvents from various industries, sludge, etc. In Israel the issue is facing a variety of market barriers delaying significant implementation by Nesher. According to the data gathered, Nesher's performance successfully meets or exceeds most international benchmarks. Two criteria are a challenge for the future: reduction of Nitrogen Oxide emissions, a subject now undergoing practical trials, and increase in the use of alternative fuels.

Nesher performance in an international context – environmental benchmarks

	Year of activity	Recycled materials	Alternative fuels	Clinker: cement ratio	CO ₂ emission (net)	Sulfur Oxides emission	Nitrogen Oxides emission	Particulate Matter emission
		%	%	%	kg per ton cement	Gram per ton cement	Gram per ton cement	Gram per ton cement
International benchmarks*	2005	9.1%	10.7%	80%	678	584	1,586	161
Nesher	2004	8.6%	2.4%	78.0%	653	12	2,377	45
	2006	9.2%	1.3%	79.0%	671	74	2,321	35
Trends at Nesher		Positive	Negative	Positive	Negative**	Negative**	Positive	Positive
Nesher relative to international benchmarks		Better	Falls short	Better	Better	Better	Falls short	Better

* Based on data of the seven largest cement producers in the world, representing a production capacity of 490 million tons cement in 2005 (31% of global production).

** Between the 2004 and 2006 reports the Nesher Har-Tuv facility was reactivated. Its technology and feed stack have characteristics different from the Nesher Ramle facility.

WATER AND WASTEWATER

Up to 1999, Neshor Ltd. consumed very high quantities of water. Upon completing of the transition to cement production using the dry process, water consumption was significantly reduced and in 2006 it came to no more than 696,000 m³. Today, water is used in the production process to cool the air in the cooling towers, to moisten roads (dust prevention) and for sanitary purposes.

Neshor plants consequently generate no industrial sewage, but sanitary sewage only (output of kitchens, lavatories, changing rooms, etc.) which are transferred to the municipal sewerage systems.

SOLID WASTE

Solid waste in a cement plant is in fact raw material which has been inefficiently utilized. In the present decade Neshor succeeded in reducing the quantity of industrial waste, side by side with the increase in cement production. Reduction of the quantity of industrial waste was achieved by a combined system of recycling waste to be reused as raw material in company plants and recycling the remaining waste to produce a useful by-product.

The main industrial waste at Neshor is Cement Kiln Dust (CKD) which in the first stage of the waste reduction process is being reused. At Neshor Ramle the kiln dust is returned as raw material to the kilns themselves and is also used as clinker replacement. This process reduces emission of pollutants into the air, emission of greenhouse gases, excavation of raw materials from the quarries and energy consumption.

Waste generated at Neshor plants in 2006 (tons)

	Landfill – mixed (domestic) waste	Landfill – kiln dust and construction waste	Reused of cement kiln dust	Ecosoil
Ramle	110	19,000	About 97% of the kiln dust is returned into the production process	1,250
Har-Tuv	60	15,928	8,211	1,734
Haifa	11	50	-	-

* In 2006 Neshor began a joint venture with a firm engaged in recycling construction waste. So far 50,000 tons of construction waste were recycled at a site set up in the area of Neshor Ramle. Upon its approval for use, the recycled material will be utilized as road substrate and various earthworks.

The remaining waste which cannot be utilized at Neshet Ramle as raw material serves Neshet to produce a new product – an agricultural soil additive known as ecosoil.

Ecosoil received the highest quality grading according to the criteria of the U.S. Environmental Protection Agency (USEPA) (Class A). Cement kiln dust is transferred to the sewage treatment facility of the town of Beit Shemesh, operated by Neshet in cooperation with kibbutz Tsora. There the dust is mixed with other waste originating in neighboring settlements, i.e. the sewage sludge produced by the treatment facility. The mixture is pasteurized and composted and after meticulous quality control is sold to farmers and nurseries. The production of ecosoil enables Neshet to make a threefold contribution to the environment:

1. Reduction of industrial waste.
2. Utilization of the sludge from the waste treatment facility of Beit Shemesh.
3. Production of agricultural fertilizer, saving on natural minerals.

Upon renewal of the operation of the "semi-dry" kiln at Neshet Har-Tuv, an additional quantity of waste was generated starting May 2005. Part of the cement kiln dust generated by the "semi-dry" process is not recyclable.

NOISE

As many other industrial production processes, cement production also generates noise that might interfere the quality of life of people living nearby. In order to investigate and monitor the environmental noise effects of Neshet plants, acoustic surveys were done to locate problematic noise sources and noise levels were measured at neighboring settlements.

There have been neighbor complaints of noise in the past, but all potentially noisy facilities are now acoustically shielded and complaints from communities near the Neshet Ramle plant have decreased very much in recent years.

Renewal of industrial activity at the Neshet Har-Tuv plant, after some two years of inactivity, gave rise to some noise complaints in the first months of operation. These complaints were examined, and the noise sources were identified and eliminated.



RAW MATERIALS AND LAND USE

Use of recycled materials

Every year hundreds of thousands of tons of by-products from various industries are produced in Israel, which damage the environment and detract from the quality of life of the people. Some of these by-products can be recycled in the cement industry.

- Neshet uses coal ash produced in the power stations of the Israel Electric Corporation at Hadera and at Ashkelon as substitute for material in the production of clinker and as a clinker substitute in the production of cement.
- Neshet utilizes gypsum produced by the Israel Electric Corporation and by the chemical industry as substitute for natural gypsum.
- Neshet collects by-products from the electronics industry which are used as raw material substitutes.
- Neshet uses soil contaminated with standard fuel as a clay substitute.

Quarries

The cement industry is based on excavation of raw material (limestone and clay) from the natural environment. This excavation damages the landscape, creates noise, dust and heavy traffic going to and from the quarry. Reduction of environmental effects of active quarries and the rehabilitation of quarries are major challenges facing the global cement industry.

Neshet copes with this challenge in two ways. One is the rehabilitation of existing quarries by making use of the tool provided by the State of Israel – the Quarry Rehabilitation Fund. The second is starting with an appropriate design of the quarry, since good design can minimize the environmental effects of excavation.

The historic quarries of Neshet at Har-Tuv and Haifa are conventional quarries cut into the flank of the mountain, much like other quarries in Israel. These quarries have a profound effect on the landscape. Neshet, as all other quarry owners in Israel, pays a certain percentage of each excavated ton to the Quarry Rehabilitation Fund. This fund was set up in 1978 in order to provide financing for the solution of problems involved in quarries, by accumulation of funds during the period of quarry activity and their return to the quarry owner finally for rehabilitation.

