Impressions

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Letter from the CEO

The strong connection between responsible use of natural resources and financial robustness has manifested itself in 2008. This is the year in which the global economy collapsed due to the mismanagement of financial – and natural resources. This mismanagement impacted the prices of raw materials and highlighted the fact that natural resources require the same degree of managerial rigor as the financial realm.

The dramatic incidences in the global economy emphasize the need for responsible management of natural resources in terms of economic, social and environmental aspects. For quite some time, these matters have constituted a strategic challenge for Nesher. The Company constantly seeks the best long-term solution: from ensuring supply of raw materials for the next decades, through developing alternatives to fossil fuel and reducing greenhouse gas emission, to harnessing the inherent abilities of the cement industry towards benefits pivotal to sustainability such as using refuse-derived fuel, "green building", and more.

Responsible management of the resources at Nesher's disposal requires broad perspective and long-term planning. Nesher has adopted long-term goals that go beyond statutory requirements. The measures, which have been taken in order to meet these goals, will yield environmental results already in the short term. The building of Nesher's Ramla natural gas based power plant and the use of refuse-derived fuel shall enable the reduction of greenhouse gas emissions. The large investment in the establishment of a SNCR facility is another example of how Nesher will meet the most stringent European standards with regards to emissions of pollutants from its kilns. The importance of this issue is also evidenced by Nesher's Ramla plant's accreditation to the ISO 14001 standard for environmental management systems and to the OHSAS 18001 for safety at the beginning of 2009. The proven efficiency and extensive implications of these actions with regards to mitigating environmental effects have motivated us to do our utmost to assimilate these activities in the Company; although the law does not require it. Nesher's commitment to the environment is expressed in each level of activity and concerns each and everyone of it's employees.

One of the major challenges facing the global cement industry is reducing greenhouse gas emissions ensued from cement production processes. In this field, Nesher has positioned itself as a worldwide leader regarding process efficiency and the application of innovative measures to reduce emissions. Thanks to its planing and foresight, the Company will comply with the expected regulations of the new 'clean air act' for health pollutants as well, years before the latter enter into force. Thus, all stakeholders are benefited: Israel's balance of greenhouse gas emission is reduced, waste that thus far polluted soil and water is transformed into energy, Nesher gains available, clean energy sources, and the neighboring communities benefit from an additional reduction of pollutant emission.

The varied activities unfolded by this report are in no way exclusive to year 2008; they are a part of Nesher's broad, meticulously planned array of activities. This represents an additional facet of the performance culture we strive to follow- a performance that integrates a practical dialogue with the communities, regulators and the civil society in our surroundings.

Although our work is yet to be complete and we face many challenges ahead, we feel Nesher remains a market leader in every field of sustainability, both in comparison to the diversified Israeli industry and to the cement industry's international standards. Maintaining this position and managing responsibly the natural resources at our disposal represent a goal in and of itself – for our future, the future of Israel, and for the sake of the citizens we serve and the communities in which we live and work.

Yoel Feldschuh
CEO

Performance Summary

The following table summarizes Nesher's performance in accordance with key environmental, social and economic indicators		2006	2007	2008	GRI Index
Business Aspects					
Production	Cement in tones	5,088,861	4,999,092	4,861,577	
	Clinker in tones	4,465,916	4,477,670	4,281,546	
Financial Information*	Income in million NIS	1,432	1,515	1,560	EC1
	Cost in million NIS	1,091	1,144	1,180	EC1
	Operating profit (loss) in million NIS	341	371	380	EC1
Environmental Responsibility					
Raw Materials	Raw materials in tones	8,234,236	8,526,360	8,056,627	EN1
	Percentage of alternative raw materials	9%	11%	12.10%	EN2
Energy	Energy consumption (fuels) in GJ	14,680,104	14,537,539	13,666,402	EN3
	Energy consumption (fuels) in tones	411,866	407,599	383,489	EN3
	Energy consumption in GWh	516	524	503	EN4
CO_2 Emission Reductions	Total CO_2 emissions (gross) in tones	3,723,629	3,718,358	3,533,855	EN16
	Total CO_2 emissions pet ton product (gross) gram/ton cementious materials	671	663	662	EN16
	Percentage of alternative fuels	0.88%	0.84%	0.96%	EN5
Air Quality	Nitrogen Oxides emissions (NOx) in tones	11,811	10,989	10,711	EN20
	NOx emissions per ton of product kg/ton cement	2.32	2.2	2.2	EN20
	Sulfur Oxides emissions (SOx) in tones	**140-600	262	490	EN20
	SOx emissions per ton of product kg/ton cement	0.15	0.05	0.1	EN20
	Particulate Matter emissions (PM) in tones	179.6	164.9	171.9	EN20
	PM emissions per ton of product kg/ton cement	0.04	0.03	0.04	EN20
Social Responsibility					
Decency & Working Procedures	Hours of training per employee (average)	56	33	59	LA10
	Work accidents	28	32	14	LA7
	Lost days	339	358	229	LA7

* The information is Mashaab data (integrated with Taavura data neutralized) – starting 2007 the data follows the IFRS standard

** As dependent upon raw materials

Goals and Accomplishments

Field	Goal	Progress	Goal Date	Status Report for 2008
Organizational Culture				
Management and Control Systems	Integration of the ISO 14001 standard at all Nesher plants possessing kilns for clinker production	Har-Tuv plant certified for ISO 14001 standard and Ramla plant underwent verification for the standard.	2009	Completed at the Har-Tuv plant
	Setting (internal) quarterly goals regarding environmental quality at the Ramla plant		2009	New goal
	Integration of ISO 9000 quality management systems at all plants	All three plants are certified to ISO 9000	2003	Completed in full
	Integration of OHSAS 18001 safety and health management systems at the Ramla and Har-Tuv plants	Ramla and Har-Tuv plants are undergoing a standardization process for the 18001 standard	2009	Ramla plant passed the initial verification
Environmental Commitment and Responsibility				
Energy and Climate Change	Reduction of greenhouse gas emissions	Alignment towards meeting emission goals	2013	
	Increasing the use of fuel substitutes as alternative energy sources to fossil fuel up to 16% of the fuel mix	A trial run for refuse-derived fuel (RDF) use during 2008	2012	Alternative fuels: 0.96% of fuel mix
	Carrying out projects for greenhouse gas reduction	To date, one project was registered with the UN and another project is undergoing registration	2012	Reduced 8,014 tons of carbon to date
Air Quality	Upgrade of stacks and monitoring systems	Upgrade of stacks	2010	
	Reducing nitrogen oxide NOx emissions	Installing SNCR system and an expected 20%-25%	2010	A test run has been done
		reduction of in Nitrogen Oxides 40%-45%	2012	
Raw Materials	Market leaders in implementing optimal processes for use of alternative raw materials	Leadership in international standards		Alternative raw materials: 12.1%
	Restoration plans for quarries			Nesher makes monetary deposits for a quarries restoration fund established by law
Waste	Quantification and reduction of waste at Nesher's plants			New goal
Water	Use of wastewater in manufacturing processes			Undergoing assessment
Social Commitment and Responsibility				
Safety and Health	Ongoing operations devoid of injuries and a total commitment to preventing human injury	Implementation of a proactive safety program as of 2002	2010	A decrease of 68% in work accidents
				A 67% decrease in absentee days
	Safety related activity with sub-contractors	Implementation of the safety program		A decline in work accidents among sub-contractors
Community Involvement	Conducting an internal analysis of corporate responsibility			Completed
	Creating an ongoing dialogue with stakeholders		Ongoing	Stakeholder meetings at the Ramla and Har-Tuv plants
				Monthly web report that includes air emissions, special events and information for stakeholders
Continuous Improvement in Reporting	Indicators and quantitative goals	In previous reports Nesher reported GRI based quantitative indicators	2009	Presenting quantitative goals

About the 2008 Report

This report summarizes Nesher's social, financial and environmental activities.

1. Reporting period > the data in this report refers to calendar year 2008. Data from previous years is presented for identifying the trends taking place in the company and setting future goals.

2. Reporting cycle > The last report was published in 2007 and summarized Nesher's activities in 2006. Nesher has opted to publish a public report once every two years in order to monitor periodically the trends and principal processes taking place in Nesher and at the Company's plants. Between the reports, various reporting activities are carried out in favor of stakeholders. For more information, please see page 19.

3. Report boundary > The quantitative data in this report relate to Nesher's three production plants: Nesher Haifa, Nesher Har-Tuv and Nesher Ramla. In addition, a partial reference is made to the quarries of raw materials of the three plants, and quantitative data regarding the Company's headquarters, which include Nesher Environment (1997) Ltd. Not included in this report are data regarding the following affiliated companies: Paper Products Manufacturing (PPM) Ltd., M.P. Minerals and Marble Ltd., and Taavura Holdings Ltd., as well as outsourced activities and joint ventures outside the framework of the three Company plants.

4. Reporting scope > Nesher reports according to the principles of the Global Reporting Initiative (GRI). GRI is a cross-sector initiative for reporting on environmental-social aspects in businesses with the participation of social-environmental organizations and business entities. For more information,visit www.globalreporting.org.

The report complies with level B requirements of the GRI and includes a reference to the sector supplement pilot of the mining and metal industry.

No significant amendments or modifications were required in comparison with previous reports. No substantial changes had occurred regarding the organization since the previous public report excluding a status change of Nesher Sachar, which has become a company division of sales and customer affairs and is no longer an affiliated company.

5. Measurement techniques > for the purpose of analyzing the trends taking place in the Company, an effort was made to provide data from previous years as well. Presentation of the data was carried out according to the GRI protocol, as expected in reports of companies that share the global reporting initiative worldwide. The reported data are a result of direct measuring of the subject at hand (unless otherwise specified.) Gathering of the information was carried out internally by various relevant departments within Nesher, including Environmental Quality, Human Resources and the reporting plants. Upon collecting the information for the report, it was decided that the accuracy of the data regarding solid waste and sanitary wastewater is insufficient. It should be emphasized that Nesher has no significant environmental impacts with regards to these issues. Nonetheless, it was decided to conduct a comprehensive survey regarding the quantities of waste in the manufacturing plants.

6. Changes in reporting > in this report, unlike in previous reports, the calculation method of data regarding emissions of air pollutants in the Har-Tuv plant is based on averages of continuous monitoring, except for CO data. So far, the data was based on periodical samples. In previous reports, the percent of alternative fuels were calculated on the basis of weight, whereas in this report, the calculation of percentages is executed in accordance with GRI's directive in the EN3 index, which is based on GJ (Giga Joules.)

Furthermore, this year it was decided to adopt a reporting of carbon dioxide in full in accordance with a protocol that has been designed and substantiated over recent years by the Cement Sustainability Initiative project. Sponsored by WBCSD (World Business Council Sustainable Development), the project comprised leading cement industries, including Nesher. Nesher opted for this reporting method since it was used to calculate the international standards presented by this report. In accordance, several accounting adaptations were made with regards to the carbon emission reporting. For the sake of consistency, the changes were carried out with regards to data from previous years. The relevant graphs can be found on page 41.

Nesher has opted to publish a public report once every two years in order to monitor periodically the trends and principal processes taking place in Nesher and at the Company's plants. Between the reports, various reporting activities are carried out in favor of stakeholders.

The topics reported in this report were chosen in accordance with the GRI criteria, including materiality and aspects that were discussed in the VP green team, which convened on a regular basis. The VP green team participated in the report's work process and built the program according to which the contents and the special emphasis were determined as well as the stakeholders that should be involved in a dialogue concerning the report. The program was built while taking Nesher's unique stakeholders into consideration, as well as feedbacks received from the public and the regulators. The performance indicators, which appear in the final draft of the GRI sector supplement for mining and metals – GRI's most relevant supplement to date, were implemented in this report. Nesher sees great importance in constant improvement of reporting quality and anticipates that the report will be subjected to external verification.

As an industrial company with a plant of international scale, an emphasis was given to the environmental effects of the company, both locally in Israel and globally. The standards according to which the performances of the plant were measured were also chosen in accordance with these needs.

In order to address local stakeholders in details, Nesher hereby reports its primary environmental effects, which are presented and specified in this report in accordance with various plants. Looking ahead, the report displays Nesher's short-term goals and its vision for the more distant future. Additional information regarding Nesher's dialogues with stakeholders is available on pages 18-20.

Yad Vashem

Jerusalem, Israel
Moshe Safdie Architects
Principal Architect > Irit Kohavi
Contractor > Minrav
Photographer > Tim Hursley

The Company's Mission

To serve as a cornerstone in the construction industry whilst creating value for all stakeholders: Customers, Employees, Vendors and Shareholders.

Nesher's Vision

- We are a leading company with a tradition and a reputation, supplying most of the market's cement and representing the quintessence of co-existence of industry, environment and community.
- We maintain and strengthen our competitive position in the market and develop building and environmental quality products that are synergetic to our core industry.
- We base our market share on the loyalty of our customers who benefit from the highest quality and availability of products and services on the market.
- Our strength lies within our employees, whom we strengthen and support in order to maintain their commitment to the journey, and in our commitment to a constant technological improvement.

Guiding Principles and Environmental Policy

A Policy of Commitment

Resource allocation > allocating all 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 employees and management to maintaining safety as well as environmental 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

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, which opts for prevention activities in lieu of post-factum response.

Towards sustainability > constantly aspiring to improve the environmental-social and economic functioning of the company, while setting quantitative goals of 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.

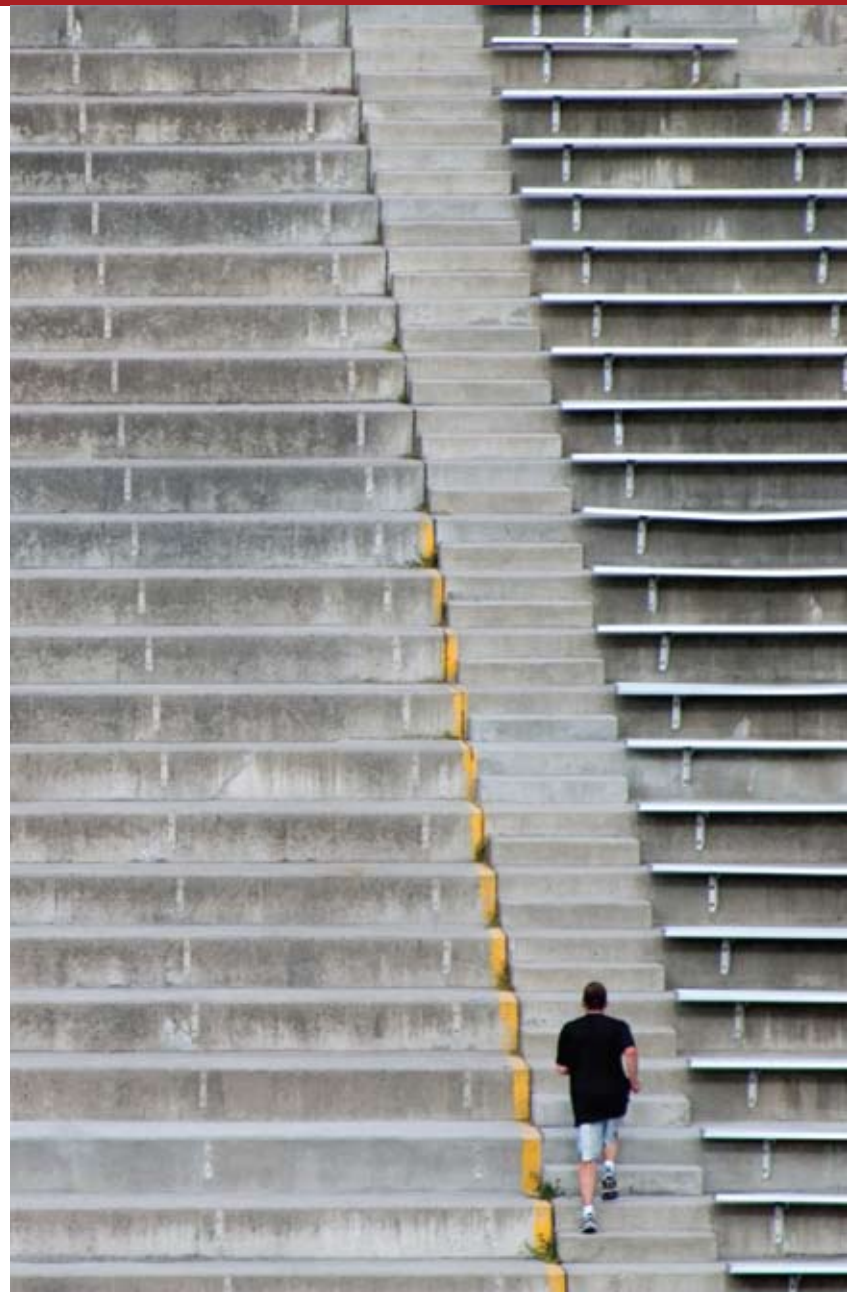
Recycling and reduction in raw materials > use of recycled materials in the production process as an alternative for quarried raw material, while maintaining high environmental standards.

Product Quality & Responsibility

Product quality > developing and manufacturing strong, durable products that meet customers' requirements.

Green building > manufacturing products, that with correct planning and use, can serve as a good basis for "green building" adapted to Israeli conditions at realistic costs.

Professional information > supporting training and information activities with regards to energy conservation and minimized resources during building phases as a whole, and the manner in which cement is used in particular.



Substantial Impacts, Challenges + Opportunities

Nesher's impact on environmental quality is perceivable in two realms: air quality on a local level and carbon dioxide emissions on a global level that affects climate change. These impacts are ensued from the need to provide the State of Israel with available, locally sourced construction materials.

Apart from this impact, Nesher's activities exercise various affects on the quality of life of residents, as Nesher is part of a community. This involvement is manifested in the creation of employment opportunities for residents of the area.

The global trends of environmental quality present Nesher with new opportunities and challenges. The trends indicate a need for a higher transparency of the business sector (more on pages 4, 17); a need to minimize greenhouse gas emissions (more on page 40); a danger of "carbon leakage" – transfer of cement industries to developing countries as a result of discrimination by international environmental legislation (more on page 31); and the need for low carbon energy sources including electricity generated from natural gas and fuels from renewable sources (see pages 40-42).

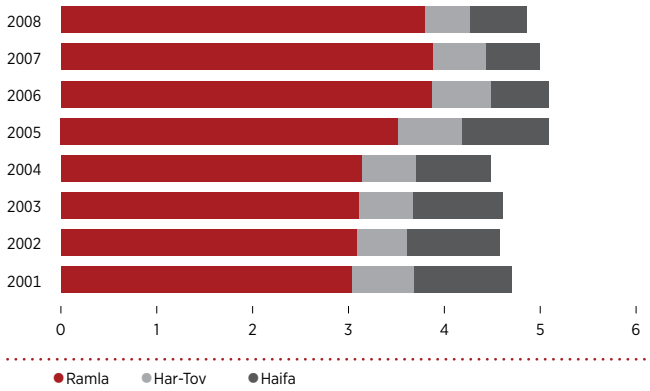
Company Profile

As Israel's only cement manufacturer and as one of its most veteran private companies, Nesher Israel Cement Enterprises Ltd. has been at the forefront of the Israeli construction industry for more than 80 years. Nesher is owned by Mashav. Mashav is owned by one of Israel's largest investment companies, Clal Industries and Investments, which holds 75% of Mashav's shares, and by the Ireland-based CRH, a leading multinational concern for production and marketing of building products, which holds 25% of its shares. This partnership provides Nesher with financial robustness.

The Company was established in 1925 and in the course of its existence, has together with it's employees (current) and the Company plants located in Haifa, Har-Tuv and Ramla, produced over 140 million tons of cement. Nesher's Ramla facility is one of the largest cement plants in the world and a global leader in production capability and advanced technologies.