In contrast to the conventional quarries at Haifa and Har-Tuv, Neshet's quarry at Ramle was designed to provide answer for the aforesaid environmental effects. The quarry, which is located about 3 km from the Neshet Ramle plant, lies near Road 1 and Road 6 and was designed so as to minimize the landscape damage and the dust and noise nuisance. Excavation at the Ramle quarry is carried out vertically down into the ground, so that even at a short distance from the quarry there is no direct exposure to landscape damage nor to dust and noise nuisance. The design of the quarry was a success, and despite its size the quarry is not at all visible from a distance, not even from the roads passing nearby. Around the quarry, artificial earth embankments were erected to a height of 10 m and more. On these earth embankments and on the Eastern slopes of the quarry Neshet planted trees which harmonize with the landscape and the natural vegetation so as to minimize the disturbance caused to the landscape. Each year additional areas are prepared for planting, trees and shrubbery are being planted around the quarry areas which were exhausted.

Raw materials are taken out of the depth of the Ramle quarry by excavation, without blasting. The structure of the quarry itself provides protection for the environment from the dust and noise which are an unavoidable part of the excavation process.

The subject of transportation was also given a more environmentally efficient and friendly solution at the Ramle quarry. Neshet created an alternative to the multitude of trucks which would have caused traffic jams and air pollution, by setting up a conveyor linking the quarry directly to the plant. The conveyor is covered, so less dust is released to the air. The conveyor, is lifted and runs at a height above ground, enabling free passage of wild animals and agricultural vehicles underneath and does not form a barrier separating natural habitats. The covered conveyor

protects raw material from moisture and by that reduces by small amount the fuel needed to dry the material during the clinker production process.

Quarries and activity sites – total area (hectares)

	2002	2003	2004	2005	2006
Haifa	66	66	66	66	66
Har-Tuv	127	127	127	125	125
Ramle	98	98	103	100	100
Total	291	291	296	291	291

In 2006, out of the total quarry area as listed in the table, activity was carried out in about 17 hectares at the Neshar Ramle quarry, 3 hectares at Neshar Har-Tuv and 0.6 hectares at Haifa. At the Neshar Ramle quarry 1 hectare was set aside for archeological rehabilitation of rare findings. The raw material layers at the Neshar quarry of Haifa (Tamra) are layers of chalk and limestone. At the Ramle and Har-Tuv quarries, the layers are chalk to marl limestone, whereas at Har-Tuv the marl limestone contains lenses of bituminous limestone.

Tree planting

2002	2003	2004	2005	2006
1 hectares	0.45 hectares	0.2 hectares	100 trees	3000 trees

In 2006 trees were planted as part of the restoration of Galilee forests which were burnt down in the summer of 2006 during the Lebanon war.



NEW ANIMAL SPECIES DISCOVERED AT THE NESHER-RAMLE QUARRY

A cave containing unknown species of animals was discovered by researchers from the Hebrew University of Jerusalem at the Neshet Ramle quarry.

A subterranean world new to science was revealed in the cave, containing unknown species of animals. The cave is a unique ecologic system and is the only place in Israel in which land animals that live exclusively in caves were discovered.

According to Prof. Amos Frumkin of the cave research unit of the Department of Geography in the Hebrew University of Jerusalem, this cave is globally unique. So far eight species of invertebrates were located in the cave, which the researchers think may all be new to science, including 4 species of crabs, a bristletail, an oligochaete, a scorpion and a pseudo-scorpion. The cave which extends to a length of 2.5 kilometers is the second longest limestone cave in Israel (second only to Haritoun cave). It lies at a depth of 100 meters under the ground. It is closed to visitors on account of its scientific importance and its location within an active quarry of Neshet. Four species of invertebrates live in a water pool inside the cave. Four other species live out of the water, in holes and in corridors. Protozoa and bacteria were also found in the cave water.

Neshet will preserve the ecologic system discovered at the center of the quarry and will prevent any damage to the important findings which were discovered. Neshet will enable the university researchers access to the site in order to investigate the findings further.

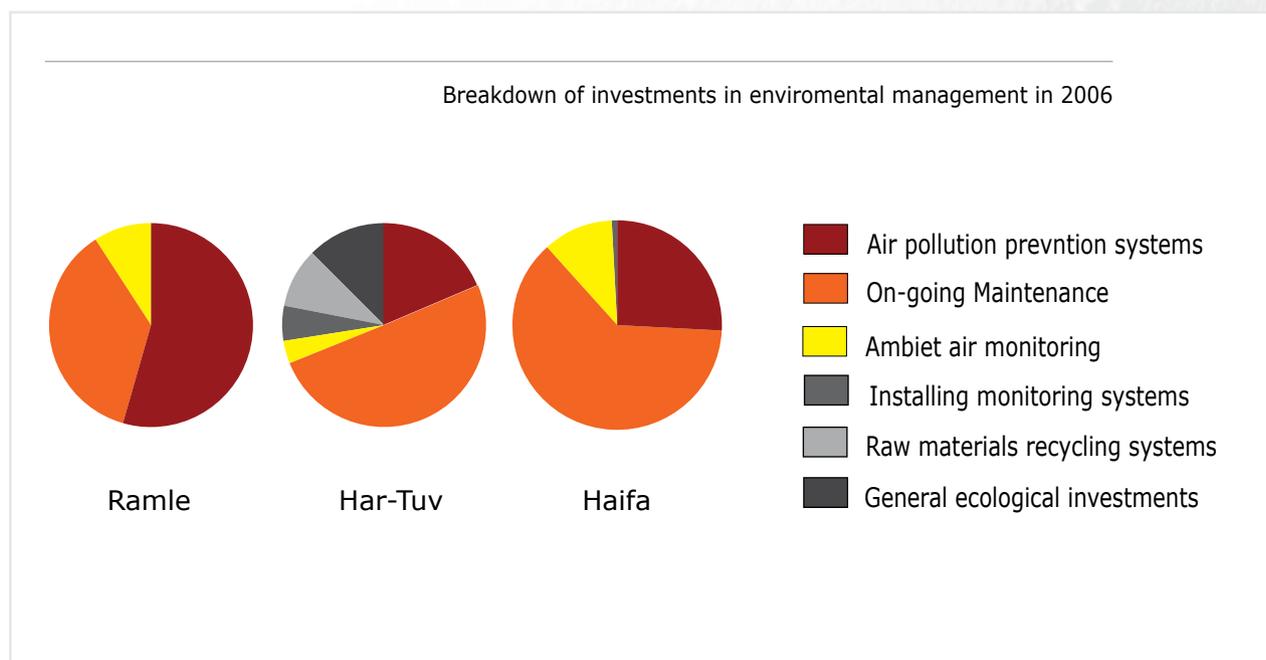
In order to prevent harm to the findings discovered, excavation activity must be developed in different areas. The company will do all it can to observe a policy of preservation of natural and environmental values, despite operational difficulties it has encountered following the discovery of this ecologic system. Neshet hopes that the cooperation between the company and the researchers of the Hebrew University of Jerusalem will continue in the future.



MONETARY INVESTMENTS IN THE ENVIRONMENTAL QUALITY

Nesher's commitment to the environment has been manifested also by extensive monetary investments. Nesher has invested in development and in on-going maintenance, monitoring, the prevention of pollution, cleanliness and in environmental technologies.

2001	2002	2003	2004	2005	2006
\$500,000	\$1,000,000	\$970,000	\$1,760,000	\$2,302,000	\$2,580,000



COMPLIANCE

In 2006 Nesher complied with all regulations and requirements of the law. During the year two complaints were received from the public in regard to dust incident. These complaints were examined both at Nesher and at the Ministry of Environmental Protection. The study and implementation of measures following these cases is still ongoing.

CEMENT – THE BASIS FOR "GREEN BUILDING"

The world, including Israel, faces severe energy problems – conservation is the order of the day. However, as distinct from other environmental problems, in this field many and varied short and medium term solutions are already available. Alternative non-polluting energies are the long-term solution, but energy efficiency actions are possible now and can contribute to an energy saving of about 30%.

Building according to "green building" principles should lead to considerable energy efficiency, along with improvements in the buildings, both from the environmental aspect and also where the occupants' quality of life and health are concerned. "Green building" puts emphasis on energy conservation coupled with adaptation to the local climate, avoidance of and recycling wastes, environmental health both during construction and for the users of the building, preventing water, soil and air pollution and averting physical destruction of the environment.

To begin with, it is important to understand what criteria define "green building". "Green building" means designing the façade correctly for maximum exploitation of solar heat during the cold season and provision of shade in the hot season, thermal insulation of the building's envelope, using construction materials and furniture which do not give off volatile organic compounds, installing water saving accessories, using healthy and recycled materials, and of course, installing efficient systems for warming and cooling the building.

In the USA there has been a suitable standard in this field for years – the LEED, which stands for Leadership in Energy and Environmental Design, developed by a coalition of people from the construction industry in the USA.

"Green buildings" are no longer a small minority fad. In the USA it currently represents about 6% of non-residential construction, whereas in the year 2000 it stood at only 1%. Investments in these buildings exceed 15 billion dollars and since 2002 the Green Building Council has approved more than 550 buildings which meet the criteria of "green" construction.

A few months ago the "green building" standard for residential and office buildings was also launched in Israel by the Standards Institute and the Ministry of Environmental Protection, making it possible for buildings that comply with the requirements to obtain a "green mark" from the Israeli Standards Institute. The standard is designated for the use of architects, designers, land developers and building contractors.

Over the last few years various elements have been developed for use in "green building", due to the increasing demand to implement it in residential construction, as well as in commercial buildings and various services. Thus, for example, extensive use has been made of insulated windows, fluorescent lighting, insulating plaster and environmentally-friendly paints. Likewise, because cement conforms to the principles of "green" construction, the "green buildings" of the departments dealing with environmental quality at the Weizmann Institute for Science, at the Technion and at Haifa University are constructed from a concrete frame, and many of their elements are made of concrete products; the streets of the first ecological suburb in Israel at Sde Boker have concrete tiles, and most of the buildings in the neighborhood are built of a concrete frame and concrete blocks; the ecological buildings of the Arava Institute for Environmental Studies are also constructed of conventional building blocks and a concrete frame; most of the dwellings that have been planned by "green" architects use cement and concrete products as the principal building materials.

Concrete has a number of features which make it suitable for "green" building:

- Concrete has a high thermal mass, which when properly integrated into the construction, can moderate the climatic needs of every building to a considerable extent – keeping it cool in summer and warm in the winter.
- The fact that concrete is cast as a liquid allows for a great deal of flexibility in the design of the building, enabling it to adapt to its surroundings and to a high sensitivity environment. Other construction products do not have this advantage of being in liquid form in the construction phase and becoming solid when ready for use.
- A proper blend of insulating materials (polystyrene, thermal plaster, etc.) produces outer walls with optimal features for Israel's warm climate – the best combination of insulation and thermal mass.
- Concrete has limited health impacts relative to other common building materials. For example, wood used in construction necessitates treatment with hazardous substances. These, together with the emissions produced by the adhesives used in building with wood, accompany the occupants of the building throughout its lifetime.

Nonetheless, according to a report by the Ministry of Environmental Protection, there are very few examples of "green buildings" in Israel. The question is – why? It is possible that, as in America, government intervention is required to promote the application of the standard, but more than that, the problem presently lies in the lack of awareness of the subject and the efficacy of its implementation – the price of the building will perhaps be slightly higher, but the return on the investment will be almost immediate – the building will be more pleasant and healthier and the continuous maintenance costs will be lower.