The entire production facilities of Nesher are located in Israel. In 2008, the Company produced approximately 4.8 million tons of cement.

Cement Production (millions of tons)



Nesher's Ramla facility is one of the largest cement plants in the world and a global leader in production capability and advanced technologies.

Cement Manufacturing Process

The cement manufacturing process comprises the quarrying of raw materials, limestone and clay. Following processing and chemical testing, these raw materials are put into a kiln, where at a temperature of 1,450-1,650 °C clinker, an intermediate product used to produce cement, is formed. The clinker is then milled to a fine powder and together with other ingredients produces cement.

1 Quarry
2 Grinding and Raw Materials
3 Preheating Tower
4 Rotary Kiln
5 Grinding
6 Packaging and Delivery

Nesher supplies most of the cement for the Israeli and the Palestinian Authority markets. Furthermore, the Company exports excess clinker to various destinations around the world, mainly Europe.

Nesher sees itself as a leading company in the Israeli industry in terms of customer service, product quality, applied technologies and its dedication to the environment.

As part of its business strategy, Nesher has set itself five main goals:

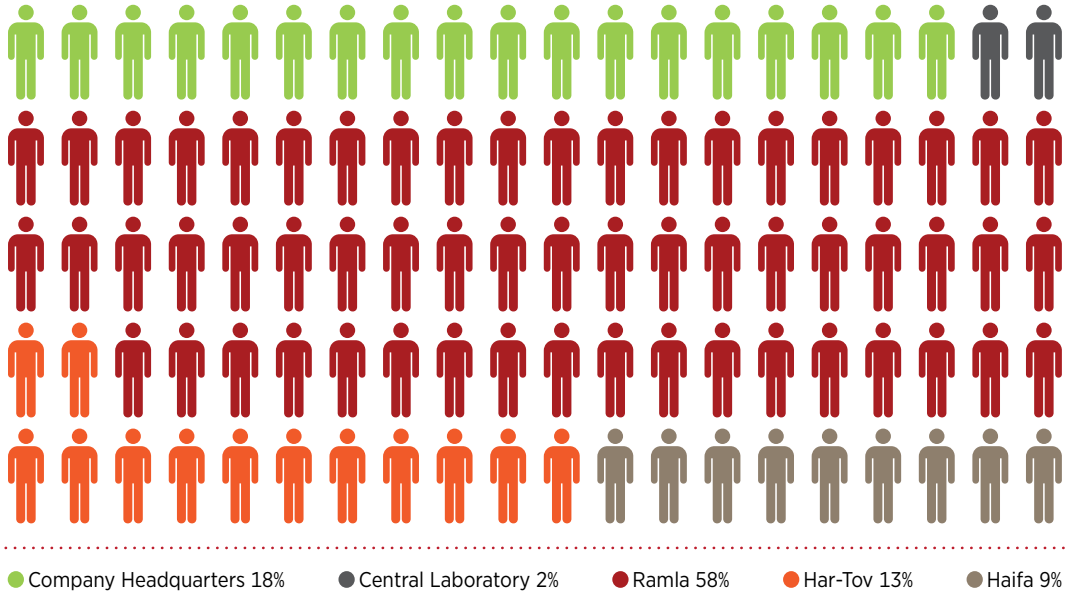
- Continuing its positioning as a custom-tailored service supplier in the fields of cement and concrete
- Maintaining financial robustness and stable profitability
- Maintaining product quality and stability
- Maintaining environmental standards in an ongoing manner
- Entering the fields of waste incineration and recycling in order to use sorted solid waste and other materials as energy alternatives and/or raw materials alternatives. By doing so, the Company reduces the fluctuating costs of cement production and resolves ecological problems on a national scale.

Company Structure

Company headquarters, which was relocated from Tel Aviv to Ramla in March 2009, includes the following officers and divisions: Chief Executive Officer, Finance Division, Operation Division, R&D and Technology Division, Commerce Division, Economic & Business Development Division, Environmental Division, Assets and Computers, Human Resources Division, and Sales and Customer Affairs Division.

Factory managers are subordinated to the CEO.

Nesher's Employee Distribution – 2008, 479 employees



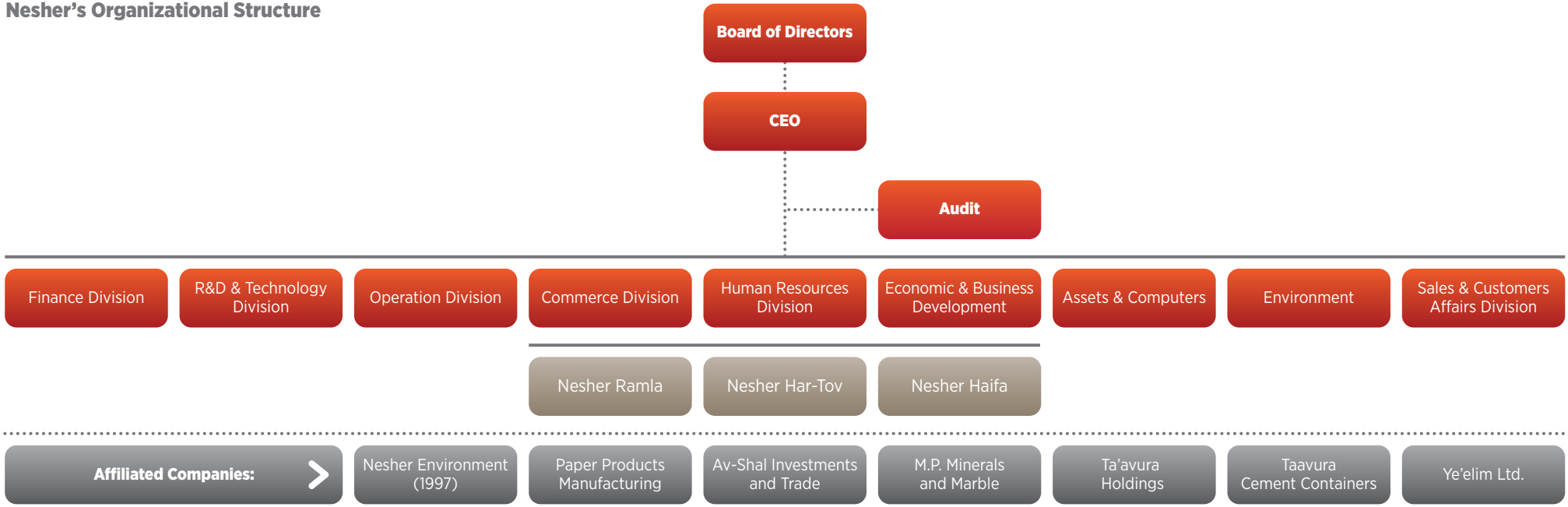
Board of Directors' Structure

The Company's Board of Directors is comprised of eight members, two being representatives of CRH and six members from Clal Industries and Investments Ltd. The chairman of the BOD is elected from among the members of the board. The chairman represents the owners and is involved in the company's activities, whereas the other directors represent the owners yet do not hold managerial capacity positions in the Company. Members of the Board of Directors are responsible for appointing a CEO for the Company, who is not a member of the Board of Directors.

Senior Management

The process of selecting and screening senior management is based on the candidates' professional skills. The process is comprised of an examination of the professionalism and qualifications such as education and professional experience, psychotechnical tests and personal interviews.

Nesher's Organizational Structure



Affiliated Companies

Nesher Environment (1997) Ltd.

Nesher Environment was established in 1997 in order to maximize the potential of Nesher facilities in general and the kilns in particular. An additional aim for which the company was formed was to harness the knowledge and experience accumulated in the Company for the benefit of solving environmental challenges, for instance, use of alternative raw materials and fuels. The environmental data of Nesher Environment are included in full in the reporting boundaries.

Paper Products Manufacturing Ltd.

Founded in 1952, the Paper Products Manufacturing plant was created by Nesher in order to supply the paper sacks used in the marketing of cement and to reduce the Company's foreign currency based costs. Today the plant manufactures approximately 25 million cement sacks as well as approximately 20 million bags of various types and in various sizes for other customers from the chemistry, agriculture, plastics and food industries in Israel and overseas. Furthermore, the company manufactures approximately 80 million paper sacks for flour packages, sugar, and more. For further details, please visit the website: http://www.ppm.co.il

M.P. Minerals and Marble Ltd.

A leading company in Israel in the field of quarrying and producing pure chalk (calcium carbonate.) The company owns two white chalk deposits of a rare quality in international standards. The plant produces various quality products for the chemical industries, the production of advanced building materials, feeding animals, drinking water treatment, decoration and more. In addition, the ground chalk is used to produce pigment powders for the color and polymer industries. Thanks to its purity and its unique chemical composition, chalk is also used as a superb raw material in the food and drugs industries.

Taavura Holdings Ltd.

The Taavura Group is the largest transportation and logistics company in Israel. The group is jointly owned in equal parts by Nesher Israel Cement Enterprises Ltd. and Avraham Livnat Ltd. Taavura, which began its activities following the formation of the State of Israel, has gained years of experience and has gained a name for itself in the fields of ground transportation and infrastructure works. For more information, please visit the group's website: http://www.taavura.co.il.

Ye'elim Ltd.

Ye'elim, a land transport company, was established in 1994 based on the activities of "Yael", a cooperative that was founded by former members of the Second World War's Jewish Brigade. Ye'elim transports bagged cement to the Israeli market and to the Palestinian Authority. Ye'elim also specializes in transporting platforms, containers, quarried materials and other cargo. The company sets high standards for efficient, immediate service accommodating its costumers' needs.

Management and Organizational Culture

Nesher's managerial system is the outcome of dozens of years of experience and profound comprehension of performance processes. Nesher has built a comprehensive managerial array in order to meet the challenges faced by a large, complex industrial company with substantial social, economical and environmental impacts.

The financial investments required upon establishing cement plants, the character of the product, the raw materials and the construction industry require an organizational culture that emphasizes long-term perspective. The Company plans its activities decades in advance and operates in accordance with the precautionary principle as one of the cornerstones for business, environmental and social stability.

Alongside a need for constant innovation, a long-term perspective requires placing an emphasis on excellence and operational professionalism: new technologies and operation procedures are integrated into the Company only following comprehensive tests and studies in cooperation with the relevant authorities.

Nesher's organizational and operational culture enables the Company to achieve financial, environmental and social achievements. The production line is managed in a professional, meticulous manner while maintaining principles such as decency, good neighborly relations and transparency. In order to promote and implement these principles, Nesher endeavors to maintain an ongoing relationship with internal and external stakeholders. Additional information regarding dialogue with stakeholders is available on pages 18-20.

The Company's activities are planned for decades in advance while ensuring the precautionary principle, which is key for the Company's stability.

Committed to a Code of Ethics

In 2004, Nesher adopted a code of ethics and has since operated in accordance thereof. The code is based on the rules of business conduct assembled by CRH (the owner of a 25% stake in Mashav and through the latter in Nesher), which include issues such as personal responsibility, meeting statutory requirements, and reference to situations, which raise a concern for conflict of interests. The code dictates the relevant rules for ethical behavior in all aspects concerning business engagements. The code of ethics will be uploaded to Nesher's website in 2009.

Benefits to Senior Management – in Accordance with Performance

As a part of Nesher's organizational culture, benefits to senior management are directly connected with the Company's performance. Bonuses are granted to senior management in a manner that reflects the Company's financial results and the assessment of managers. Bonuses to second-tier managers are determined in accordance with completion of personal goals, evaluation by direct managers, evaluation by a subordinate employee and the assessment of a professional manager.

Constant Improvement of Management and Monitoring of Supply Chain Impacts

Nesher engages in the constant improvement of every aspect related to its environmental impacts. Furthermore, Nesher is seeking to expend its sphere of influence and is actively engaged in bringing about change throughout the supply chain. Since Nesher supplies most of its raw materials by itself, the top of the supply chain is considerably short. After the finished product has departed from the plant's gates, Nesher endeavors to ensure the environmental performance of its suppliers. The Company's chain of suppliers includes several transportation companies, which transport its raw materials and products to markets and to various customers. These companies are obligated by their engagement agreements with Nesher to comply with the guidelines of the Ministry of Environmental Protection and to supply Nesher with the necessary permits certifying their compliance with the said guidelines.

Alongside its handling of the immediate, familiar supply chain, Nesher endeavors to initiate a change in other channels related to the product. Nesher is examining the benefits of cement in green building. For more information, please see pages 22-27.

Management, Responsibility and Monitoring Systems

The Company's responsibility for environmental, operational, social and financial issues is rooted in its organizational and managerial culture and is manifested across the managerial chain of command.

Frequency	Content
Quarterly	Board of directors meeting in which the overall activities of the Company are discussed including environmental quality issues.
Quarterly	Senior management meeting to discuss operational, financial, environmental and social performance of individual plants and the Company as a whole.
Monthly	Every month a quality and manufacture forum is convened. The forum consists of the managers of the three plants, production managers, technologist, the manager of the sales and customer relations division, head of operations division, environmental manager and Nesher's CEO.
Monthly	The CEO, VP of Finance, and VP of Economics meet to discuss economic performance and data.
Monthly	VP of Finance, Manager of Ramla's plant, Company's comptroller and plant's comptroller discuss the economic performance of the Ramla plant.
Biweekly	Management meeting to discuss any relevant issue regarding customers, financials, strategy, human resources and any other issue that were set forth the annual work plan.
Weekly	A manufacture and quality report is distributed weekly to the Company's management and to headquarters staff.

In addition to the general management review, a special monitoring of environmental issues is carried out.

Frequency	Content
Monthly briefing with the Chairman of the Board	Holding meetings between the environmental manager and the chairman of the board.
Monthly briefing	Holding meetings between the environmental manager and the CEO for ongoing briefing.
Environmental forum	A quarterly meeting chaired by the CEO and attended by VPs, external consultants, factory managers and other relevant officers. In 2008, the forum was joined by the environmental manager of Nesher's Ramla plant.
Environmental review by management	An annual report on environmental issues conducted by the environmental manager and forwarded to CRH.

A comprehensive system of feedbacks & monitoring

Nesher holds formal alongside non-formal monitoring systems that control and monitor processes in Nesher. The monitoring array includes internal and external auditing that accompanies Nesher's activities both in financial aspects and in social and environmental aspects.

Internal Auditing

The internal auditing in all Company units is performed by an accounting firm. The annual auditing plan is established mainly on the basis of the company's three-year plan, with issues added upon need and according to instructions from the CEO and the chairman of the Board of Directors. The plan is coordinated with the internal auditor of parent company, Clal Industries and Investments, and is approved by the auditing committee.

The auditing reports are reviewed by the management and the auditing committee and a follow-up of the implementation of the recommendations is performed.

Senior management is audited by the Company's auditor who is subordinate to the chairman of the Board of Directors.

Independent Auditing

The Company contracts the services of two separate accounting firms to perform auditing services. The auditing is done partly on an ongoing basis and partly for the purpose of attaining approval for financial reports. The long-form reports, too, are submitted by the accountants and are forwarded to the auditing committee for review; the Company monitors the implementation of the recommendations.

Periodic financial reports, which are audited or reviewed by the accountants, are delivered to the Income and Expenditures Committee of the Board of Directors.

In addition to the formal auditing mechanisms, the Company has an internal feedback mechanism. Once a year, a survey is conducted with regards to employees' opinions on every performance field, from level of equipment, through decision making, to management capabilities. The survey also gauges the employee's satisfaction of his/her job in the Company. This survey provides comprehensive information from the level of the direct manager to the level of the Company's CEO and Company's headquarters. The survey presents an important feedback to Nesher's leaders regarding the Company's management and managers.

Control and monitoring mechanisms

Several monitoring mechanisms exist in Nesher including an inspection committee and internal enforcement officers that engage in the overall economic, social and environmental aspects of the Company, such as trade restrictions and environmental quality. Nesher, which is held by Clal Industries and Investments, upholds the provisions of the law of public companies in Israel as well as the requirements of the authorities and statutory requirements regarding the prevention of conflict of interest by Company stakeholders.

Management systems – preparing for a comprehensive array

Nesher's environmental policy addresses the Company's constant strive for improvement of its environmental, social and financial performance. This principle guides the Company's activities on a day-to-day basis. In order to improve the Company's performance, resources must be administered with caution and ingenuity, with the aid of, inter alia, management systems (such as ISO standards and other systems).

Nesher Sites with Control and Monitoring Systems

	2007	2008	2009 Goal
ISO 14001	1	1	2
ISO 9000	3	3	3
OHSAS 18001	0	0	2

The Ramla plant is undergoing standardization process for environmental and safety standards. As of year-end 2008, the plant has undergone an inspection for environmental management systems (ISO 14001) and for safety systems (OHSAS 18001). The end date for completion of the process was set for 2009, and upon completion of the process, Nesher's plant will receive the standard for environmental management systems and for safety systems.

As part of the ISO 14001 process, a comprehensive management system is being built at the Ramla plant comprising the setting of quarterly goals concerning environmental quality issues and the preparation of an internal enforcement program regarding this issue.

The Har-Tuv plant is currently commencing the standardization process for the safety system (OHSAS 18000).

Complying with the Law

In the years 2007 and 2008, Nesher has met all the standards and statutory requirements with regards to social, financial and environmental aspects.

Nesher was not subjected to any fines or other charges ensued from disobedience of or non-compliance with statutory requirements.

Throughout the year, Nesher received three complaints from the public concerning dust events and one complaint regarding an unclear, centralized odor. The complaints regarding the dust were examined both by Nesher and by the Ministry of Environmental Protection and the sources of these events were rapidly attended to.

Active in Local + International Trade + Industry Associations

In order to lead, learn and advance economic, environmental and social aspects, Nesher has become an active member of voluntary, local and international organizations. Some are industrial research organizations while others promote various social and environmental goals.

Manufacturers Association of Israel > Israel's representative organization for all industrial sectors: private, public, kibbutz and governmental. For more information, please visit the following website: http://www.industry.org.il

Maala > A professional umbrella organization of businesses that generate a change in the realm of corporate social responsibility. The organization is based on the premise that managing corporate social responsibility holds a financial-business value for corporations. The organization was established in 1998 and is part of an international chain of business organizations that promote social responsibility. For more information, please visit the following website: http://www.maala.org.il/heb/home/a/01

ICC – International Chambers of Commerce > An international organization for businesses with a wide scope of activities aimed at promoting international trade. For more information, please visit the following website: http://www.iccwbo.org

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. For more information, please visit the following website: http://www.ecra-online.org/ecra

WEC – World Energy Council > An international organization engaged in minimizing fossil and electrical energy for the purpose of conservation of energy sources. For more information, please visit the following website: http://www.worldenergy.org

WBCSD – World Business Council for Sustainable Development
A global organization concerned primarily with utilizing business leadership as a catalyst for promoting sustainable development, ecological efficiency, innovation, and social responsibility in business. For more information, please visit the following website: http://www.wbcsd.org

Activity as Part of WBCSD Organization's Cement Sustainability Initiative

Nesher participates in various international initiatives aimed at promoting sustainable development. One of the main initiatives is that of the WBCSD organization. Nesher, in collaboration with CRH as it's shareholder, takes part in the ongoing dialogue held within the framework of Cement Sustainability Initiative (CSI), a sector-wide initiative that unites the world's largest cement companies.

CSI has developed an Agenda for Action based on research in the field of sustainability in the cement industry and on dialogues with stakeholders worldwide. The Agenda for Action was developed to incorporate a vision for the next 20 years with a call for activity update every five years. Between 2002 and 2007, working groups were founded as part of the CSI for each of the following key issues: CO_2 and climate protection, responsible use of fuels and raw materials, emission monitoring and reduction, effects on areas and communities and safety and health of employees. Furthermore, Key Performance Indicators were developed specifically for the cement industry along with tools and guidelines to be applied uniformly around the world. Additional information concerning the Key Performance Indicators and Nesher's performance in light of international standards can be found on pages 36-37.