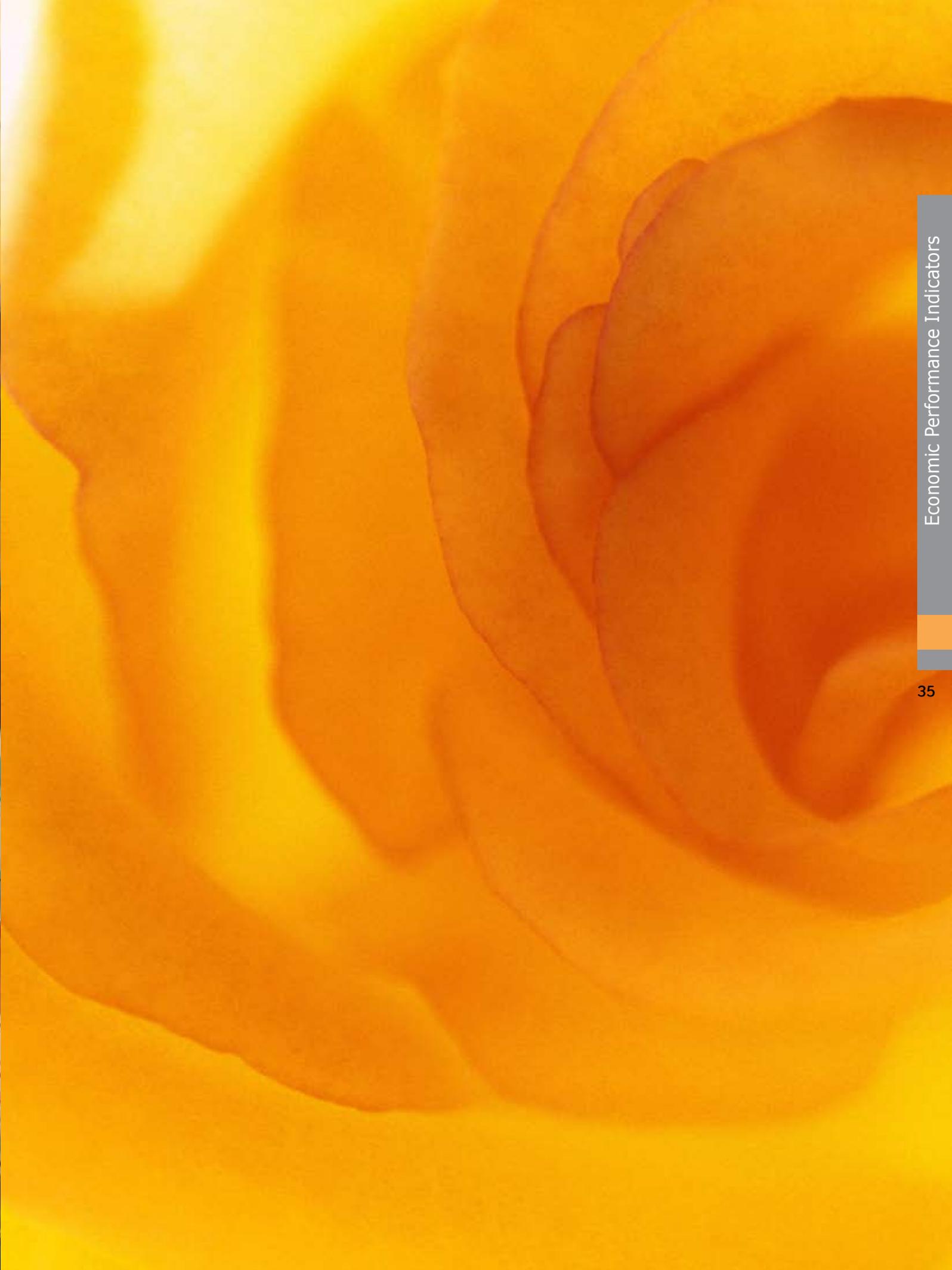


42.5N Cem II/B-III



צמנט פורטלנד אב
אסמנט پورتلاند حجر
42.5N Cem II/B-III

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ECONOMIC PERFORMANCE INDICATORS

This is the first report in which economic indicators are given. Neshet regards the environmental report and its expansion as part of the constant environmental improvement in which the company is constantly engaged. It is part of a worldwide trend which refers to the overall picture of an organization – environmental, social and economic performances.

The revenues of the cement sector (Mashav) amounted in the reporting year to 1,432 million new shekels, compared with 1,326 million new shekels last year – a rise of 8%.

Neshet did not receive government subsidies during the 2006 reporting year. However there is a levy to prevent "dumping" of imported cement, to protect long term, constant and uninterrupted domestic production.

Climate change and greenhouse gas emission represent a challenge to the global cement industry. Neshet, as a member of the WBCSD (World Business Council for Sustainable Development) is involved in the professional challenge to reduce the impact of the cement industry on climate change and in developing measurement methodologies for the industry.

Since Israel is not a developed country according to the definition in the Framework Convention on Climate Change and the Kyoto protocol, Israeli industry is not obligated to meet emissions reduction targets. On the other hand, it is possible within the framework of the Clean Development Mechanism (CDM), to use the international emissions trade to promote energy efficiency projects and other industrial innovations. Neshet is a pioneer in Israeli industry in this respect. A first project was approved and registered in the under the clean development mechanism and an additional project is currently being developed. In the international arena debates have begun on the second commitment period starting 2012. In this context a demand is being made that countries like Israel should take upon themselves obligations to reduce greenhouse gas emissions.



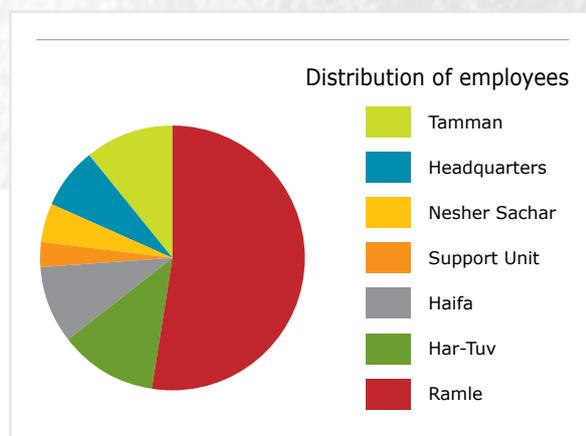
SOCIAL PERFORMANCE INDICATORS

EMPLOYEES AND EMPLOYMENT POLICY

Nesher regards its employees as an important resource and therefore promotes a fair employment policy. The rate of turnover of employees at Nesher is slow and stands at about 1% annually (not taking into account of the efficiency cutbacks the company recently made). There are worker unions at each plant which are incorporated under the National Labor Federation in Eretz Israel. About 90% of employees in the organization are represented by workers unions and special collective agreements apply to them which are renewed once every two to three years.

Most of the employees at Nesher's various factories live in close proximity to the work sites. The relationship between Nesher and the communities that surround each of its facilities is complex and strong and immense importance is given to involvement in the community.

	Nearby area	Remote area
Nesher Haifa, Tamman	85%	15%
Nesher Har-Tuv	75%	25%
Nesher Ramle	70%	30%



HUMAN RIGHTS

Over the last year no cases have been recorded of workers discrimination. In 2005 one case of sexual harassment was reported. The complaint was dealt with in accordance with the required procedure, the matter was fully investigated and the necessary steps were taken.

There is a sexual harassment commissioner at each factory, and training is conducted in accordance with the directives of the legislation on this matter.

TRAINING AND CERTIFICATION

The company's employees undergo various professional training and certification courses, including the program for a proactive approach to safety that is invoked at the company's plants.

Hours of training and instruction (average) per employee:

	Nesher Haifa	Nesher Har-Tuv	Nesher Ramle
2003	16	66	31
2004	35	149	56
2005	26	95	64
2006	29	72	67



SAFETY – A PARAMOUNT VALUE FOR THE COMPANY

Nesher has set for itself a vision for safety – on-going activities free of injuries until the year 2010 and total commitment to preventing bodily damage to workers. It is a change in the organizational culture and behavior. The transition in the safety concept at Nesher to a pro-active approach began in 2002. At present all Nesher's production plants take an active part in the process, including Tamman which entered the process at the end of 2006.

In many organizations, work accidents are perceived as fate and most of the activity is carried out as a response to an accident. At Nesher a pro-active concept has been developed whereby one does not wait for accidents to happen but takes steps to prevent them.

The pro-active approach to safety puts the emphasis, at the most basic stage, on events of "almost injured", in which no injuries or damages actually occurred - cases that usually go by without attention or analysis. When one deals with such events, one reduces the chances of damage and serious injury to the safety and health of workers.