Transparency as a Guideline + Stakeholders Dialogue

Nesher is guided by the principle of transparency and the Company's management is well aware of the importance of an open, trustworthy dialogue with stakeholders. Nesher has undertaken an ongoing process of broadening and deepening relations with its stakeholders, especially with regards to environmental issues.

Stakeholders with Ongoing Relations with Nesher

The Neighboring Communities	Social activists, voluntary organizations and representatives of committees from Beit Shemesh, Ramla, Gezer Regional Council, the Modiin region, Lod, Tamra, Kabul, Nesher and Haifa
Local Authorities	Municipal mayors, city engineers, planners and environmental units
Government Ministries	The Ministry of Environmental Protection, Ministry of National Infrastructures and the Ministry of Industry, Trade and Labor
Additional Statutory Authorities	The Israel Nature and Parks Authority, the Jewish National Fund, the Antiquities Authority, the Israel Land Administration and regional planning committees
Civil Society	The academia, labor unions, environmental organizations, industry organizations
Shareholders	Clal Industries and Investments, CRH concern
Debentures Holders	Institutional organizations
Customers	The building industry in Israel, national projects, contractors and builders
Company Employees	Workers in the various production sites and at the headquarters divisions
The Press	Local and national newspapers

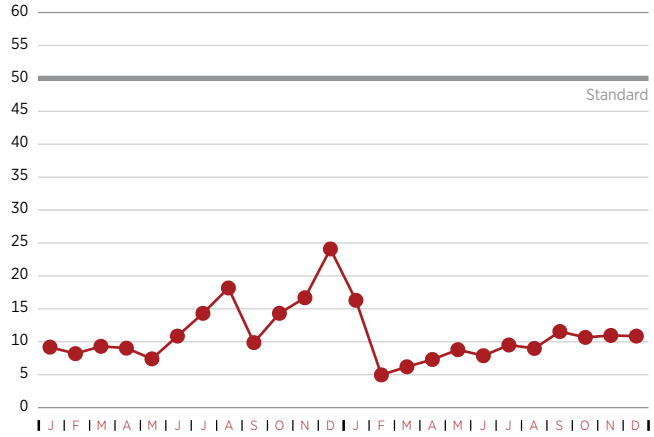
Over the years, Nesher has zealously maintained relations with its stakeholders over different channels, some created as a result of the stakeholders' request for a higher reporting frequency, mainly regarding environmental issues.

www.nesher.co.il/new_site/envir_K.htm

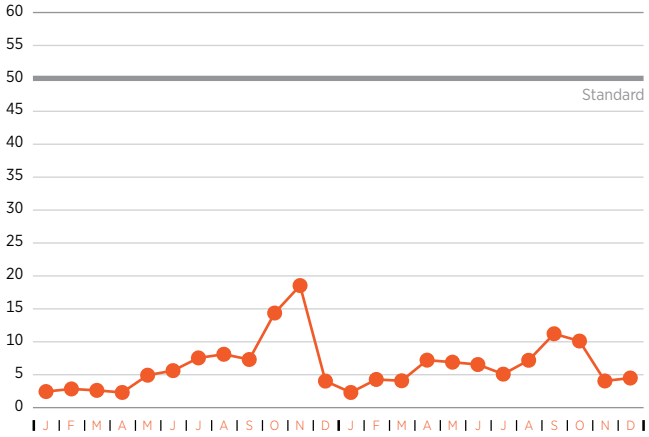
Monthly

Updates on the Company's website with an environmental focus on air pollution.
http://www.nesher.co.il/new_site/envir_K.htm

Nesher Ramla: Concentration of Particles in Stacks
2007-2008 Stack 1 – mg/Nm3



Nesher Ramla: Concentration of Particles in Stacks
2007-2008 Stack 2 – mg/Nm3



Semiannual

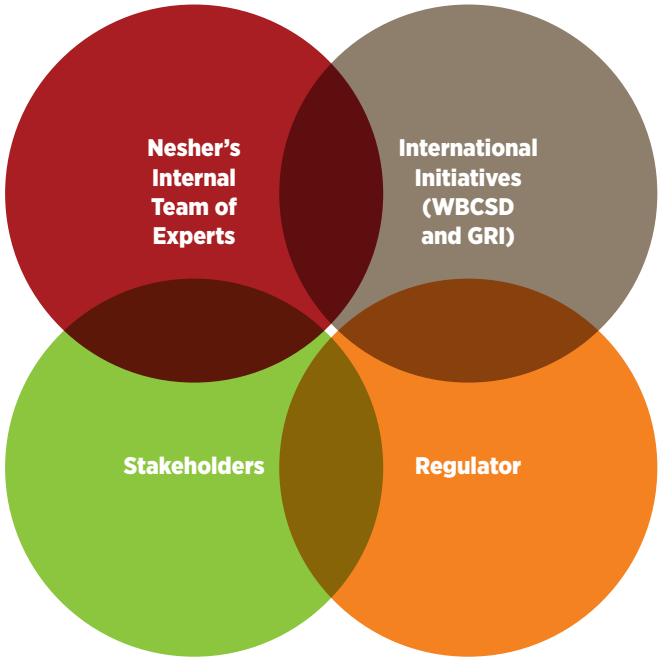
Meeting with residents of neighboring communities for an update on plant activities and future plans in particularly environmental quality programs. Nesher's environmental manager participates regularly in these meeting to answer questions and issues brought up by stakeholders.

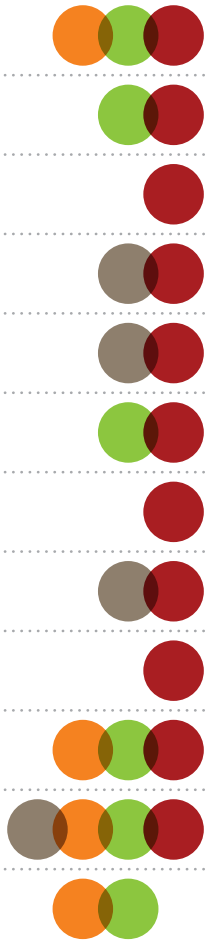
Biyearly

As of 2004, a biyearly public environmental report is published in accordance with the guidelines of the Global Reporting Initiative. This is a cross-sector initiative for environmental-social reporting in businesses, with the participation of social-environmental organizations and businesses. This is the third published report; the report meets level B of reporting.

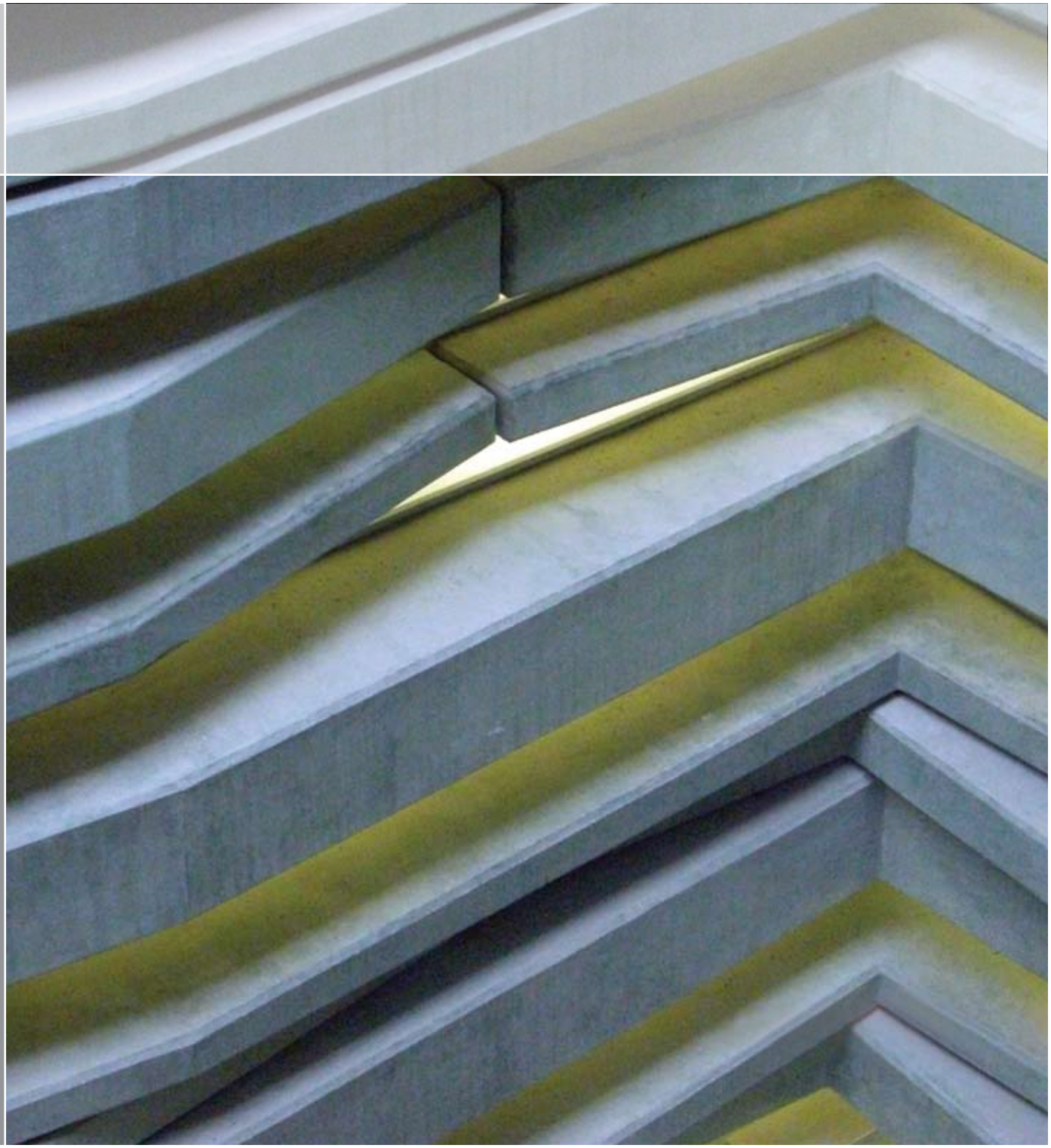
Focus Points for Determining Reporting Content to Stakeholders

Nesher's dialogue with stakeholders has evolved over time and continues to grow wider and take shape. The topics of this report are the subject matter of an additional dialogue and analysis between the Company and its stakeholders. The issues emphasized by this report are the outcome of these dialogues.





- Compliance with statutory requirements
- Good neighborly relations
- Optimal performance
- International standards
- Raw materials and alternative fuels
- Health and hygiene
- Proactive safety
- Greenhouse gases and their climatic impact
- Cement as a basis for green building in Israel
- Transparency
- Waste treatment/use of alternative fuels in the cement kilns
- Local impacts of the manufacturing process



Peres Peace House

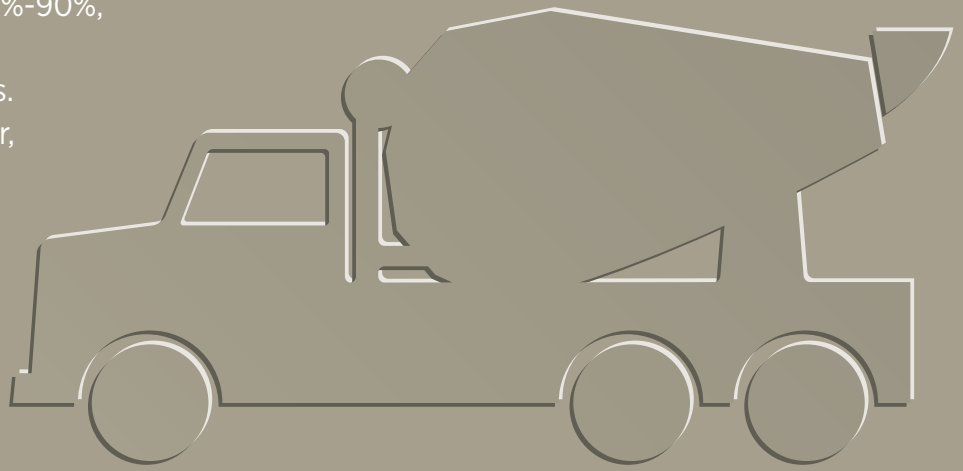
Jaffa, Israel
Massimiliano Fuksas Architect, Italy
Yoav Messer Architects, Israel
Structural Contractor > Kal Building
Finish Contractor > Rom Geves
Structural Engineer > Rokach Ashkenzi
Development > T.M.A

Cement Products

Nesher manufactures cement of various qualities and compositions, in accordance with Israeli Standard 1 and the European Norm. This standard defines the quality level of various cement types: The higher the quality of the cement – the smaller the quantity (smaller concentration of cement) required in order to attain a specific concrete strength.

All types of cement are manufactured of clinker in a concentration level of 69%-90%, and 78% in average, in accordance with the relevant European standard. Gypsum is added, in a 4%-6% rate, to the clinker alongside other components. The cement quality is determined in accordance with the quality of the clinker, the added components and the grinding degree. Cement quality determines, inter alia, the strength of concrete produced following the mixture of cement and water in a specific ratio.

As a fundamental component of the structures and infrastructures throughout Israel, cement must be manufactured professionally and meticulously. Nesher is committed to manufacture and market a safe, high-quality product.



Cement – a Building Block for Green Building

The global development trend has created a demand for establishing various infrastructures, water, sewage, roads, schools and residential homes. The development rate calls for various construction materials. Innovative thinking is required in order to minimize the substantial environmental impacts of these building activities.

The global development trend has created a demand for establishing various infrastructures, water, sewage, roads, schools and residential homes. The development rate calls for various construction materials. Innovative thinking is required in order to minimize the substantial environmental impacts of these building activities.

Green building places an emphasis on energy conservation while adapting to the local climate, preventing waste and recycling, environmental health during construction and for those using the structure green building entails prevention of water, soil and air pollution and the avoidance of physical damage to the environment.

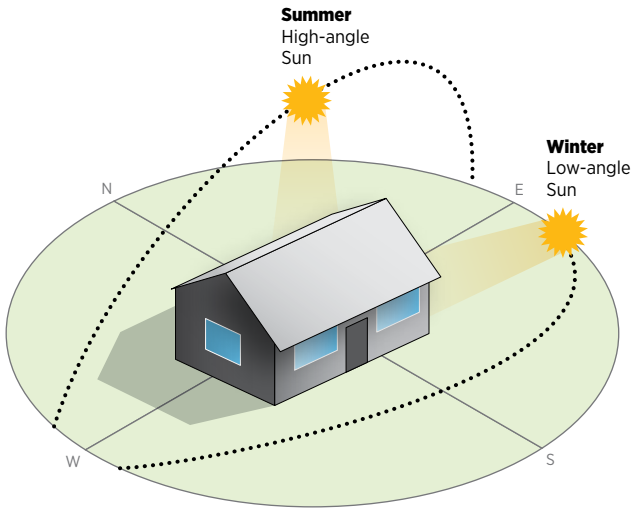
Recently, green building principles have become a construction standard, and many developed countries issued voluntary and obligatory regulations regarding energy-saving green building.

When planning a green building, one must address the building's orientation in order to maximize the use of the sun's heat in the cold season and shadowing in the warm season, thermal insulation (exterior) for the building's surface, the color of the surface walls (exterior), natural ventilation, natural lighting, use of construction and furniture materials that do not emit volatile organic compounds, water saving accessories, use of healthy, recycled materials and efficient heating and cooling systems for the building.

Actions promoting energetic efficiencies, both in green building as well as in renovating existing structures, can contribute to great energy savings in the short term, reaching up to a 30% reduction in energy consumption.

Possessing a long life cycle and a high thermal mass*, cement is an energetically and environmentally efficient construction material. Significant energy savings can be achieved upon the correct use of cement.

* Thermal mass is the ability of a substance to adsorb and absorb heat. Substances characterized by high density possess usually a high thermal mass-concrete, stone, earth, etc. A substance with a thermal mass can absorb large quantities of heat with a slow, gradual change in temperature.



Value to the Customer as an Integral Part of the Environmental Indicator

Currently, the construction industry uses the widely accepted indicator of CO_2 emissions per ton of cement manufactured (ton CO_2/ton cement) or cementitious materials to display the various impacts of cement manufacturing over global climate. Nonetheless, this indicator lacks a very important component with regards to the end product, which is the value for customer during term of use of the building regarding issues such as energy savings and strength of the building. A true indicator of environmental impacts should consist not only of the quantity manufactured but also the product's performance over the term of use. The updated indicators, currently undergoing development processes, are expected to be based on the carbon footprint per cement strength unit or alternatively on the performance of the product and the emission of CO_2 per built meter, rather than the issue of emission solely upon cement manufacture.

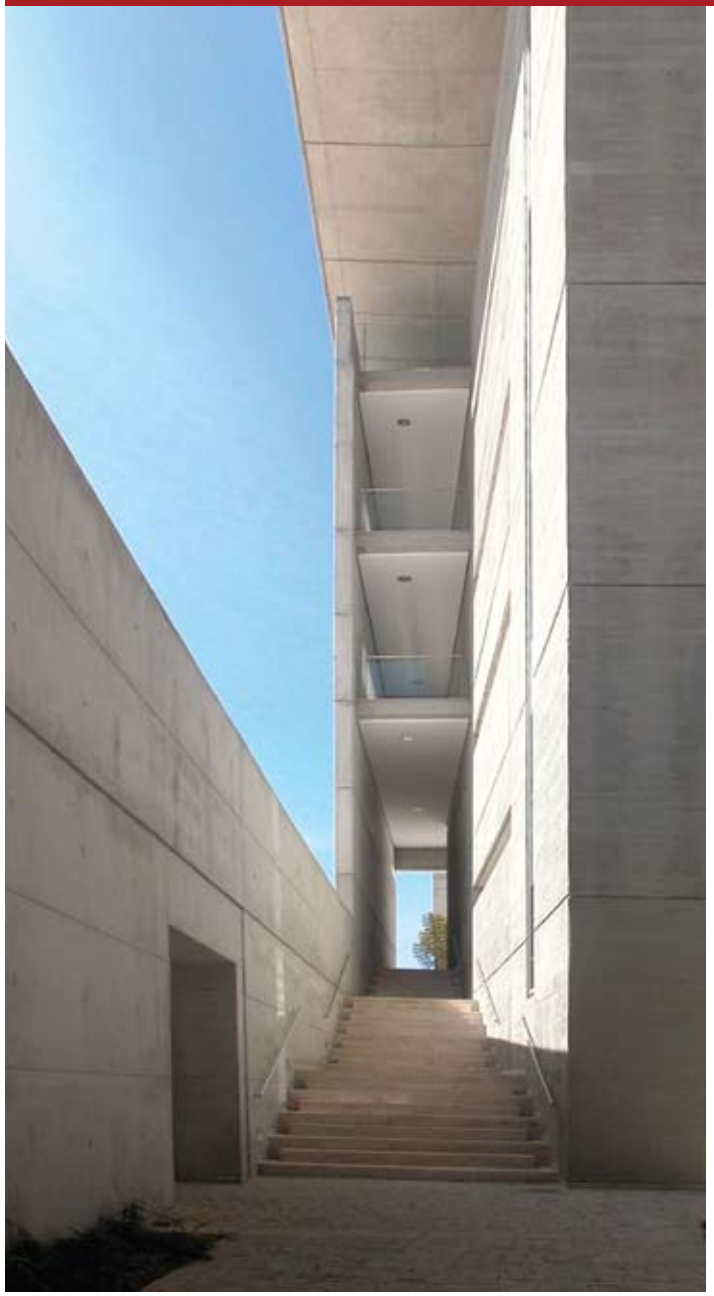
Most of greenhouse gas emissions occur during the building's service life (lighting, heating and cooling) and not during the actual construction or the manufacturing process of the raw materials (cement included). When building with cement, it is important to adhere rigorously to correct planning and educated use while addressing the structure's climatic features. Thus, a building's energy consumption can be reduced greatly, thereby significantly minimizing greenhouse gas emissions throughout the term of use.

The indicator of emission per ton of product does not provide customers with relevant information concerning the climatic performance of the building and may even be misleading. In order to compare efficiently between various building materials, one must use indicators that consist of a reference to the building's functioning and its future energetic performances in addition to the manufacture.

Cement and Concrete in the LEED Standard of Green Building

Devised by a coalition of the building industry in the US, the LEED standard (Leadership in Energy and Environmental Design) has become the world's leading standard for green building over recent years. LEED certification is a rating system in which points are accrued in various green design categories. The standard provides checklists and reference guides of the goal, requirements, technologies and the strategy required to achieve each point. A building must accrue a minimum number of points in order to be certified as a green building. For additional details, please visit the website: http://www.usbgc.org.

	The use of cement and concrete can be beneficial in constructing buildings and contribute to the points accrued for a LEED certification in various aspects
Energy performance and thermal mass	Buildings with a concrete envelope consume less energy to achieve temperature control than buildings made of wood or a steel foundation (equally insulated) thanks to concrete's thermal mass. A building with a thermal mass can preserve heat or cold; moderate temperature fluctuations within the building; slow heat flow through the building's envelope and preserve energy; and change peak consumption loads.
Building reuse	Concrete has a long life cycle and parts of the structure can be retained during renovation thereby securing points
Heat island reduction	Light concrete surfaces (such as roofs, roads, parking lots and sidewalks) possess a high albedo and heat up less than asphalt surfaces
Localy produced	Using building materials that are extracted locally and reducing shipping distances constitute a benefit. Mostly, the manufacture of cement and concrete takes place within the distance range defined by the LEED standard.
Minimize site disruption	Using cement and concrete supports accuracy in quantities of building materials transported to site thereby reducing storage space and waste volumes.
Recycled content	Use of cement with recycled constituents such as fly ash, industrial gypsum and iron flakes is considered a recycled material.
Stormwater management	Stormwater represents a maintenance and environmental problem in built-up areas. Sustainable development attempts to imitate nature prevalent systems. To this end, concrete is used: pervious concrete allows water to percolate through; permeable and grid paver systems allow water to pass through gaps; green roofs, which require concrete support, absorb and release water slowly; and finally, rainwater catchment systems. By using these systems correctly, one can reduce the need for large drainage and sewage systems.



Green Building with Cement and Concrete in Israel

Concrete is known the world over as an efficient material for green building thanks to its characteristics. In order to examine how this efficiency is manifested under the conditions of the Israeli climate, Nesher turned to **Lilach Motzefi**, a climatic building consultant and to **Dr. Erez Gal** from Ben Gurion University's engineering science faculty and ordered researches to examine the issue. The findings of these researches indicated that constructing buildings in accordance with green building principles considering the sun's angels and wind direction alone could result in significant savings in energy related to heating and cooling regardless of the thermal mass. Nevertheless, combining green planning and the presence of thermal mass in the building (in walls or other elements) improves the environmental functioning of the building and increases energetic savings, especially in climate areas with large temperature differences between night and day, which assist the process of retaining and discharging heat.

Research examining the efficiency of different building materials, including cast concrete, concrete blocks, cellular blocks, glass walls and more found that a concrete wall with external insulation requires the smallest amount of energy to attain goal temperature in summer and in winter. In contrast, a wall built from non-insulated concrete requires the largest amount of energy to preserve convenient temperatures. It is possible, that the prejudice according to which building with concrete is thermally inefficient emanates from a faulty planning (the use of concrete without insulation) of buildings; whereas correct building with concrete is actually the most efficient.

The external walls of the buildings must be equipped with an insulating capability that corresponds to the building region. Furthermore, they should have a thermal retaining mass that enables use of natural resources such as sun and ventilation for improving the building's thermal conditions while investing the minimum amounts of energy possible. Insulation and thermal capacity allow for a decreased of the amplitude of temperature fluctuations in the building compared to the amplitude of temperature fluctuations outside the building and create a delay between exterior temperature change to its effect on the interior of the building.

Concrete has the ability to improve and reduce energy consumption required for climatic control in buildings. Combining concrete as part of the overall planning designed to protect environmental quality and reducing energy consumption improves the service conditions of the building and leads to economic savings in the long term. It is hereby emphasized that due to concrete's thermal mass and heat retention ability, its correct use is more beneficial than other materials even in conventional building.

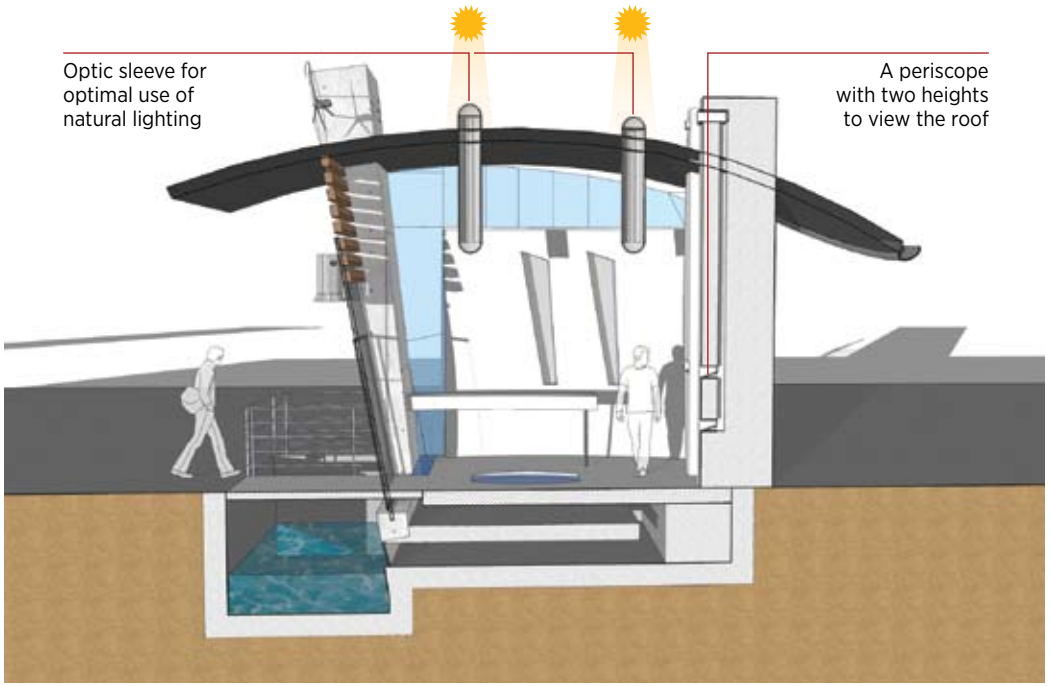
Physics Department Building
Ben Gurion University, Beer-Sheva
Danny Lazar Architects
with the participation of Ronnie Alroy
Principal Architect > Sharon Cheshnovsky
Project Team > Dafna Matok, Asher Melzer, Jonthan Kisch, Irina Khromova, Idit Bakshi
Photographer > Danny Lazar

Research examining the efficiency of different building materials, found that a concrete wall with external insulation requires the smallest amount of energy to attain goal temperature in summer and in winter.

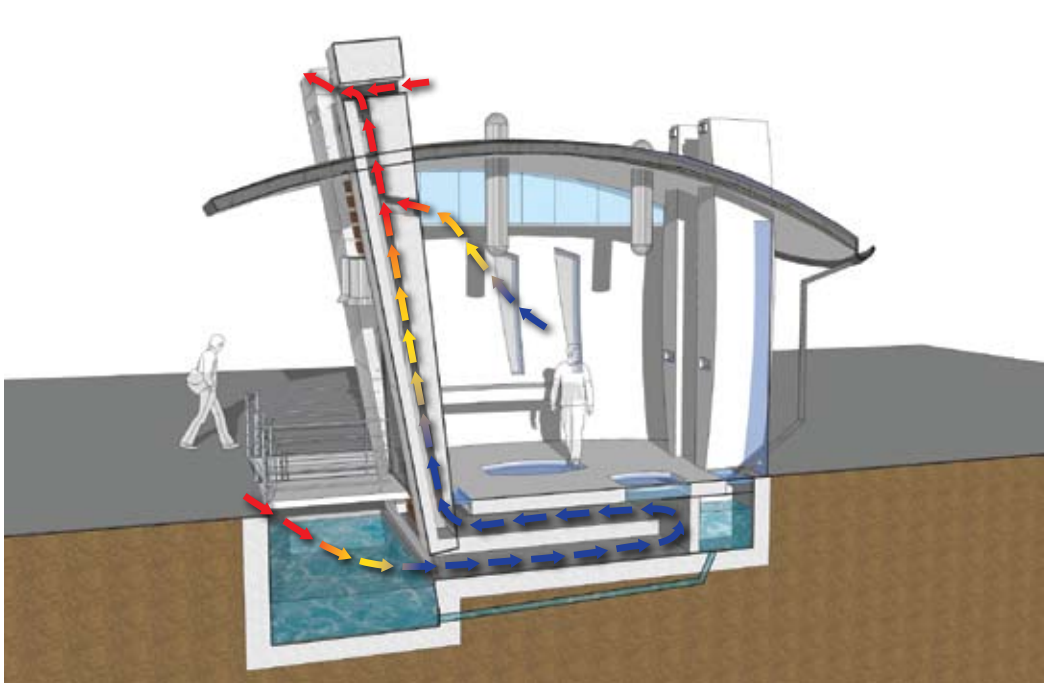
Examples for Use of Concrete and Green Building Elements

Nesher is exploring, in cooperation with the architect **Iftach Harari** who specializes in green building, potential developments for use of concrete elements in green building. Among the explored concepts is a concrete structure that combines green elements such as natural ventilation systems, natural lighting, water retaining systems and more.

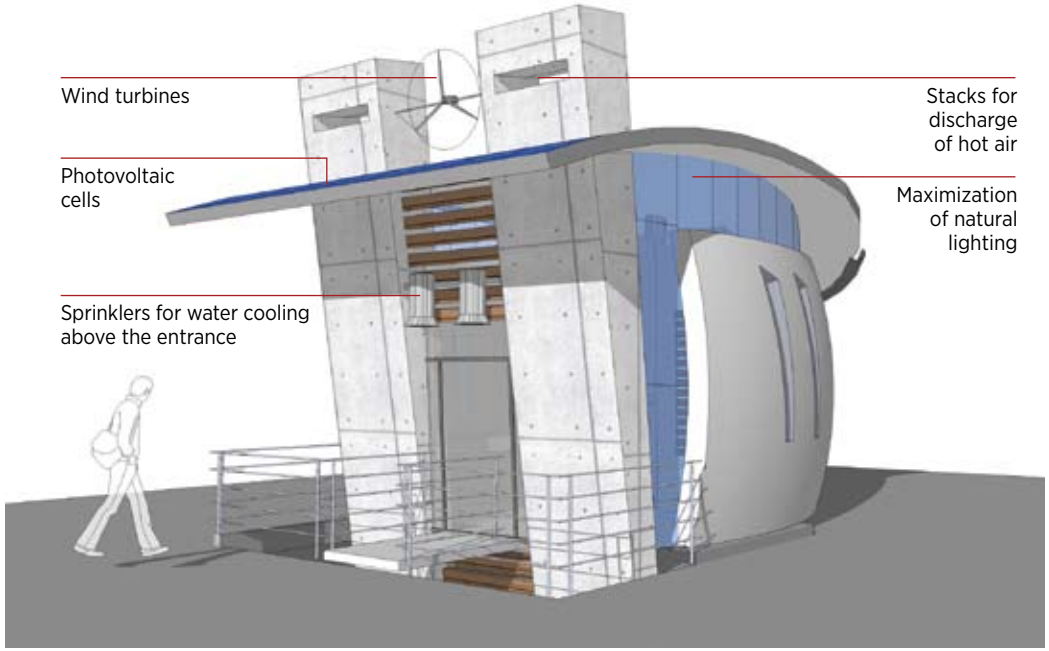
Nesher's Ramla Plant – Optic sleeve for optimal use of natural lighting



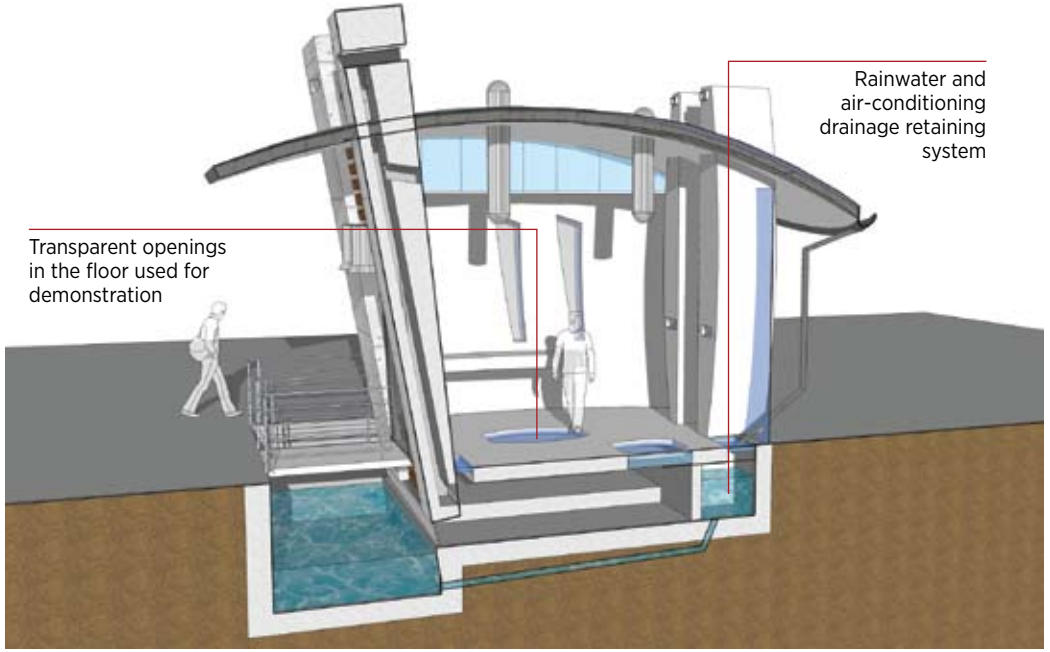
Nesher's Ramla Plant – Forced natural ventilation system



Nesher's Ramla Plant – Specification of "green" elements



Nesher's Ramla Plant – Rainwater and air-conditioning drainage retaining system



Iftach Harari Architects

Committed to Quality and Service

Nesher's full chain of management and production is committed to the Company's policy to maintain high standards and superior product quality. The precautionary principle is practiced throughout the organization regarding both safety aspects and the production line. As part of a control and monitoring system, the cement departing the plant is sampled every single day of manufacturing and is tested to ensure compliance with the Israeli standard (ISI 1) and stringent criteria set by Nesher for its products.

At Nesher's professional laboratory, the product is tested at every stage of the manufacturing process and after its completion when the product is ready for marketing. All raw materials and fuels are monitored in order to meet both quality requirements and environmental standards. Furthermore, inter-laboratory tests are done on samples of the product supplied to the customer to ensure a high quality, standardized well managed and homogeneous product.

Customer Service

The clients, concrete companies and engineering and construction firms, are the focus of Nesher's quality strategy. Putting the clients at the center of Nesher's quality strategy, manifests itself throughout the cement production process and the service by customers. Customer service includes managerial and technical aspects. Nesher works in tandem with its customers in order to supply them with the product that most suites their needs. The quality and availability of products, the timely supply as well as a 24 hour ordering center provide Nesher's customers with added value. Furthermore, monitoring is performed by systematic feedbacks examining customer satisfaction. In the event, a customer files a complaint, Nesher acts for a prompt solution to the problem.

Nesher provides its customers with technical support and assistance in order to ensure the correct use of its product. The Company employs technical support teams comprised of a variety of professionals, including chemists and building engineers, who offer technical support to customers and a response to any problem, which may arise.

Nesher places great value on direct communication between field representatives of the engineering and construction firms and the Nesher laboratory staff. Thus, Nesher conducts professional meetings with customers. There are regularly scheduled technological meetings in which problems from the field are discussed, ensuring that no gaps of information occur. In this manner, Nesher can also ensure the assimilation of responsibility and professionalism throughout the value chain from Nesher's cement production and distribution lines to those engaged in the construction of buildings and infrastructures.

Product Safety

Cement manufactured by Nesher reaches customers in powder form (bulk or in sacks) and must be stored in accordance with instructions. Cement is a thin powder comprised of particles smaller than 2.5 micron. Therefore, it is necessary to ensure that the concentration of dust in the air is below the permitted level of exposure since breathing cement dust can cause itching and irritation of respiratory passages. The eyes must be protected – cement is a basic substance (pH>12.5) and cement powder may cause swollenness in the eyelids and in the cornea and inflammations in eye antrums. Safety goggles prevent such phenomena.

Skin protection – moist cement can cause skin irritation; therefore, prolonged contact with moist skin can cause burns. Cement may cause allergies and eczema. When using cement, proper protection equipment should be used in terms of clothing and gloves.

As part of a control and monitoring system, the cement departing the plant is sampled every single day of manufacturing and is tested to ensure compliance with the Israeli standard (ISI 1) and stringent criteria set by Nesher for its products.

Transport and Storage

Each sack weighs 50 kg; a single person may not carry the sack by himself. Proper measures must be taken.

Cement must be stored in a dry place or in a suitable container preventing dust upon transport and use. In the event of a spill, one should use dry cleaning methods that prevent scattering of dust to the air or its penetration to water systems.

The material does not burn and is not explosive.

Protection instructions are specified on the sacks. Safety information brochures (MSDS) are available via Nesher's Customer Call Center: +972-73-2911613/4/5 and on the Company's website: www.nesher.co.il

Ben Gurion Airport

Israel
Moshe Safdie Architects
Principal Architect > Irit Kohavi
Contractor > Minrav
Photographer > Alan Karshmer

Economic Indicators

Management Approach

Nesher has been leading the Israeli construction market since 1925. The Company's primary market is the Israeli market, to which the Company supplies most of its cement consumption. Furthermore, the Company exports surplus clinker to various worldwide destinations, mainly in Europe, and exports cement to the Palestinian Authority.

The Company's business strategy was formed by its management around five key goals (please see: "Company Profile" chapter) based on an integrative approach which emphasizes quality of product and service in tandem with building stable, beneficial relations with Company employees, stakeholders and the environment. The management regards the furthering of these values as the path to economic prosperity in the long term. Nesher's management holds the value of transparency of information to stakeholders and thus publishes economic performance indicators in this report.

Performance Indicators

Nesher influences strongly the Israeli construction market; the Company deems its position as a vocation and sees itself as responsible for leading the fields of environmental quality, product and service standard and compliance.

Economic performance constitutes an essential part of the business picture, which also comprises environmental and social indicators.

Financial Information Regarding Activities of the Cement Field
(data presented are aggregated data of Mashav neutralizing Taavura's data, in millions of New Israeli Shekels)

	2007	2008
Income	1,515	1,560
Costs	1,144	1,180
Operating profit (loss)	371	380
Total assets as of December 31	2,551	2,603

The local manufacturing of cement holds strategic importance much like the production ability of local agricultural produce. This industry is affected by the prices of fuels, resources and raw materials as well as import from countries with low environmental and social requirements of the industry.

Nesher was not granted any governmental subsidies during the years 2007-2008 pertaining to this report, as reported in the last report. From December 2003 to December 2007, a dumping levy was applied to the import of cement in consideration of the import prices of cement. As of the production date of this report, the levy is not valid.