In the pro-active approach, a dynamic assessment of risks aimed at identifying safety weak points in the work environment, before a task is performed in the field, is made by all the entities in the management chain and the work. One of the most important tools is the advance planning of the task.

Before a task is commenced, the relevant workers are convened for a discussion on all the stages of implementation and examining the weak points from the safety aspect which are present in every stage of performing the task. The workers who carry out the task have an especially important role to play in this process – they possess specific information on performing the task and about the problems likely to arise at the time of implementation. Preliminary planning is a powerful tool by means of which it is possible to pin-point in advance the potential safety hazards and to find solutions for them. This process enables more efficient work, at time changing the procedure. In the course of performing the task the worker makes a dynamic assessment of risks as the work environment constantly changes.

In addition to "planning before doing" and analyses of "close call" events on the subject of safety and quality, there is also "field security" activity. Managers at all levels patrol areas of the factory, examine, pin-point and fine tune the solutions to problems.

In order to maintain a work culture of this sort, personal commitment and example are required on the part of managers and workers at all levels. The management steering committee headed by the CEO, vice-presidents and plant managers who meet once each quarter. At these meetings they discuss the quarterly results, the tasks and the points of emphasis regarding safety which must be implemented in the next quarter.

This work culture is integrated in the everyday work. Each morning teams and units meet for morning talks which include a discussion on safety. In addition, weekly or fortnightly meetings are held on the subject of safety. These meetings take place at all levels of Nesher's management. The pro-active approach requires ongoing investment with the aim of achieving excellence and constant improvement.

Safety and hygiene

	2001	2002	2003	2004	2005	2006
Work accidents	52	44	28	13	33	30
Lost work days	744	592	499	142	574	339

PRODUCT QUALITY AND SAFETY

Cement is a fundamental component in buildings and infrastructures all over Israel, therefore it requires a meticulous and professional production. Neshet is committed to the manufacturing and marketing of a high-quality and safe product. The production of cement at the factories is done in accordance with Israeli Standard 1, which is a binding standard of the State of Israel. Apart from compliance with the standard, a strategic decision has been taken at Neshet to continue to be a leader in this field and to provide service to the industry that uses cement.

At Neshet's professional laboratories the product is tested throughout the production process. Tests are done during the course of the production process and also at the end of it, when the product is finished and ready for marketing. All raw materials and all fuels are controlled, in order to comply with quality requirements and environmental demands. In addition, inter-laboratory tests are performed on samples of the products being supplied to the customer. All this is in order to supply a conforming-to-standard, high-quality and uniform product to the customer.

The company places its customers - civil engineering and building construction companies - at the forefront of its quality strategy. This approach is manifested throughout the entire cement producing process:

Neshet works in close cooperation with customers in order to tailor the required product to their needs. Neshet has technical support teams that include professionals from diverse fields, from chemistry to civil engineering, who provide technical support to the customer and answers to any problems that may arise.

Neshet sees importance in providing effective communication between its laboratory personal and its clients' on site professionals. The company holds regular technological meetings at which problems that arise in actual practice are discussed, in order to ensure that no gaps of knowledge come about between the professional laboratory at Neshet and its clients' on site professionals. In this way Neshet also ensures continued responsibility and professionalism up the supply chain, which starts with production and supply of the cement by Neshet and ends up in buildings and infrastructures all over Israel.

An interesting trend which relates to product quality in the context of the environment and is worthy of mentioning: in 1997 the average weight of cement in a cubic meter of concrete was 300 kgs., whereas today stronger concrete is cast which is based on only 250 kgs. of cement per cubic meter of concrete. This positive change is significant, in addition to the saving, there is also a reduction of the emission of air pollutants through the lifecycle of buildings and infrastructures.

Neshet, with the aid of researchers in the concrete industry, plans that the future "green" cement will contain more substitutes (industry byproducts) and will maintain the properties of concrete.

PRODUCT SAFETY

It must be remembered that the cement produced at Neshet arrives at the various customers as a thin powder (in bulk or in bags) and it is necessary to follow the safety instructions accordingly. Cement is a thin powder containing particles smaller than 2.5 microns and it must be ensured that the concentration of dust in the air is below the permitted level of exposure. Breathing in cement dust can cause burning and irritation of the respiratory tract.

It is necessary to protect the eyes - cement is a basic chemical (pH>12.5) and cement dust is likely to cause swelling of the eyelids, the cornea and inflammation in the eye cavity. Thus, it is necessary to wear protective goggles with protective sides. In cases of uncertainty or environmental conditions in which there are large quantities of dust, it is obligatory to wear hermetically-fitting protective goggles that do not allow air in.

Protection of the skin - cement can cause skin irritation if skin is moist. Prolong contact with moist skin can cause burns. Cement can cause an allergy that could develop in different people and lead to eczema. Therefore when using cement one must be equipped with proper protective equipment (clothing and gloves).

Transportation and storage

The weight of a bag of cement is 50 kgs and is not allowed to be carried by one person. Suitable means must be used. Cement must be stored in a dry place or in a suitable container so as to prevent dust at the time of its being transported and at the time of it being used. In a situation where cement is spilled, one must use dry cleaning methods, which prevent the dispersion of dust to the air or to water sources. The substance is not flammable and is not explosive.

Directions for protection appear on all bags.

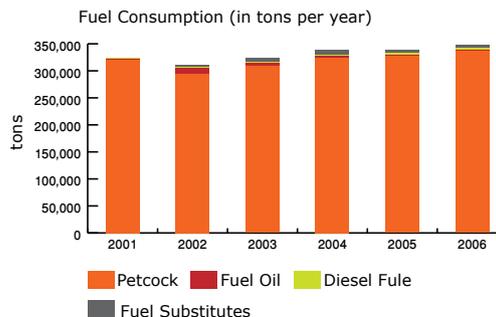
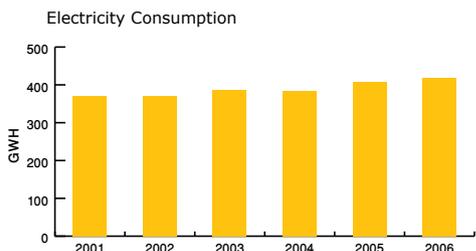
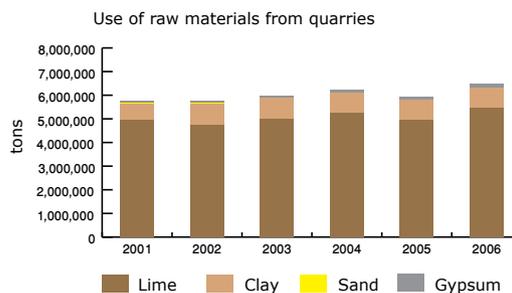
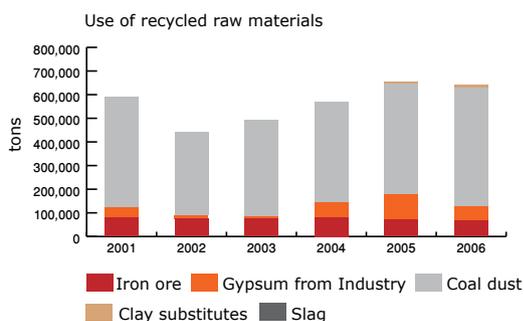
In addition it is possible to obtain material safety data sheet (MSDS) at **M.L.T. – Customer Telephone Center: 03-6211613/4/5** and also on the Internet website: www.nesher.co.il.