Nesher's first project of an advanced cement mill has been approved and is expected to save approximately 8,000 tons of CO_2 per year (for more details, please see Environmental Report 2006.)

Climate Change – Challenges and Opportunities

The global cement industry is facing the challenge of energy consumption and greenhouse gas emissions. Nesher in collaboration with CRH, it's shareholder, is involved in the professional dialogue of the WBCSD organization regarding the impact of climate change on the cement industry as well as on the measuring and reduction of greenhouse gas emissions in the industry.

The State of Israel has ratified the Kyoto protocol; nonetheless, as Israel is defined by the protocol as a developing country, neither the state nor the Israeli industry is required to meet the quotas for reduction of greenhouse gas emissions. Towards the end of 2009, a new climate treaty is expected to be signed in which the State of Israel shall be classified, most likely, as a developed country and shall be liable to meet the quotas of greenhouse gas emissions. How this change will affect the business sector in Israel as a whole and the heavy industry in particular is still unknown.

At this point, as part of the industry sector in Israel, Nesher can receive remuneration for projects of energy efficiency and improvements to the manufacturing process. Nesher's first project of an advanced cement mill has been approved and is expected to save approximately 8,000 tons of CO_2 per year (for more details, please see Environmental Report 2006.) A second project engaged in the reduction of greenhouse gas emissions by the operation of a gas-based power plant is undergoing registration. Additional projects are currently under examination.

Several heavy industries including the cement industry have warned that these additional costs may lead to an accelerated transition of plants to developing countries.

Carbon Leakage

The term carbon leakage describes the transition of energy-intensive industries from developed countries to developing countries due to lack of uniformity between countries regarding the requirements for carbon emission reduction, and with no real global reduction of such emissions.

Israel is a developing country; nonetheless, it is undergoing a process of joining OECD, an organization of the developed countries. Correspondingly, important social and environmental laws exist in Israel. Meeting statutory requirements and social norms requires significant investments for the organization.

The global acknowledgement of the importance of the reduction of greenhouse gas emissions facilitated the creation of economic tools applied by several developed countries to implement their obligation under the Kyoto protocol, which demands the limitation of permitted emissions. Meeting these quotas requires investments and a deviation thereof may entail heavy fines. Several heavy industries including the cement industry have warned that these additional costs may lead to an accelerated transition of plants to developing countries. Furthermore, this can lead to an increased import of products from developing countries with inferior environmental and social requirements.

Applying emission quotas by regional borders as opposed to worldwide and without adequate economic mechanisms may lead to the phenomena known as carbon leakage, in which industries transfer their manufacturing facilities to countries with a lower environmental commitment. Thus, a decline in emissions in one region will not lead to a worldwide decline but to a transition of emissions to another region. This transition may possibly cause an increase in emissions as a result of use of inferior technologies. In order to prevent this phenomenon, adequate economic mechanisms must be implemented such as sectorial quotas in accordance with international standards or other mechanisms preventing a transition of plants with no environmental benefit.

Economic Valuation for Environmental Efficiency

Environmental accounting is a developing field designed to create an economic estimate for the environmental aspects in the business sector. The idea is to price products and services so as to include also their external costs and benefits. This pricing method enables competition between inexpensive solutions with harmful health and environmental potential and sustainable solutions whose initial cost is higher. Thanks to this system, one can economically estimate the environmental improvements performed by Nesher and receive an indication of the level of benefit attained by society.

Nesher performed three principal actions through which the environmental benefit to society can be calculated:

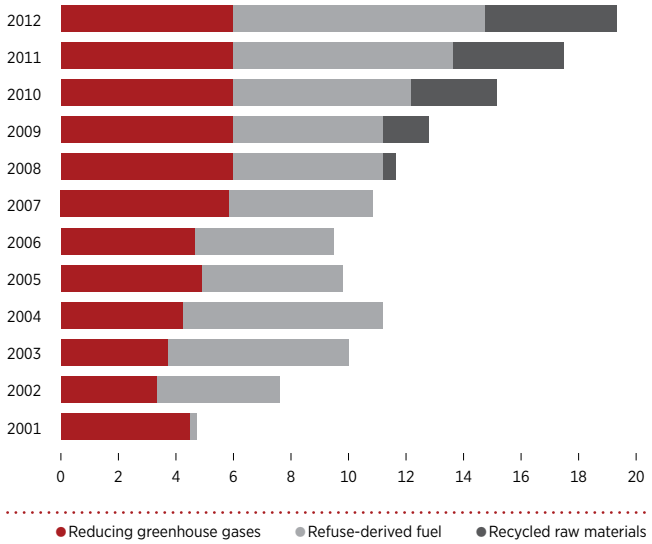
Use of refuse-derived fuel > Nesher uses used solvents as alternative fuels thus preventing them from reaching landfills and enables Nesher to reduce their fossil fuel consumption. In 2011, Nesher shall commence using sorted urban and industrial waste as feed for the cement kilns. The waste shall replace part of the use of conventional fuel materials. Using the waste facilitates the mitigation of environmental affects and incidental costs in three directions. Firstly, using waste as fuel shall reduce the use of fossil fuel, of which mining and burning are not sustainable processes; secondly, Nesher's demand for sorted waste shall effectuate a decline in the general quantities of waste sent to landfills as well as a creation of a line for separation and selection of mixed waste. Organic waste shall be transferred to a compost device and RDF shall be transferred to Nesher; Thirdly, burning waste instead of fossil fuels reduces carbon emissions.

The economic benefit emanating from this move is the marginal cost of savings in carbon emissions and the difference in the costs of landfill levies – both over the decline in landfilled quantities and the landfilling of sorted material.

Recycled raw materials > in its attempt to decrease the mining of new raw materials, Nesher combines alternative materials in the manufacturing of cement such as by-products of various industries. These materials reduce the demand for new raw materials thereby facilitating the reduction of mining and quarrying. The economic benefit emanating from the reduction of mining is manifested by savings in quarry levy, which is paid for each ton of quarried material and forwarded to the cleaning fund.

Technological improvements > in 2006, the Company began operating an advanced cement mill in Ramla. The mill operates with great efficiency saving approximately 20% of energy consumption. This technology reduces significantly greenhouse gas emissions; the benefit ensued can be assessed in accordance with the carbon market value per ton.

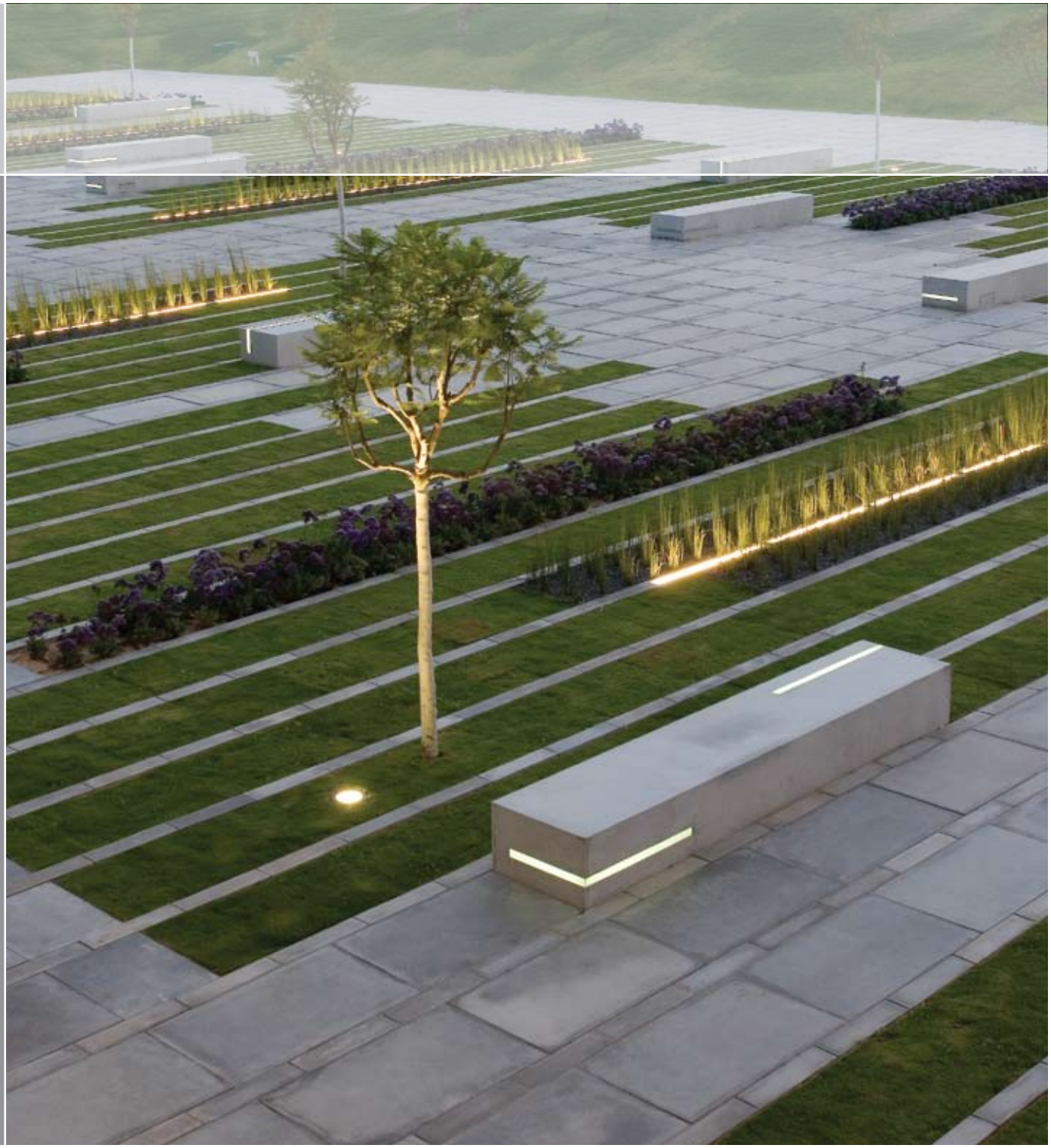
Economic Estimate for Environmental Efficiency (millions of NIS)



> A ton of carbon is estimated at approximately €10. A New Israeli Shekel is worth €5.5.

> Indirect environmental value per ton of recycled raw material: NIS 2.58 based on a landfilling levy for dry waste in 2009 plus NIS 3.59 based on a quarries levy for the cleaning fund for savings in quarrying material.

> Indirect environmental value for the use of solvents as fuel is NIS 857 per ton. Indirect environmental value for use of refuse derived fuel is NIS 32.23 per ton. Landfill fee beginning 2011.



Deichmann Square

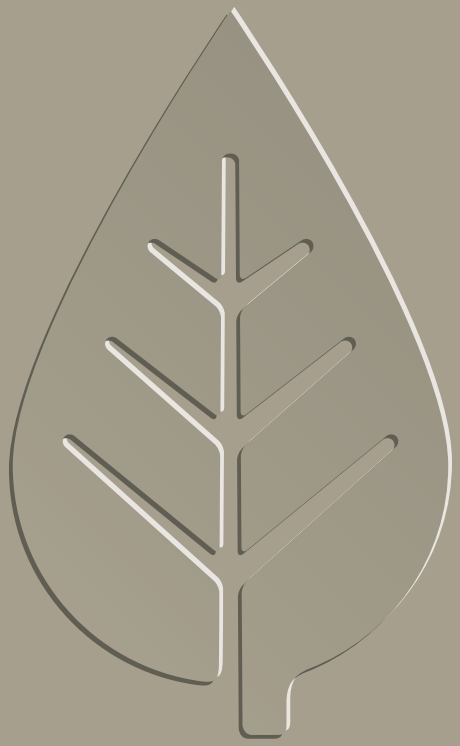
Ben Gurion University of the Negev
Beer-Sheva, Israel
Chyutin Architects
Photographer > Sharon Yaari

Environmental Performance Indicators

Management Approach

The management sees protection of the environment as a paramount value and directs its development channels accordingly. This is achieved through setting quantitative goals and operational performances with regards to environmental quality issues. The management has adopted an environmental vision for the Company according to which it continuously strives to improve the environmental-social performance of Nesher. Furthermore, the Company wishes to lead with regards to environmental issues while serving as a benchmark and setting an example for other companies in the Israeli industry and for international cement companies. Thus, a proactive approach is applied to core issues regarding environmental quality including energy conservation and reduction of greenhouse gas emissions including the use of alternative fuels. Nesher updates its environmental policy to also addresses the product itself - cement.

The management's approach is based on the principle of information transparency and qualitative and quantitative reporting on primary issues including: raw materials and energy, air emissions, energy consumption, turning waste to energy, transport, compliance, protecting biodiversity and monetary investments in environmental quality.



Nesher 2008: Ecological Balance and Environmental Impacts

In 2008, Nesher manufactured 4,281,546 tons of clinker and 4,861,577 tons of cement. Nesher consumed 8,056,627 tons of raw materials, of which 12.1% originate from recycled sources, 677,630 cubic meters of water, 383,489 tons of fuel and 503 GWh of electricity.

Energy

Petrol coke: 363,609 tons/year
Fuel oil: 11,000 tons/year
Diesel oil: 2,930 tons/year
Alternative fuels: 5,950 tons/year
Electricity: 503 GWh

Water

677,630 cubic meters per year

Quarried Raw Materials

Limestone: 6,132,046 tons/year
Clay: 853,762 tons/year
Sand: 44,729 tons/year
Gypsum: 57,742 tons/year

Recycled Raw Materials

Gypsum from the industry: 161,140 tons/year
Fly ash: 669,809 tons/year
Industrial by-products: 50,766 tons/year
Clay substitutes: 8,864 tons/year
Iron splinters: 77,769 tons/year

Manufacturing Processes

Nesher Ramla
Nesher Har-Tuv
Nesher Haifa

Products

Clinker:
4,281,546 ton

Cement:
4,861,577 ton

By-products

Air Pollutants

CO_2: 3,533,855 tons/year
NOx 10,711 tons/year
SOx: 490 tons/year
PM: 171.9 tons/year
VOC: 113 tons/year

Sanitary Water Only

Meeting International Standards

A key role in providing solutions for society's needs is reserved for the cement industry that supplies cement used in residential buildings and infrastructure. The global cement industry employs approximately 850,000 employees in some 150 countries and manufactures about 2.7 billion tons of cement per year. Over the past decade, the industry has grown by approximately 4% each year.

The cement industry is a substantial consumer of energy and is responsible for approximately 5%-6% of global greenhouse gas emissions. A wide range of environmental and social aspects concern the industry among them: climate change, pollution, responsible resource use and employees' health and safety. In Israel, as well, the emissions from the cement industry, i.e. Nesher, represent approximately 5% of total greenhouse gas emissions. The WBCSD works with leading companies from the global cement industry, including Nesher in collaboration with it's shareholder CRH, to find quantitative indicators, operation modes and solutions to improve the environmental, social and economic performance of the cement industry.

Air Emissions

Nesher is leading in environmental performance compared with international standards, regarding emissions of particles and sulphur oxide to the air. Nonetheless, even though Nesher meets the Israeli standard, emission of nitrogen oxide represents an extremely difficult professional challenge.

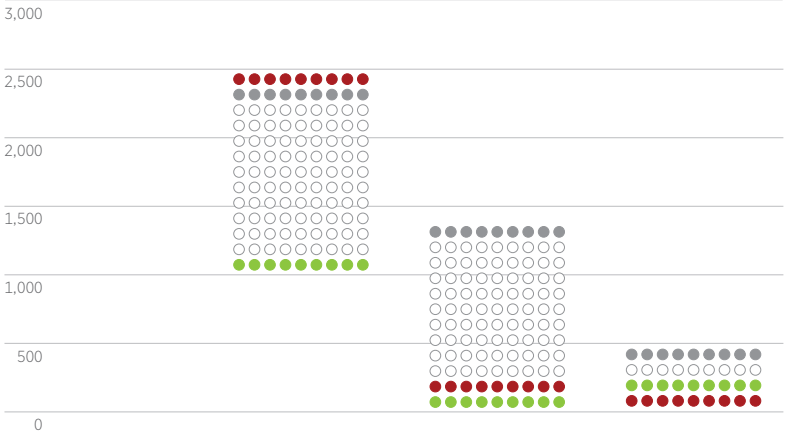
Looking ahead and beyond compliance with Israeli requirements, Nesher is planning the installation of advanced systems (SNCR) at its manufacturing line in the Ramla. These systems are expected to reduce significantly nitrogen oxide emissions to the air (for further discussion of this topic, please refer to page 39).

Greenhouse Gases

Nesher produces most of the cement in advanced manufacturing systems at Nesher's plants. This fact is evidenced by the amount of greenhouse gas emissions per ton of product. Nesher's performance regarding greenhouse gas emission is among the best in the world situated below the global average of greenhouse gas emission.

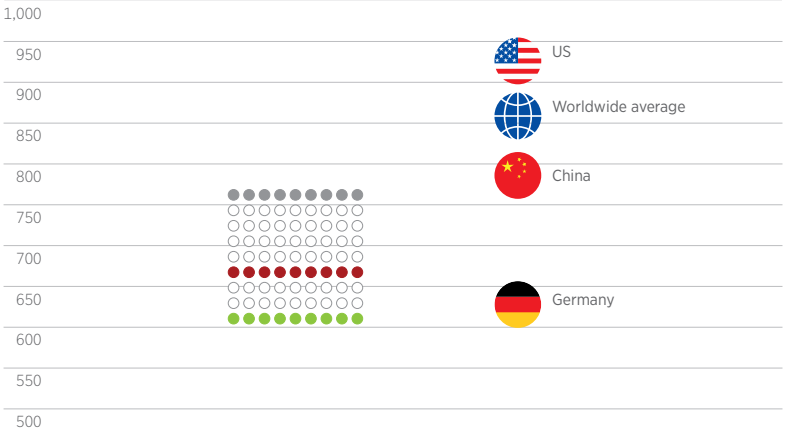
Nesher is leading in environmental performance compared with international standards, regarding emissions of particles and sulphur oxide to the air.

Nesher's Performance Compared to International Standards g/ton clinker



	Specific NOx Emissions	Specific SOx Emissions	Specific Dust Emissions
WBCSD: worst	2,470	1,350	375
WBCSD: best	1,158	70	41
Nesher	2,502	114	40

Nesher's Performance Comparedto International Standards per ton (net) of cement

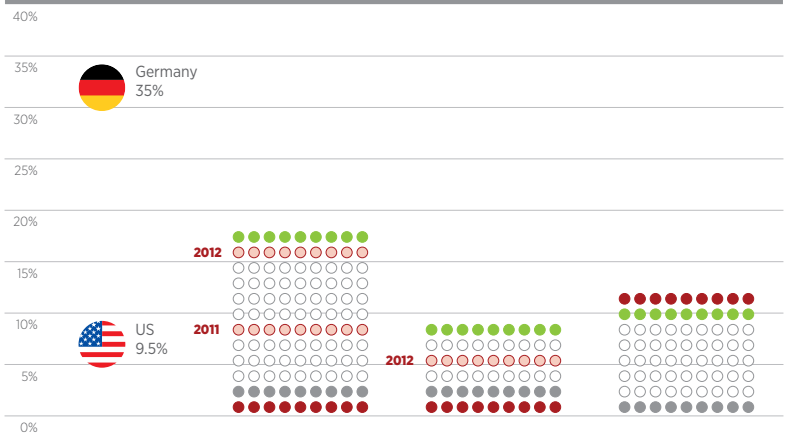


	Greenhouse Gas Emissions	
WBCSD: worst	764	
WBCSD: best	605	
Nesher	662	

Responsible Use of Fuels and Raw Materials

One of the quantitative indicators examined by the WBCSD is the use of recycled materials and alternative fuels. Nesher's use of recycled materials corresponds with that of leading companies worldwide. Use of alternative fuels and biomass as fuel is still uncommon. In 2011, Nesher expects its use of alternative fuels and biomass shall be more substantial, thereby approaching higher usage values as commonly found in the western world. Additional information regarding use of alternative fuels is available on pages 43-44.

Nesher's Performance Compared to International Standards



	Alternative Fuels	Use of Biomass	Use of Alternative Raw Materials
● WBCSD: best	17%	9%	12%
● WBCSD: worst	1%	1%	1%
● Nesher ○ Nesher	0.96%	0.23%	12.10%

Clinker-Cement Ratio

In order to balance development and preservation of resources, the industry must find alternative solutions that enhance efficient manufacturing, which consumes less virgin raw materials and fuel. One of the indicators that enable us to measure the industry's efficiency is the clinker-cement ratio. The manufacture of clinker is an energy-intensive process necessitating a burning process in kilns. Therefore, the development of the lowest possible clinker-cement ratio whilst maintaining the quality of the end product is advisable.

Clinker-Cement Ratio

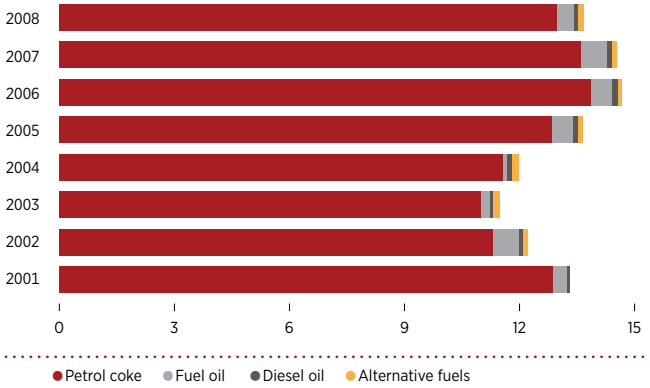
The source of WBCSD data in this report is the Progress Report 2007 of the Cement Sustainability Initiative.

Performance Indicators

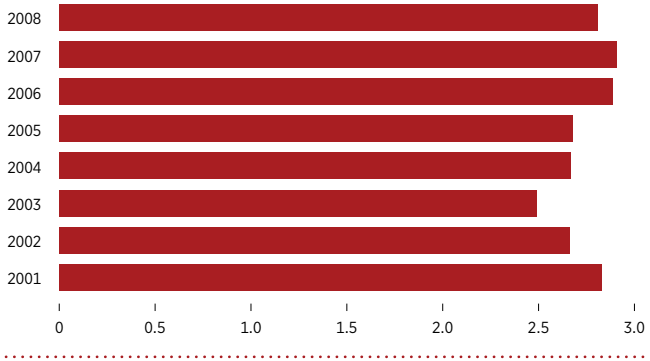
Energy Consumption

One of the most significant challenges faced by the cement industry is energy consumption. Nesher has set itself two primary goals in this regard. The first, improving the manufacturing technologies. In 2006, Nesher began operating one of the most advanced, efficient cement mills in the world, which achieves some 20% savings in consumption of electricity. The second, increasing the use of fuel alternatives as alternative energy sources. Currently, the use of alternative fuel amounts to less than one percent (calculated in GJ). Nesher has set itself the goal of 16% by 2012.

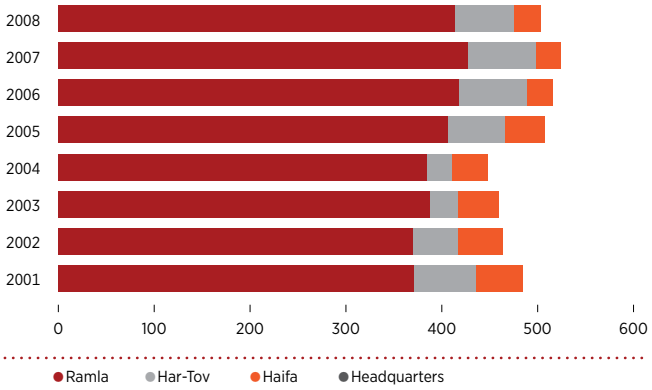
Fuel Consumption (millions of GJ)



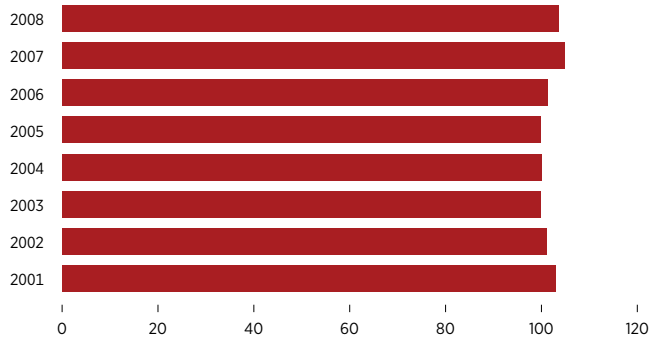
Fuel Consumption (per ton of product GJ)



Power Consumption (GWh)



Power Consumption (per ton of product)



Air Quality and Greenhouse Gases

Nesher allocates many resources to treat and prevent air pollution. As this topic is one of the environmental aspects over which Nesher exercises a significant impact, it is handled thoroughly. All production facilities are equipped with state of the art systems for filtering and removing particulate matter liable to be emitted in the production process. Most of the air pollutants emitted during the burning process are removed in the cement kilns.

To reduce emissions of dust to the air, all raw materials in the Ramla plant are stored in closed and ventilated facilities. All transporting of materials in the plant and outside of it is done in closed systems. In order to reduce dust from non-central sources the paved factory roads are swept regularly and the non-paved roads are wetted frequently.

Nesher recognizes the challenge of reducing nitrogen oxides emissions and during 2008, Nesher conducted an experiment in Selective Non Catalytic Reduction (SNCR), a new system designed to reduce Nesher's nitrogen oxides emissions by some 40%-45%. This move shall be executed in two phases: the first phase is scheduled for 2010 when nitrogen oxides emissions are expected to decrease by some 20%-25%; the second phase, scheduled to be carried out in 2012, shall reduce nitrogen oxides emissions to approximately half of the current amount.

The monitoring of the preventive processes and management in both stacks and the surrounding environment is performed by a monitoring system that includes:

> Monitoring devices installed in the stacks, cement mills and coal mills for the purpose of monitoring any change in the concentration of air pollutants

> Tests of particulate matter in the plant's facilities are performed by qualified professionals

> Environmental monitoring stations at Yad Rambam and Karmei Yosef operating 24 hours a day

> An environmental monitoring station of the Ministry of Environmental Protection at Beit Shemesh

Emission of Air Pollutants* Between 2001-2008

Pollutant	Units	2001	2002	2003	2004	2005	2006	2007	2008
Nitrogen Oxides (NOx)	ton/year	13,293	14,300	13,000	10,662	11,379	11,811	10,989	10,711
Particulate Matters (PM)	ton/year	242.7	188.0	265.0	201.0	214.0	179.6	164.9	171.9
Sulfur Oxides (SOx)	ton/year	77.7	56.0	81.6	55.5	83	**140-600	262	490
Volatile Organic Compounds (VOC)	ton/year		195	150	184	155	154	155	113
Carbon Dioxide (CO_2)	ton/year		700	695	695	1,240	1,335	1,776	2,389

* The kiln at the Har-Tuv plant was shut down for two and a half years and commenced operations again in the middle of 2005. The kiln was immobilized again at the end of 2008.

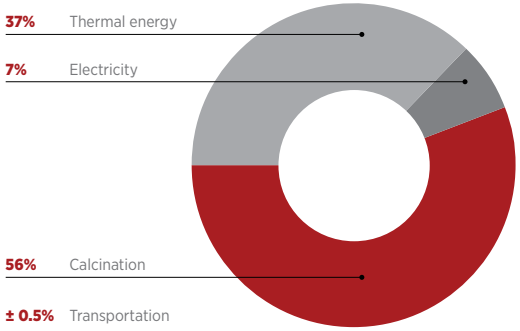
** As dependent upon raw materials

Greenhouse Gases

In tandem with the rise in global living standards, there is an increase in the consumption and manufacturing of cement. The cement industry is a substantial consumer of energy on a global scheme. The manufacturing process of cement is responsible for about 5%-6% of total greenhouse gas emissions (mainly carbon dioxide) emitted from anthropogenic sources (man made). The gas is emitted during the burning of the fuels and when limestone undergoes mineral change. Over 50% of greenhouse gas emissions emitted during cement manufacturing processes are due to the alteration process of limestone (calcination) which occurs when the heated limestone reaches high temperatures. Approximately 40% of greenhouse gas emissions are emitted as a result of fuel burning required to attain the necessary high temperatures for the process. The source of the remaining emissions is the consumption of electricity used for various needs during the process.

Acknowledging the severity of the global warming problem caused as a result of greenhouse gas emissions, the global cement industry extensively seeks solutions for reducing greenhouse gas emissions in the industry. Currently, the average emission for manufacturing ranges from 0.65 to 0.92 ton of CO_2 per ton of cementitious materials; the global weighted average is about 0.83 ton of CO_2 for a ton of cementitious materials

Distribution of Carbon Dioxide Emissions in the Manufacturing of Cement



The cement industry is focusing on several initiatives for reducing greenhouse gas emissions:

Raw materials

> Constantly seeking raw materials that require lower temperatures than process temperatures applied to current materials

> Searching zealously for recycled raw materials, waste materials and by products of various industries that would substitute quarried raw material while maintaining the strength and quality of the products. Such alternatives can reduce the need for virgin materials. Thus, greenhouse gas emission shall be decreased as a result of the burning process of the stone and energy consumption upon manufacturing.

Enhanced energetic efficiency

> Over 80% of the consumption of energy in cement manufacturing is due to the burning of limestone in kilns. Within the framework of the manufacturing process, the cement industry focuses mainly on improving the thermal efficiency of the manufacturing kilns. Currently, the prevailing trend in the industry is a shift from wet and semi-dry kilns to dry kilns, which enable the highest thermal efficiency.

> The processes of grinding and mixing cement components consume a great deal of electricity. The cement industry is shifting towards the use of advanced, state of the art mills thereby enabling a greater efficiency in manufacturing processes and a substantial reduction in power consumption.

> Increasing power efficiency throughout every manufacturing phase in cement plants

Fuels

> As a substantial energy consumer, the industry is seeking alternative fuels, which may replace the fossil fuels currently serving the industry, such as waste materials (including biomass residues) and by products of various industries.

Cement composition

> In the industry today, many experiments are conducted in order to develop low-clinker cement compositions, which continue to provide quality and strength – the standard cement characteristics – and enable the reduction of CO_2 emissions due to a decrease in the burning limestone in the manufacture of cement.

> Manufacturing clinker that is rich in belite. The manufacturing process of such a clinker requires less energy than standard manufacturing processes.

Carbon sequestrating

> The global cement industry is promoting an additional solution for the reduction of greenhouse gas emissions: the development and implementation of innovative technologies capable of absorbing and sequestrating carbon dioxide emitted during the manufacturing process of cement. These technologies are still young yet furthering their development is essential to industries in which greenhouse gas emissions are caused by the process, in and of itself and not merely by the consumption of energy.

Currently, the prevailing trend in the industry is a shift from wet and semi-dry kilns to dry kilns, which enable the highest thermal efficiency.

Carbon leakage

The global acknowledgement of the importance of reducing greenhouse gas emissions to the atmosphere has also been manifested by the Kyoto Protocol that set a goal of a 5% reduction between the years 2008-2012 relative to the rate measured in 1990. In accordance with the regulations of the European Union and international agreements, the developed countries and various industries were set reduction goals and quotas for maximal permitted emission. Meeting these quotas requires investments and exceeding the quotas may entail heavy fines upon the company. Several European industries have warned this may lead to a spurred transfer of plants from developed countries to developing countries as well as an increased import of products from developing countries where environmental commitment is not high, a phenomenon known as carbon leakage. For more information regarding carbon leakage, please refer to the economic indicators chapter on page 31.

Israel's policy concerning greenhouse gases

In recent years, the State of Israel has begun internalizing the importance of reducing greenhouse gas emissions. In 2004, Israel ratified the Kyoto Protocol. In recent years, negotiations have been conducted towards a new climate treaty expected to be signed by the end of 2009. The State of Israel is categorized as a developing country but this status is likely to be changed by the new treaty to a developed country, thereby applying greenhouse gas emission quota for the country. Moreover, a potential joining of Israel to the OECD organization (the organization of developed countries) will, most likely, hold Israel liable to meet more stringent standards of environmental quality and to intensify its activities for greenhouse gas emissions reductions.

Over the last few years, legislation in this area has been promoted such as the "clean air" act, which was passed in 2008 in third call. The nature of the activity and the outline of Israel's future policy are still being formed.

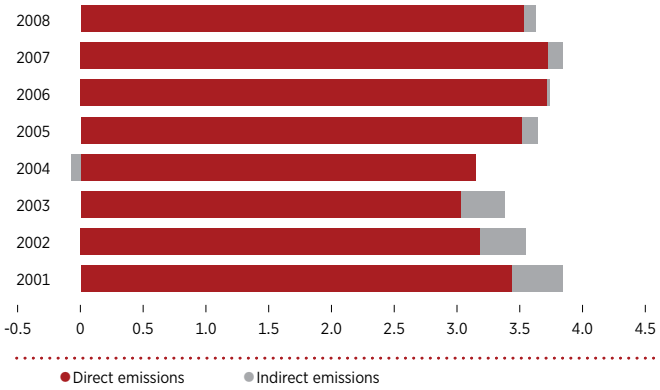
There are various ways to reduce greenhouse gas emissions, among them are: applying emission taxes, providing incentives, encouraging the establishment of voluntary projects and research and development.

Nesher's policy and activities regarding greenhouse gases

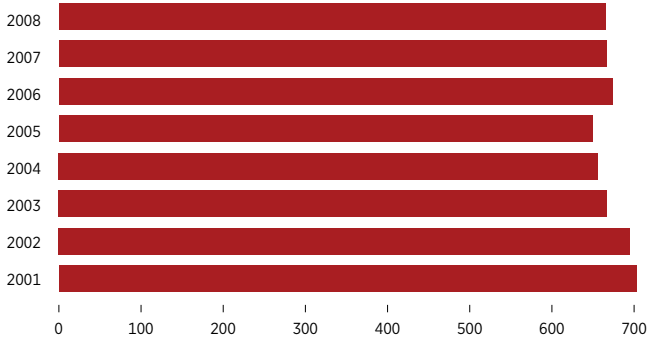
A pioneering industry leader in the area of environmental responsibility, Nesher sees the reduction of greenhouse gas emissions as a central aspect of its environmental policy. Beyond its investments in various voluntary projects currently implemented to reduce greenhouse gas emissions, the Company invests many efforts and means in the development and implementation of future projects. In recent years, Nesher's enhanced efficiency in the area of idiosyncratic emission (ton of CO_2 for a ton of clinker) has almost reached the frontier of known technological ability. In 2008, the Company's CO_2 emission was 662 kgs of CO_2 per ton of cementitious materials. Since the global average of emissions is 830 kgs of CO_2 per ton of cementitious materials, Nesher's emission records place it among the most advanced cement manufacturers in the world.

As part of its policy of reducing greenhouse gas emissions, Nesher is applying the UN's Clean Development Mechanism (CDM). Within this framework, voluntary projects for reducing greenhouse gas emissions in developing countries can convert the quantity of greenhouse gas that was not emitted to tradable credits. These credits can be sold to industrial firms and plants in developed countries, which are required to comply with emission quotas as part of their reduction process.

Greenhouse Gases (millions of tons)



Greenhouse Gases per Ton of Cementitious Materials (kg)



> In 2006, Nesher executed a unique efficiency enhancement project where a modern mill (mill 12) was installed in the Ramla plant. The advanced grinding technology led to substantial savings in electricity consumption during the grinding process and to a more efficient manufacturing process. The reduced consumption of electricity and improved manufacturing efficiency decreased the amount of greenhouse gases emitted by the plant by about 8,000 tons a year.

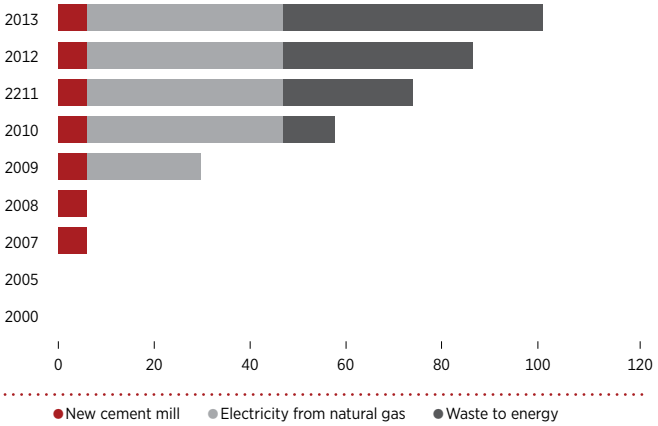
> These days, Nesher is building a power plant with a manufacturing capacity of approximately 50 MW that will run on natural gas. This will bring about an additional reduction in the Company's greenhouse gas emissions. The project of generating electricity based on natural gas will reduce significantly the emissions of greenhouse gases each year in comparison to the current fuel mix used to generate electricity in Israel.

> Nesher is currently exploring a future project of Refuse Derived Fuel (RDF) with relation to reducing greenhouse gas emissions. This project uses sorted industrial and urban waste as a substitute for fossil fuel currently used as an energy source for the cement kilns in the Ramla plant. Nesher has engaged the Dan Regional Environmental Association to establish a facility for recycling waste and producing RDF for the kilns. This project is expected to reduce greenhouse gas emissions emitted as a result of burning fossil fuels. The RDF project holds an additional environmental value represented by the reduction of landfilled waste quantities (for more information about the project, please see pages 43-44).

> Looking ahead, in consistency with the Company's current policy, the reduction of greenhouse gas emissions during the manufacturing of cement shall continue to be a central consideration in the Company's environmental policy, both in its technological development and in its day-to-day activities.

Reducing Greenhouse Gas Emissions by Applying CDM Projects

(thousands of tons)



Turning Waste to Energy

Over the last decades, the demographic growth and the rise in living standards have resulted in a substantial increase in the quantities of waste produced all over the world. In Israel, the quantity of waste grows each year by approximately 5%, representing a growth that is more than double the rate of population growth. In spite of Israel's small dimensions, a large area is wasted on land filling these great quantities of waste.

Proper waste treatments as well as reduction of waste quantities are necessary for preserving the environment and the quality of our lives.

Solutions for waste treatment

Since no one single optimal solution exists for treating the waste problem, the common method in the world is the "combined treatment" comprised of five elements:

Source reduction > reducing the quantity and toxicity of waste in order to decrease the volume of waste produced.

Reuse > collecting products upon completion of use for the purpose of reuse

Waste turned to energy > various methods for using waste materials to generate energy, including Refuse Derived Fuel (RDF), gasification, plasma and more.

In Israel, the quantity of waste grows each year by approximately 5%, representing a growth that is more than double the rate of population growth. In spite of Israel's small dimensions, a large area is wasted on land filling these great quantities of waste.

Recycling > extracting materials from the waste flow and using them as raw materials for producing new products

Landfill > disposing of waste by burying it in the ground in certified landfills

Among these five elements, the disposal of waste at landfills is the only method that does not use waste as a resource and is therefore considered the worst solution. As this is still the prevailing waste treatment method in Israel, many efforts are underway to bring along the other four elements of the combined treatment.