Ramle
Har-Tuv
Haifa

NESHER RAMLE

ENVIRONMENTAL INDICATORS:

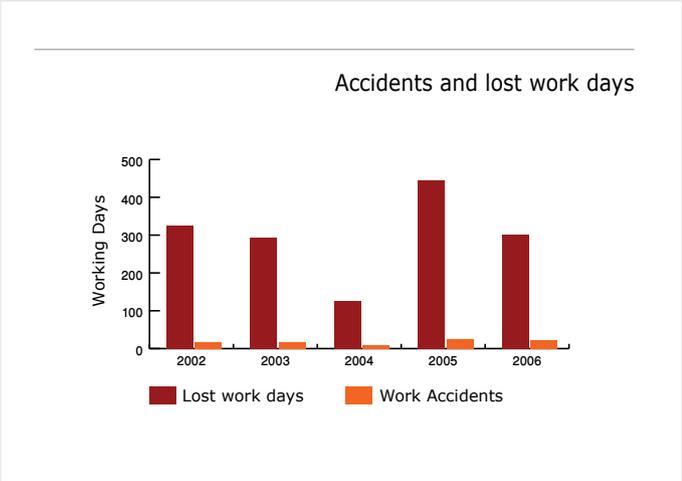


Emission of air pollutants in the years 2005-2006

Pollutant (tons per year)	2005	2006
Nitrogen Oxide (NOx)	10,574	10,010
Sulfur Oxide (SOx)	74	90.3
Particulate Matter (PM)	189	150.6
Carbon Monoxide (CO)	1,084	1,107
Volatile Organic Compounds (VOC)	155	154

The Nesher Ramle factory won an award for excellence for ten years of diligence – 5 beauty stars in the competition: "Beautiful Industry in Beautiful Israel".

SOCIAL INDICATORS:
EMPLOYEES: 274



COMMUNITY ACTIVITY

VISITORS CENTER

Nesher operates a visitors center at Ramle which enables the general public to learn about the cement production process and the technological innovations that are incorporated in it. The visitors center, which has been operating since January 1997, manifests the concept of transparency that serves as a guiding light for the company. In 2006 the visitors center was upgraded and a gallery focusing on the environmental quality was added to it. The main motif chosen by the designer, Philip Bulkiya, is spurred by Nesher's commitment to transparency and to reporting: the environmental dilemmas that Nesher faces are revealed one by one and along with the solutions that Nesher has chosen.

A visit to the visitors center also includes a visit to the the factory sites and it is accompanied by instruction and extensive explanations about the production processes and about the activities performed by Nesher for minimizing environmental impact. The visitors center is open to organized groups.

During 2006, 8,500 persons visited the visitors center and 10 open days were held for family visits, when the factory opened its gates to the general public.

Telephone number of the visitors center: 08-9271430.





ANTIQUITIES AT THE NESHER RAMLE QUARRY – 2006 EXCAVATIONS SEASON

In Nesher's environmental report for 2004 it was reported that an archeological finds were discovered at Nesher's quarry, the remains of a town dating back to the early Roman period and remnants of a town or monastery from the Byzantine period (end of the fourth century AD) containing a church which is one of the earliest churches in Israel. The archeological digs are being conducted by researchers from the Institute of Archeology at the Hebrew University in Jerusalem in conjunction with the Antiquities Authority. This year new and fascinating finds were made, one of which is a mosaic. The mosaic decorated the floor of the church. At the front of the hall there was an inscription of Dionysius, bishop of the city of Lod, in whose honor the church was built. With the courtesy of the Antiquities Authority we exhibited the mosaic that was found in the excavations at the visitors center.



MEET

In 2006 Nesher joined an initiative which is called "MEET". The origin of the initiative comes from the MIT University which has been operating in Jerusalem for a few years. The object of the organization is to foster joint projects involving Palestinian and Israeli youth.

The initiative develops Palestinian and Jewish high school students' ventures, in collaboration with Israeli industry, under the guidance of professional university graduates from the computer and high-tech field.

Nesher studied various possibilities for participating in the project and chose the project "Work instructions and procedures system" for Nesher Ramle – creating a computerized management system.

The system will be used for managing and centralizing work instructions at Nesher's Ramle plant:

- A link to Nesher's procedures which exist on the company server
- A process for displaying work instructions and internal procedures of the Ramle plant
- An updating process of versions and signatures
- A warning mechanism regarding the need for periodic updating of information
- A "read and sign" process of employees of the plant
- Producing status reports regarding the reading and signing by the employees.