Waste to energy: RDF technology

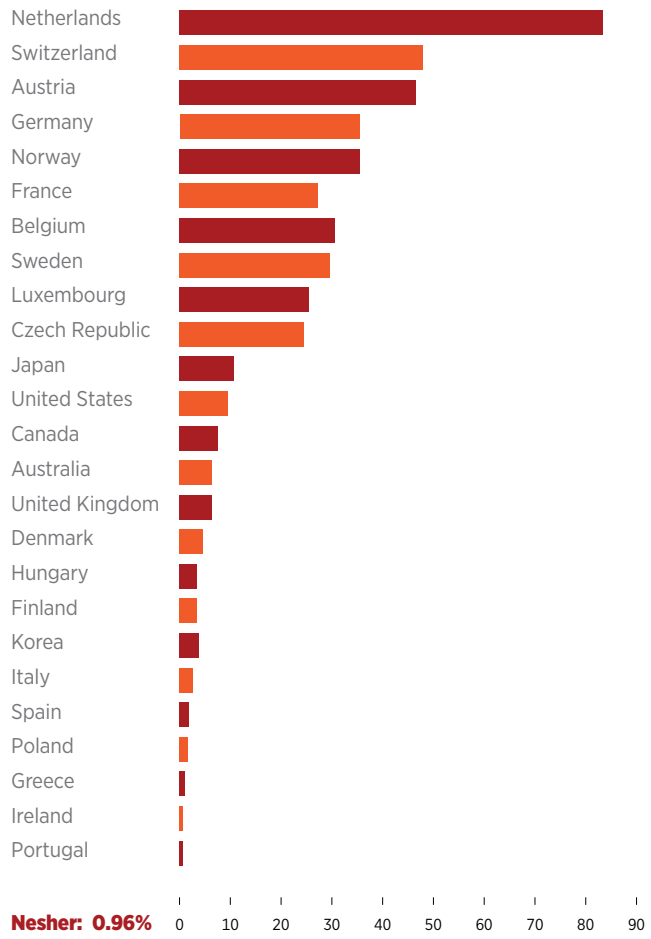
Various technologies assist in the significant reduction of waste sent to landfills. Applying new developments, waste is used to generate energy. One of the methods used, which is also promoted by the Ministry of Environmental Protection, is the use of waste as a fuel in cement kilns.

Refuse Derived Fuel (RDF) is processed fuel that is generated from industrial and urban waste with a high energetic value. In order to produce it materials, which may burden or damage the process such as dangerous materials, metals, glasses and wet waste are separated from the waste flow. The remaining waste is dried up and crushed into pellets that can serve as fuel used by various devices.

Burning RDF entails environmental benefits over burning fossil fuels. Firstly, by not landfilling waste, great savings of areas are achieved. Secondly, the use of RDF reduces the quantity of necessary fossil fuel. Thirdly, in burning waste less greenhouse gases are emitted than in landfilling waste. In landfills methane gas is created, a greenhouse gas 21 times more powerful than carbon dioxide emitted in the burning process.

RDF is widely used across the world; its use has been greatly developed over recent years. RDF is used as a fuel material in cement plants all over the world.

Alternative Fuel Use in Clinker Production by Country
(Percentage of Total Thermal Fuel Use)



RDF > Refuse Derived Fuel

The RDF Project at Nesher

Worldwide experience indicates the existence of a successful use of alternative fuels. Having successfully operated its kilns by every performance indicator, Nesher can broaden the use of waste as a fuel alternative. In accordance with global trends and the recommendations of the Ministry of Environmental Protection, Nesher has begun promoting the use of RDF in the Company's cement kilns. In the course of 2008, a series of experiments was held to examine the impacts of burning RDF on the operation of the kiln, the output and emissions to the atmosphere. The findings of these experiments match the findings of CEMBUREAU, the European Cement Union, indicating that RDF is suitable for cement kilns and does not damage the outputs of the kiln nor its operation. Furthermore, the burning of the material does not impact the level of air pollutant emissions.

In light of the given experience with RDF technologies across the world and the findings of the experiment, Nesher has decided to use this alternative fuel in its cement kilns. Nesher plans to start using RDF that will be produced for the Company from sorted urban and industrial waste in 2011. The Company intends to set its initial consumption on 70,000 tons a year; this amount is expected to grow gradually up to 160,000 tons a year. Among the pronounced environmental parameters that will be dealt with, is the reduction of nitrogen oxide emissions by approximately 23% until 2010 and by approximately 50% until 2012. Eventually, using waste to generate energy will decrease 2% of the annual waste sent to landfills in Israel.

The kiln which will be fueled with RDF shall meet all stringent European directive standards for co-incineration plants; and monitored by the Ministry of Environmental Protection.

In accordance with global trends and the recommendations of the Ministry of Environmental Protection, Nesher has begun promoting the use of RDF in the Company's cement kilns.

Raw Materials, Quarries and Land-Use

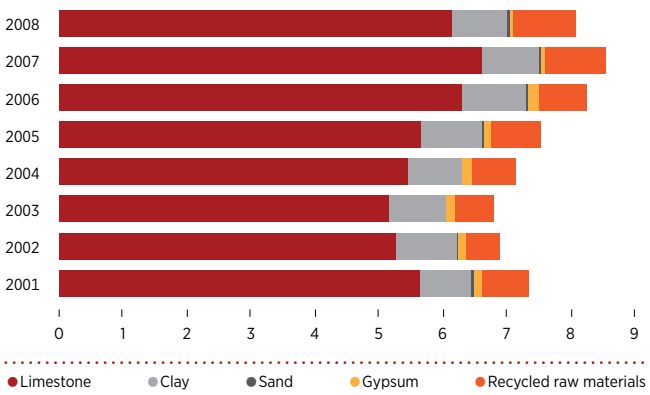
The cement industry is based on quarrying raw materials, chalk and clay and transforming them into cement. The principal raw material required for Nesher's activities is taken from quarries situated near its plants. One of the greatest challenges faced by the global cement industry is the reduction of environmental impacts caused by quarries and rehabilitation thereof. This challenge calls for a long-term perspective and a broad outlook.

Nesher is attempting to reduce the use of quarried raw materials by using recycled raw materials. Mostly, by products of various industries are used including: fly ash from the power plants of the electrical company used to manufacture clinker and as a clinker substitute; gypsum produced by the industry as an alternative for natural gypsum and earth polluted with standard fuel as an alternative to clays.

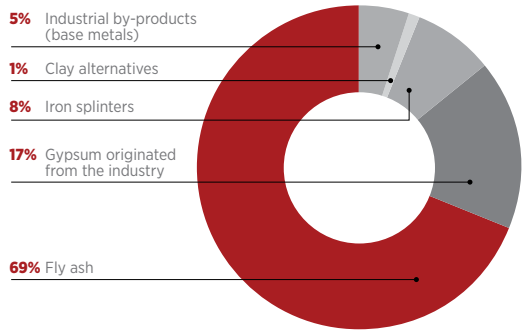
Yet another way to reduce environmental impacts is by adequately planning the quarry in its design phase.

The State of Israel assists in the restoration of quarries at the end of their life cycle via the fund for renovation of quarries. Established in 1978, the fund's goal is to solve the problems ensued from quarries at the end of their line. This is achieved by collecting funds while the quarry is still active. Following the closure of a quarry the funds are returned to its owners in order to restore the quarry.

Consumption of Raw Materials (millions of tons)



Use of Recycled Raw Materials



As an alternative for using dozens of trucks a day, causing heavy traffic congestion and air pollution, an enclosed conveyor belt was built to connect the quarry with the plant. The conveyor belt is lifted on pillars thereby enabling free passage of agricultural vehicles and wild animals from one side to the other, thus minimizing ecosystem fragmentation.

Nesher quarries – reducing environmental impacts

The Ramla quarry was planned in advance to mitigate environmental impacts. Quarrying in Ramla is focused on vertical digging deep into the ground without explosions, so that even from a short distance from the quarry there is no direct exposure to landscape damage or dust and noise hazards.

Around the quarry, artificial earth mounds were built to a height of more than 10 meters. On those mounds, trees fitting the natural flora and landscape were planted, so that the disturbance to the landscape would be minimal.

To transport the raw materials from the quarry to the plant, Nesher has devised an efficient, environmentally friendly solution. Instead of using dozens of trucks a day, causing heavy traffic congestion and air pollution, an enclosed conveyor belt was built to connect the quarry with the plant. The conveyor belt is lifted on pillars thereby enabling free passage of agricultural vehicles and wild animals from one side to the other, thus minimizing ecosystem fragmentation. The conveyor belt is enclosed so that dust release is minimal; furthermore, the cover protects the raw material itself from wetness enabling energy conservation otherwise needed to dry the material, prior to producing clinker.

Nesher's original quarries in Haifa and Har-Tuv are conventional mountainside quarries similar to other quarries in Israel. Such quarries impact the landscape significantly. Like other quarry owners in Israel, Nesher pays a certain percentage from every quarried ton to a fund for restoration of quarries.

Since Israel is located in an area with a longstanding, important history, digging at the Ramla and Har-Tuv quarries is carried out in cooperation with the Antiquities Authority. Antiquities dating to ancient times were discovered at Nesher's Ramla quarry (Ancient Rome and the Byzantine age.) For more information, please see Nesher's environmental reports of 2004 and 2006.

Preserving Biodiversity in the Quarries' Surroundings

In 2006, a cave with animal species unknown to science was discovered at the Ramla quarry. The cave is a unique ecosystem with endemic terrestrial animals found only in this place in Israel.

Researchers from the Hebrew University of Jerusalem are researching the cave, which remains closed for the public due to its scientific importance and its location, in the center of Nesher's active quarry. To prevent any damage to the cave, the patterns of quarrying were changed and arose the need to develop the quarry in alternative areas. Nesher safeguards the ecosystem discovered at the heart of its quarry and prevents any harm to this important finding.

In accordance with the instructions of the Ministry of Environmental Protection regarding further quarrying, a survey of nature and landscape was conducted at the Ramla quarry. A botanical survey was conducted in the area designated for the expansion of the quarry in an attempt to identify geophytes (onion and tuber plants), considered by law as protected fauna. It takes several years for a planted seed to reach flowering. Therefore, it is customary to transfer geophytes from development areas to undisturbed areas. A geophytes survey conducted in February 2007 found significant concentrations of cyclamens and anemones.

Nesher adopted the conclusions of the survey and took action accordingly. All the geophytes were removed by an external contractor monitored by the Israel Nature and National Parks Protection Authority and were replanted.

In addition to the geophytes, olive trees were also moved. These trees were moved to an area owned by the Israel Railway. The process is expected to end by mid 2009. This process is financed by Nesher and carried out by the Jewish National Fund and the Israel Nature and National Parks Protection Authority.

In 2006, a cave with animal species unknown to science was discovered at the Ramla quarry. Nesher safeguards the ecosystem discovered at the heart of its quarry and prevents any harm to this important finding.

Nesher Quarries

Nesher Overall	
Kidma Mine	
Quarry area (hectare)	258.7
Area used in 2008 (hectare)	9.8
Raw material	Clay

Ramla	
Ramla Quarry	
Quarry area (hectare)	109.9
Area used in 2008 (hectare)	26
Raw material	Limestone

Har-Tov	
Dahar El Iraq Quarry	
Quarry area (hectare)	75
Area used in 2008 (hectare)	4.33
Raw material	Limestone

Har-Tov	
Mount Charuz Quarry	
Quarry area (hectare)	22
Area used in 2008 (hectare)	2
Raw material	Limestone

Haifa	
Tamara Quarry	
Quarry area (hectare)	117.1
Area used in 2008 (hectare)	0.86
Raw material	Limestone

At the first years of this millennium, reuse of cement kiln dust in the production process was made possible and from then onwards cement kiln dust is reused as raw material in the kilns and as a substitute for clinker.

Water Consumption and Wastewater

In the past, very large quantities of water were consumed in the process of manufacturing cement. Today, following the transition of Ramla's plant in 1999 to a dry cement production process, wherein no water is consumed, water consumption has dropped considerably.

At Nesher's plants in Ramla and Haifa, water is being used in the production process for reducing air temperatures in the cooling towers, for wetting roads (dust prevention) and for sanitary use. At the Har-Tuv plant, the production line is semi-dry and water is consumed in the production process yet it evaporates completely.

Therefore, there is no industrial wastewater at Nesher's plants; only sanitary water which is transferred and treated by the urban sewage system.

Water consumption

The shift to a dry line at the Ramla plant has brought about immense savings in water. Nonetheless, a certain amount of water is still used in the production line. In order to reduce the consumption of fresh water in these processes, Nesher has been in contact with the authorities regarding the use of water from the Ayalon wastewater treatment facility located near Nesher's Ramla plant. The treated wastewater is expected to serve as an alternative to fresh water in various production processes.

Solid Waste as Raw Material

Presenting a problem worldwide, solid waste is even a greater problem in Israel due to the size of the state and population density. Most of the solid waste in a cement plant is in fact raw material that was inefficiently used. In the past, Nesher buried large quantities of kiln dust, which comprised the majority of its solid waste. At the first years of this millennium, reuse of cement kiln dust in the production process was made possible and from then onwards cement kiln dust is reused as raw material in the kilns and as a substitute for clinker. Currently, the total amount of solid waste is approximately 2% in comparison to the amount in 2000.

Soil improver – Ecosoil

Nesher's cement kiln dust undergoes a process by which it is mixed with the sewage sludge created at the sewage treatment facility at Beit Shemesh (a nearby town). This mixture undergoes pasteurization and composting and after a meticulous quality testing is sold to farmers and nurseries. Ecosoil was awarded the highest quality classification according to the criteria of the Environmental Protection Agency of the US (USEPA Class A).

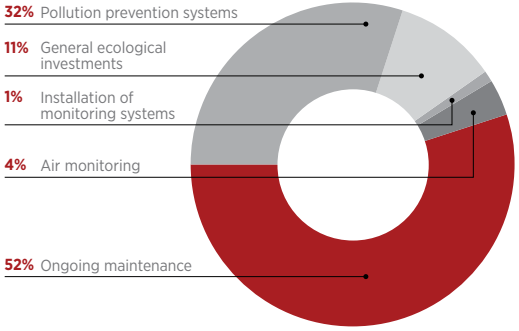
Water Consumption		
Units: m^3	2007	2008
Ramla	434,430	449,630
Har-Tov	220,000	193,000
Haifa	28,500	35,000
Total	**682,930**	**677,630**

Quantities of Cement Kiln Dust Transferred to Produce Ecosoil		
Units: tons	2007	2008
Ramla	3,093	358
Har-Tov	1,737	4,133
Total	**4,830**	**4,491**

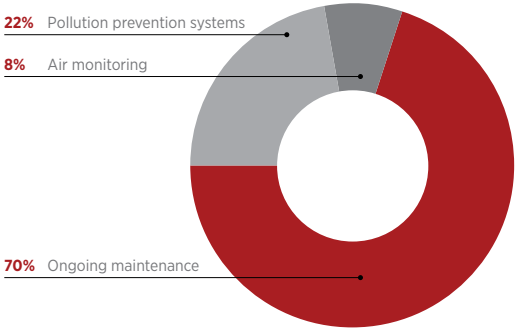
Financial Investments in Environmental Quality

Nesher's commitment to environmental issues is expressed, among other things, through substantial financial investment. The Company invests in development and in ongoing maintenance, monitoring, emission prevention, clean-up and environmental technologies.

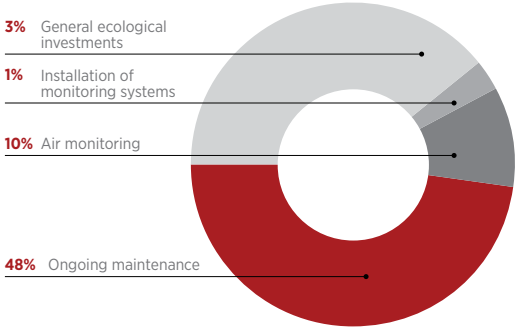
Ramla

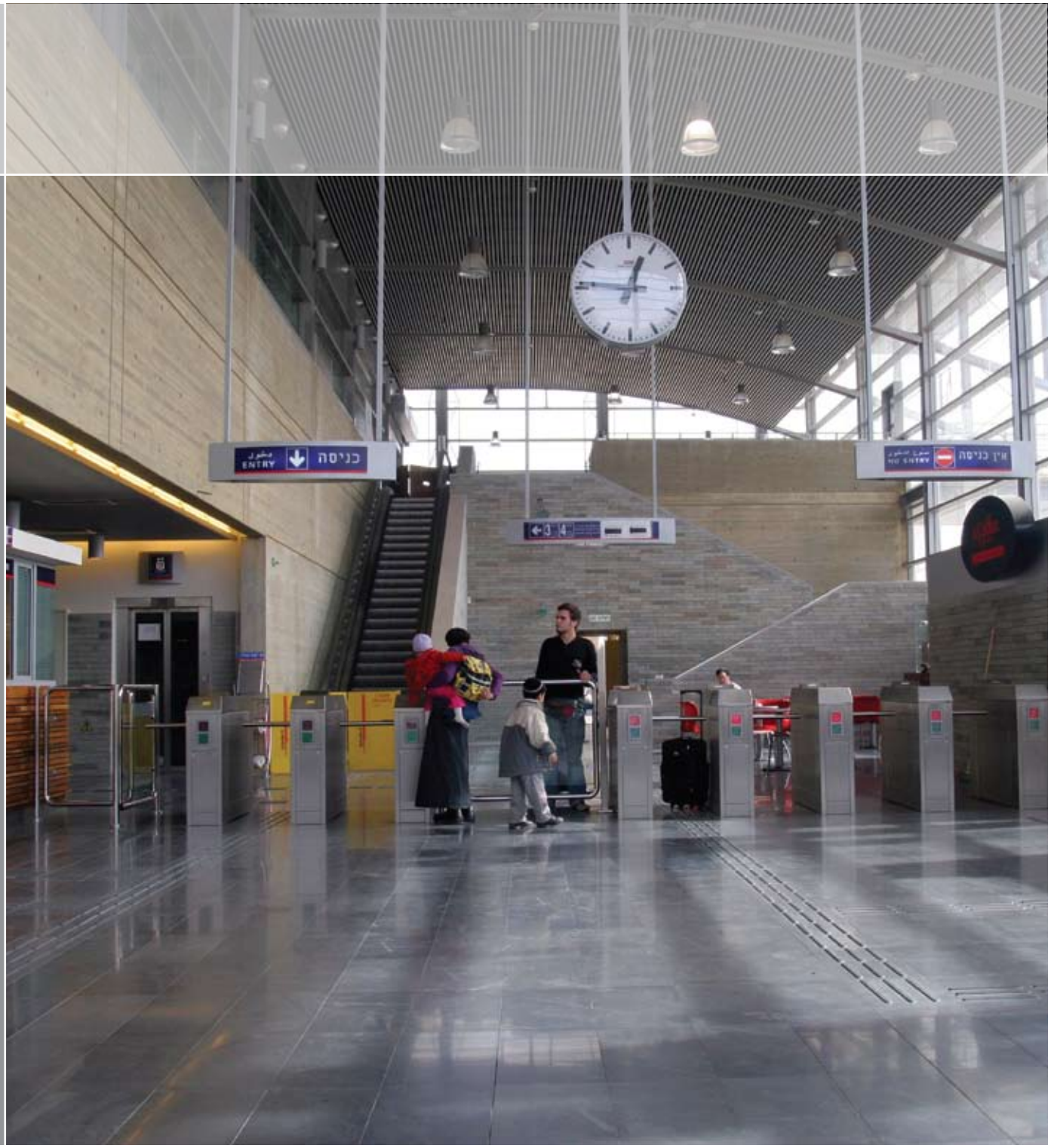


Har-Tov



Haifa





University Railway Station

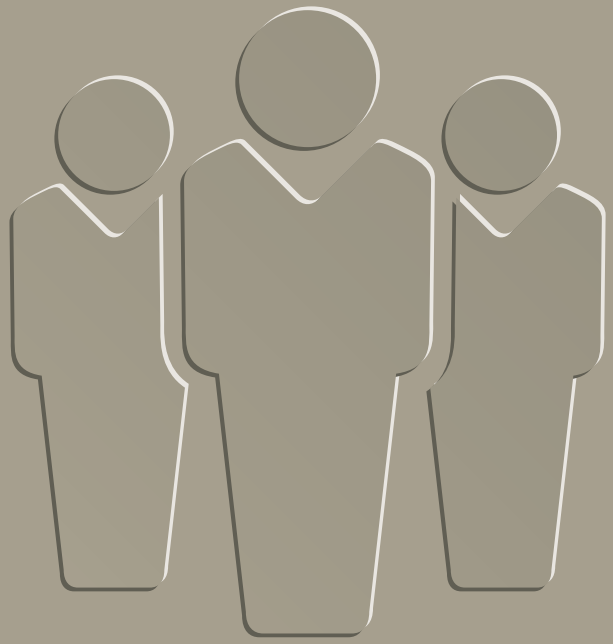
Beer-Sheva North, Israel
Danny Lazar Architects
with the participation of Dafna Matok
Project Team > Irina Khromova, Shimon Yivgi, Evgeny Brick
Photographer > Dani Machlis

Social Performance Indicators

Management Approach to Social Issues

Nesher's management regards social issues highly and endeavors to promote relations between management, employees, stakeholders and the public. For this purpose, the management promotes a proactive approach to social issues including: safety at work emphasizing prevention activities rather than post-factum reaction, sharing information with the public and a long-standing stakeholders' dialogue, and educational – community centered activities. In 2004, Nesher adopted an ethic code as part of its management systems to which it has adhered to ever since. Company policy does not tolerate discrimination based on race, religion, gender, political views or other factors specified under law.