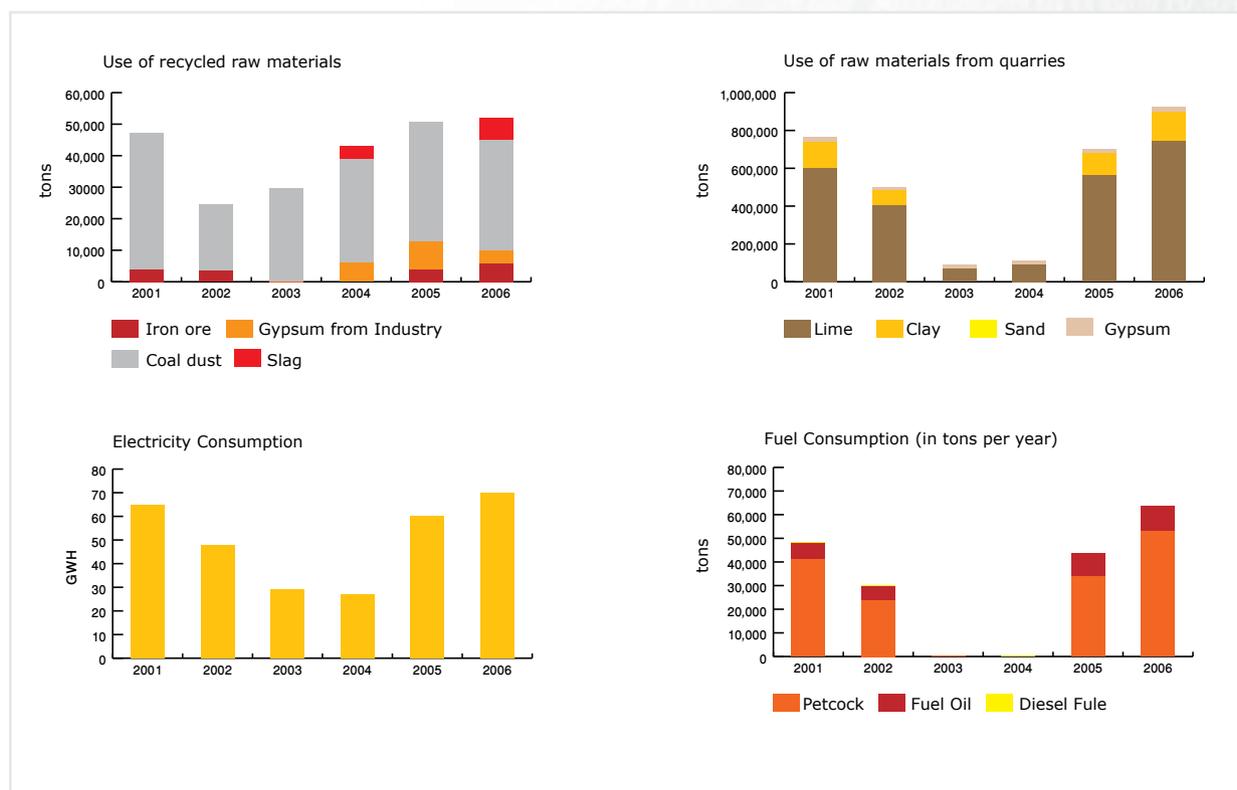
The system will deal with a variety of aspects – administration, operations, maintenance, product and environmental quality.

The aim of the system is to increase the availability and access of the procedures and instructions for employees by means of maintaining them on the Internet website, streamlining the search possibilities for procedures by means of using suitable key words and enabling periodic updating of the information as needed, and distribution of various updates to the relevant distribution lists.

NESHER HAR-TUV

ENVIRONMENTAL INDICATORS:

In May 2005 the kiln at Nesher Har-Tuv was reactivated in light of the recovery of the construction industry in Israel, after 30 months in which it has been shut down. The renewal of operations brought with it a renewed consumption of fuel and raw materials and led to emissions into the atmosphere. Apart from isolated instances relating to noise, no significant environmental faults were recorded as a result of the renewed operation.



Emission of air pollutants in the years 2005-2006

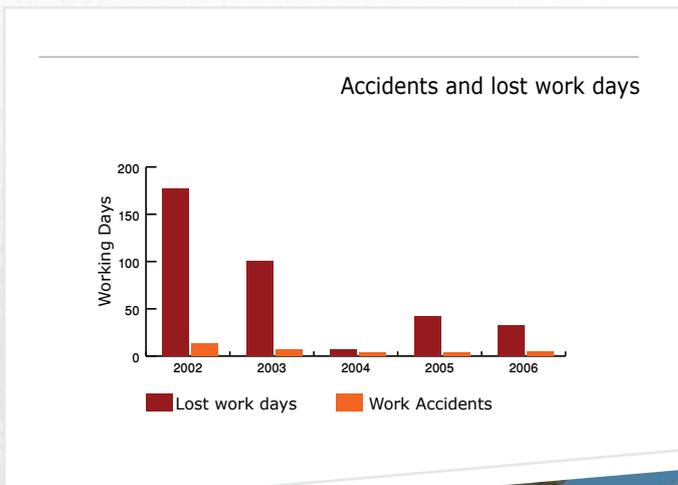
Pollutant (tons per year)	2005	2006
Nitrogen Oxide (NOx)	805	1,801
Sulfur Oxide (SOx)	9	50-500*
Particulate Matter (PM)	17	25.4
Carbon Monoxide (CO)	156	228

* Being dependent on raw materials

In 2006 the Nesher Har-Tuv plant was awarded five beauty stars from the Council for the Beautiful Israel. The Nesher Har-Tuv factory has a gold mark from the Standards Institute. The gold mark is a certificate which the Standards Institute awards to organizations that promote activities in different fields and have three quality marks. The Har-Tuv plant has a ISO 9001 Standard for quality management systems, the ISO 14001 standard for environmental management systems, and the cement itself is produced according to Israeli Standard NO 1.

SOCIAL INDICATORS

EMPLOYEES: 63



COMMUNITY ACTIVITY

The Nesher plant at Har-Tuv maintains direct contact with the nearby community and regularly carries out vast and diverse community activity. The following activities are worth mentioning:

- Employees from the plant participated in a planting ceremony to mark 110 years of the moshava Har-Tuv (today called Moshav Noham)
- "Open days" are held at the factory, at which school children from the region are invited to tour the factory and receive explanations about the work performed. In 2006 there were 30 open days at Nesher Har-Tuv at which approximately 900 pupils were entertained
- Training and instruction sessions for school classes in the region were held at the factory in regard to the environment. Every such instruction session includes workshops on the following subjects:
 1. A workshop on minimizing and reducing noise
 2. A workshop on minimizing emissions of dust
 3. A workshop on transporting materials.

In addition the plant devotes itself to assisting the community in the following ways:

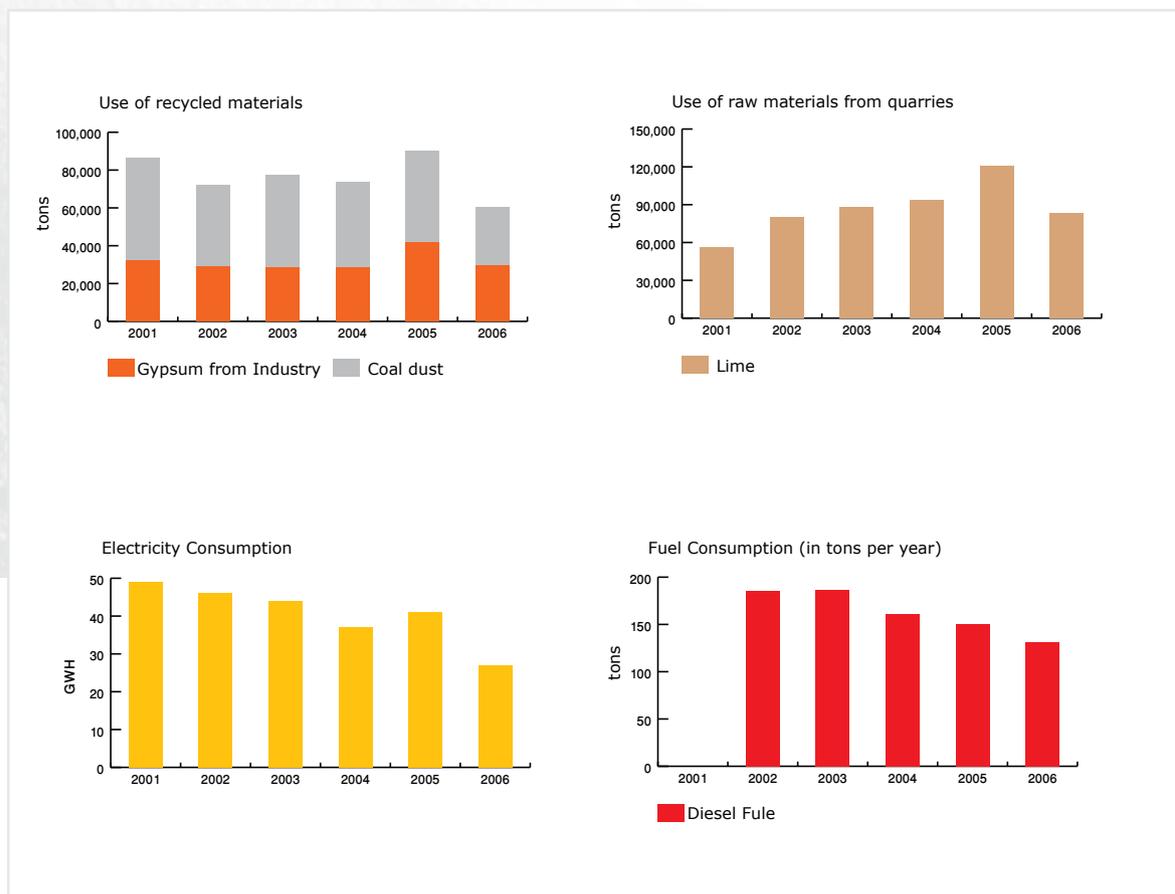
- Uniform dress has been acquired for a wind-instruments orchestra of the conservatorium at Beit Shemesh
- 14 used computers were donated to schools and to an enterprise that provides occupational therapy to mentally frail members of the Beit Shemesh population
- Books were purchased for the Junior High School library at Beit Shemesh.
- Tog bags were purchased for youth teams that represented Beit Shemesh and the Mateh Yehuda Council in sports events in Germany
- The management of the plant participated in erecting a memorial for one of the plant's employee's brother, the late Aviram Ben-Naim, who was killed in a car accident at age 24. In conjunction with the Beit Shemesh Municipality and the family an impressive garden of remembrance was established at a cost of approximately NIS 100,000. Employees of the plant contributed NIS 13,500 from their own.
- Employing the children of employees during the summer vacation which is financed by Nesher in conjunction with the Beit Shemesh Municipality. The children of Nesher employees are employed in the education department at the Municipality in various jobs: preparing children for the first grade, assistance in the public library, assistance in the running of summer camps, tutorship to children of the town, guidance and assistance to adolescents in distress, etc. Altogether 300 days of work are donated by Nesher each year.



NESHER HAIFA

ENVIRONMENTAL INDICATORS:

Apart from the use of the following raw materials, 431,495 tons of clinker which were produced in the cement kilns at Nesher Ramle, were transported for purposes of producing cement in Haifa.

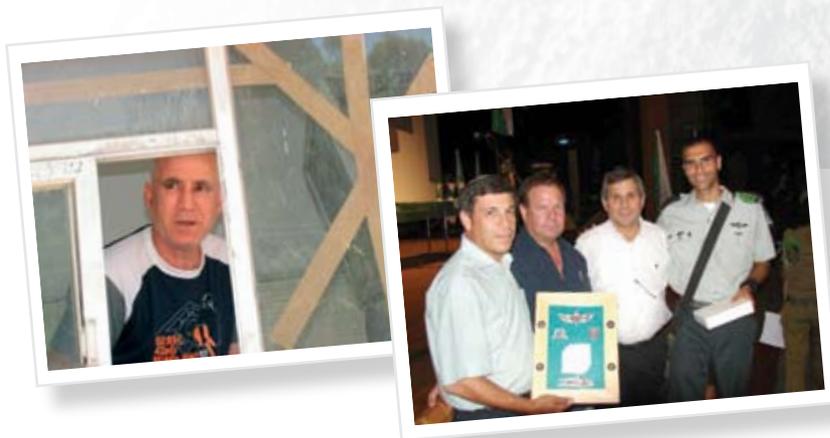
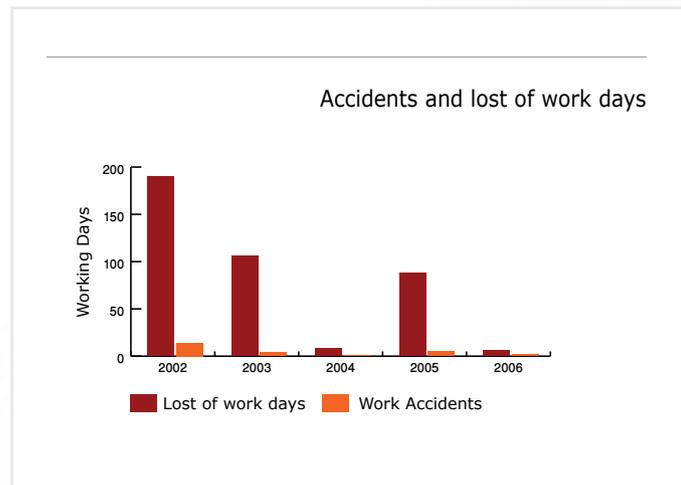


Emission of air pollutants in the years 2005-2006

Pollutant (tons per annum)	2005	2006
Particulate Matter (PM)	8	3.6

SOCIAL INDICATORS:

EMPLOYEES: 48



COMMUNITY ACTIVITIES

- Donation of computers to kindergartens at the village of Kabul.
- Donation of computer equipment to the environmental unit at Tamra.
- During the latest war Neshet transferred to the Neshet Municipality mattresses, ventilators, radio sets, and other accessories to help the people having to live in bomb-shelters during the war in the north.

In addition, Neshet continues community activities throughout the years as were mentioned in the previous environmental report:

- Children of employees are employed in senior citizens homes, libraries, hospitals and nursing homes.
- The factory makes the library at the plant available to the children of employees and the children can borrow textbooks from it whenever necessary.
- Providing encouragement to employees for professional training.

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TABLE REGARDING LEVEL OF REPORTING ON GRI

Nesher's reporting consultants' evaluation suggest this report meets the GRI requirements for level B (see below). The report did not undergo an external auditing process.

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures OUTPUT	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, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3 Management Approach Disclosures OUTPUT	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	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 rights, Labor, Society, Product Responsibility.		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.	



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