Nesher's management sees the employees as the company's primary stakeholders and holds constant dialogues with them. Most of the employees in the organization are represented by trade unions. Each plant has an employees' committee associated to the Histadrut, the national trade union.



Employees and Employment Policy

Nesher promotes a fair employment policy.

Most of the employees in the field of cement manufacturing are employed based on provisions of collective agreements. General collective agreements apply to every employee in the cement industry. Furthermore, each plant has employees' union associated as part of the Histadrut, the national trade union.

Some 80% of the employees are represented by labor unions and special collective agreements, which are renewed every two to three years.

The employment terms of employees, which are not organized in a union, are determined by personal employment agreements.

There were no strikes at Nesher's plants for more than a decade.

The rate of employee turnover is low at Nesher, approximately 1% annually.

Human Rights

During this year, one case of sexual harassment was recorded. The complaint was handled and examined in accordance with the required procedure. In this event, the suspicion was confuted.

Each plant has a sexual harassment commissioner who is qualified in accordance with the legislated provisions in this matter.

The rate of employee turnover is low at Nesher, approximately 1% annually.

Employee Accreditation and Training

Nesher employees undergo professional training and various accreditation programs.

Average Training Hours per Employee

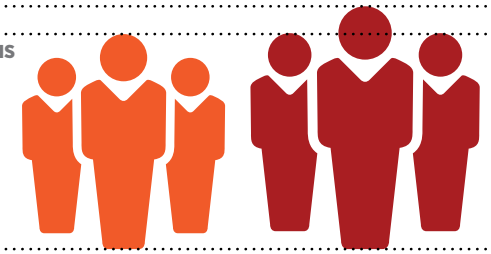
Year	Nesher Haifa	Nesher Har-Tov	Nesher Ramla
2003	16	66	31
2004	35	149	56
2005	26	95	64
2006	29	72	67
2007	14	57	27
2008	33	95	48

Employee training takes place also as part of the proactive attitude towards safety that is implemented in the Company's plants. Subcontractors, like Nesher's employees, undergo safety training.

Contributions to the Community

2008 778,000 NIS

2007 689,000 NIS



Safety – a Core Value

In 2002, Nesher set a goal for itself: the realization of ongoing operations devoid of injuries while holding a total commitment to preventing work accidents.

Active safety – planning prior to task

In order to meet the goal of "working with no injuries" Nesher has developed a proactive approach regarding safety and work accidents designed to prevent accidents rather than merely react to their occurrence. The integration of the safety aspect in task planning is one of the most important tools. For this purpose, we use risk assessment procedures that identify the weak safety points in the work environment prior to executing the task on-site. The assessment includes every factor in the chain of command and in the work environment.

In addition to premeditated planning designed to prevent accidents, we also use a mechanism for analyzing events in which injuries were sustained and events of "close calls" (in which no injuries or perceivable damages were sustained). Nesher holds ongoing activities in this regard in the field. This activity is performed by managers of all ranks who survey areas of the plants to examine, locate and focus on situations that may develop into safety hazards.

It is important to stress that safety is among Nesher's core values and a continuous, active effort is made by the Company to draw conclusions, and to improve prevention methods and risks confrontation. Both management and employees are responsible for safety; special safety monitoring mechanisms are at the disposal of senior management. For more information, please refer to the environmental report of 2006.

We use risk assessment procedures that identify the weak safety points in the work environment prior to executing the task on-site. The assessment includes every factor in the chain of command and in the work environment.

Case analysis

There is a lesson to be learned from each accident regarding how to prevent the next one and to examine the manner of handling situations that may cause safety hazards. For this reason, any safety incident involving an injury or a "close call" undergoes an internal analysis to understand what caused the problem and how the next incident can be prevented.

For the sake of demonstration, presented hereto is a case analysis based on a real incident:

The task: The planned dismantling and cleaning of a facility. Although the task was coordinated with all relevant factors in the plant, a workload was created in the area of the facility. As a result, an employee walking in the area, which was declared hazardous, fell.

The results of the incident: The employee was hurt and evacuated for treatment.

Analysis of mistakes:
> Hazardous areas were fenced in and a warning sign was hung, yet in an insufficient manner
> Entering a hazardous area as part of the daily work routine without taking precautionary measures
> The entry of a factor that was not part of the advance planning of the task (a sub contractor in addition to the contractor of the task)

Analysis of the factors of the accidents:
> Direct factor: falling through an opening in the walking surface
> Contributing factors: work load due to a faulty facility nearby
> Root factors: continually disregarding danger; "this won't happen to me" feeling.

As part of the process of drawing conclusions following the incident, a team of 11 employees and managers was convened to analyze the incident and learn from it. Following the analysis, proactive lessons for the prevention of the next incident were drawn and agreed upon, and relevant agents were given the responsibility to execute changes in work procedures.

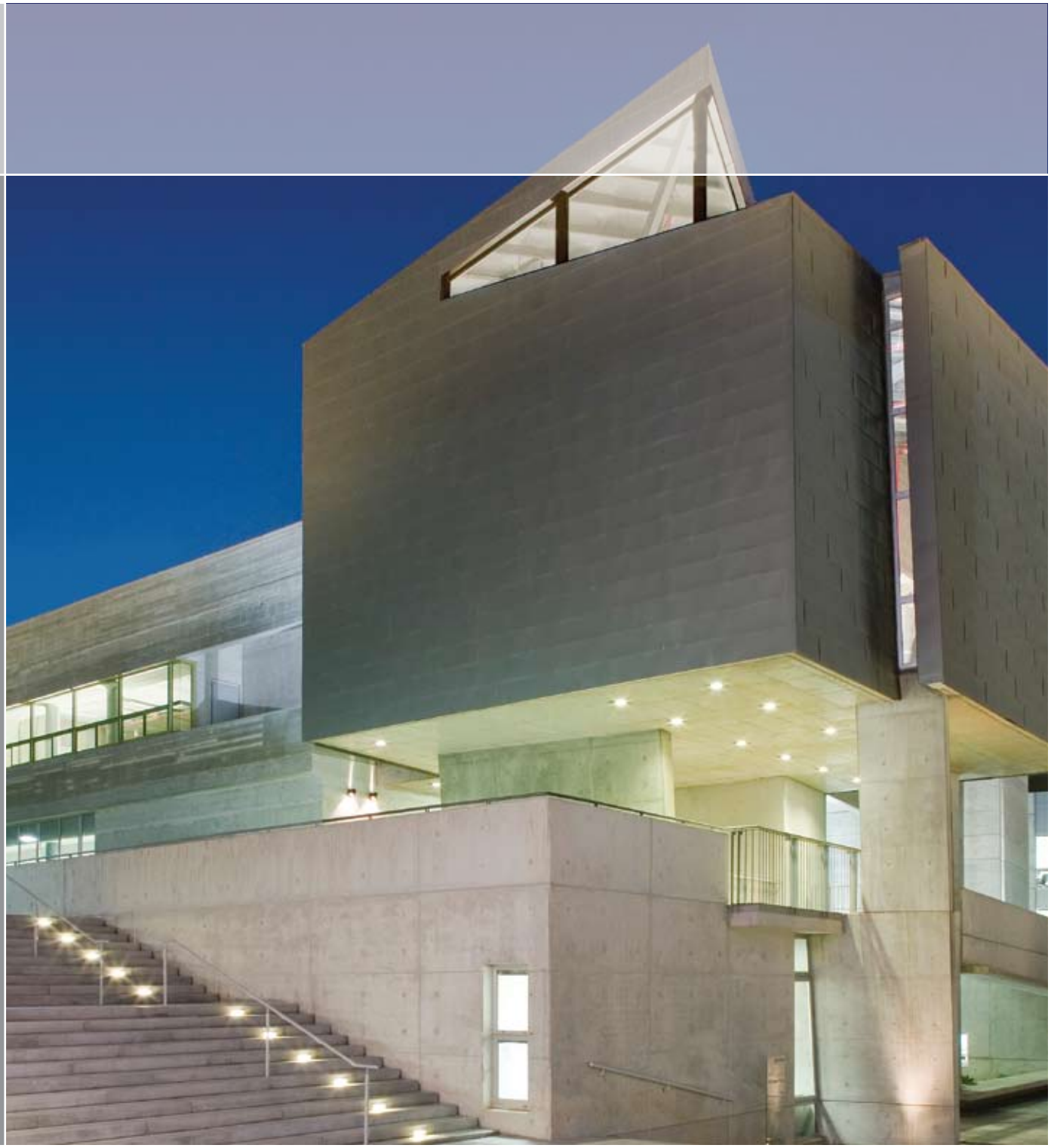
Proactive drawing of conclusions and de facto changes:
> Upgrading the warning means and fencing in similar facilities
> In the advance planning of a task, one must confirm conclusively who will be included in the executing team and every member must be included in the safety briefing prior to the task.
> Implementing the recommendations of height risks survey by divisions' representatives.
> Locating hazards related to a potential fall from heights performed by the safety commissioner and divisions representatives.

Nesher believes that by cooperating and imparting the importance of safety to each one of the team members, the Company shall advance towards the goal of ongoing activities without injuries and a total commitment to the prevention of injuries.

	2001	2002	2003	2004	2005	2006	2007	2008
Work accidents	52	44	28	13	33	28	32	14
Rate of work accidents*			2.7	1.5	2.1	1.8	1.9	0.8
Accident days (loss of workdays)	744	692	499	142	574	339	358	229
Rate of accident days*			41.8	16.3	7.1	24.4	23.1	13.4

As of year 2005, the data regarding work accidents & loss of workdays include the accidents of contractors' employees in addition to accidents of Company employees. The information includes data from Nesher's three plants and the headquarters.

* The information includes data from Paper Products Manufacturing Ltd. as well as Nesher's three plants and headquarters.



Spitzer-Salant School of Social Work
Deichmann Center for Social Interaction

Ben Gurion University of the Negev
Beer-Sheva, Israel
Vert Architects
Principal in charge > Raquel Vert
In association with Axelrod-Grobman Architects >
Irit Axelrod and Yasha Grobman
Photographer > Amit Garon

Site-Specific Performance Indicators

Nesher's Ramla Facility
Nesher's Ramla facility is one of the largest cement plants in the world and a global leader in production capability and advanced technologies.

Nesher Ramla

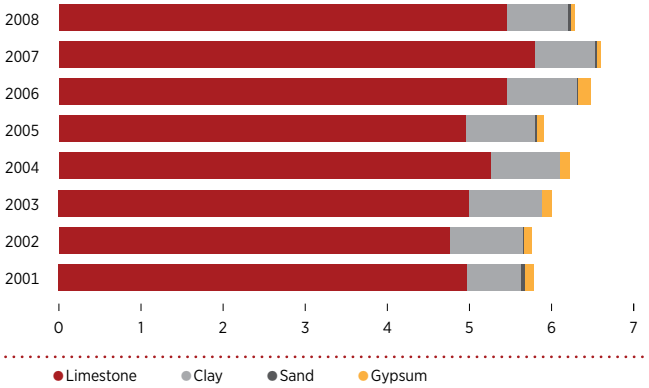
The Ramla manufacturing plant has the highest production capacity and currently includes two kilns and seven cement mills. At the plant, clinker is manufactured by two "dry" production lines, ground to cement, packed and distributed. These "dry" production lines provide the highest efficiency compared with other manufacturing technologies. The plant is considered among the cement industry's largest plants in the world in terms of production capacity and use of advanced technologies.

Nesher Ramla was the second plant established by the Company in the 1950's in order to accommodate the needs of a state welcoming massive immigration and undergoing a great building momentum (the first plant located in the city of Nesher in the bay of Haifa has no active kilns since the beginning of the millennium.) Since 1995, Nesher has invested over 500 million dollars in a significant improvement of the plant's manufacturing infrastructures in order to enhance the efficiency of the manufacturing process and make it more environmentally friendly. Within this framework, a system of hundreds of facilities was established reducing the amount of dust particles emitted throughout the manufacturing process and advanced production lines were built. In addition to these investments, at the beginning of 2006 a new vertical mill, the largest, most advanced in the world, was inaugurated in the Ramla plant. This mill will enable an increase in manufacturing capacity whilst achieving energy savings and environmental protection.

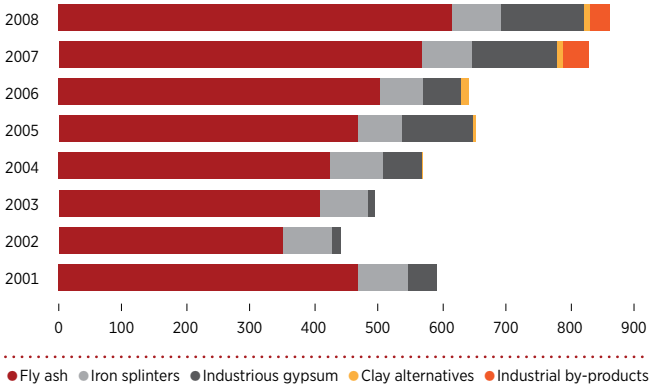
A power plant fueled by natural gas is planned to start operating during 2009.

Nesher Ramla's plant spans over approximately 55 hectares, including large storage facilities, grinding facilities and kilns; all capable of producing approximately 4 million tons of clinker and approximately 5 million tons of cement per year.

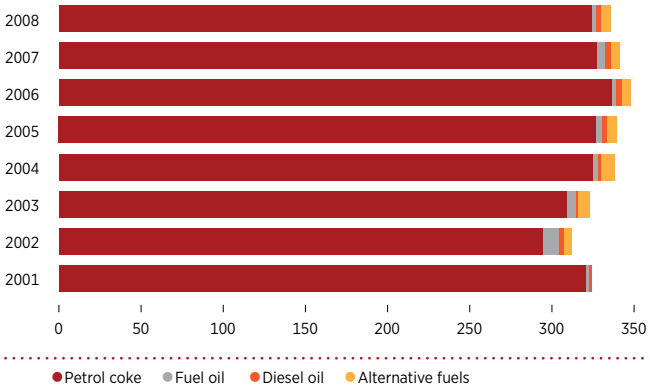
Use of Quarried Raw Materials (millions of tons)



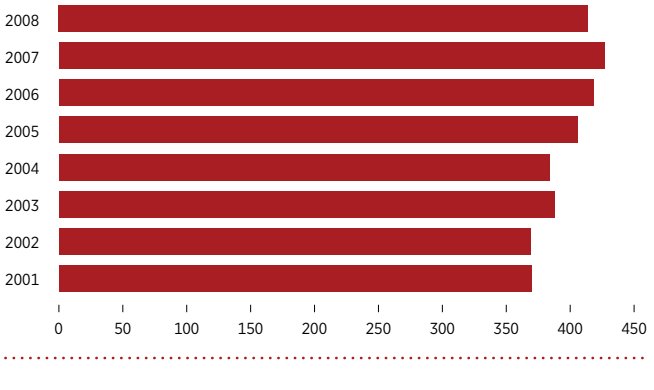
Use of Recycled Raw Materials (thousands of tons)



Fuel Consumption (thousands of tons)



Power Consumption (GWh)



Manufacturing in

2008

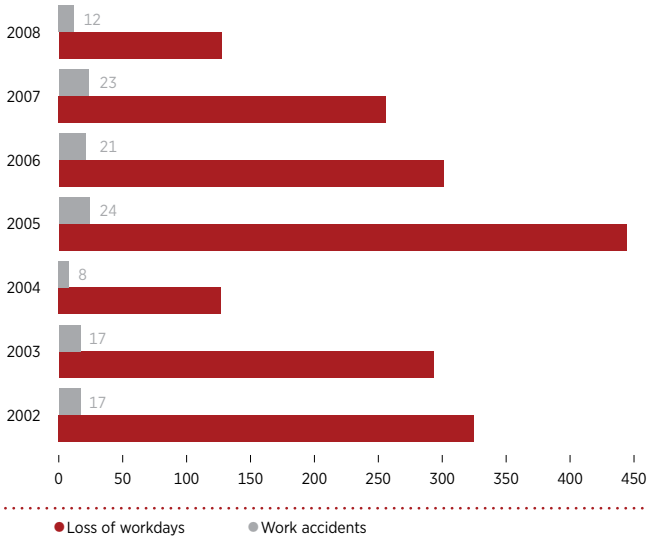
3,796,681

Tons of Cement

Pollutant (tons per year)	2005	2006	2007	2008
Nitrogen Oxides (NOx)	10,574	10,010	9,636	9,738
Sulfur Oxides (Sox)	74	90.3	82	*225
Particulate Matters (PM)	189	150.6	132	125.3
VOC	155	154	155	113

* As dependent upon raw materials

Accidents and Loss of Workdays



Social Indicators

Number of employees: 278

Nesher's Ramla plant won five stars of beauty within the framework of "Beautiful Industry in a Beautiful Israel" initiative.

During 2008, 14 open days were held at the plant; 15,500 visitors visited the plant during this year.

Community activities at Nesher Ramla in 2008

For the past 11 years, Nesher has been operating an educational Visitors' Center at the Company's Ramla production site that provides a learning center to pupils and the public about Company activities and environmental issues. The Center hosted family tours to the general public four times this year: Passover, Succoth (the Tabernacles Feast), Hanukkah (Festival of Lights) and Independence Day. The tours included activities and guides regarding environmental quality issues and tours of the plant. During 2008, 14 open days were held at the plant; 15,500 visitors visited the plant during this year.

Nesher believes it is part of the local community in Ramla and cooperates with the Ramla municipality in delivering workshops and activities for pupils and local families. During the course of 2008, experts provided lectures to personnel from local schools regarding environmental issues and the manufacture of cement.

During 2008, two meetings with surrounding communities were held to provide current updates and respond to questions presented by the public.

The Visitors Center hosts organized groups year-round and include visits to the production sites. The center offers training and in-depth explanations of the manufacturing processes and Nesher's activities geared to protect the environment.

Telephone number of the Visitors Center: +972-8-9271430

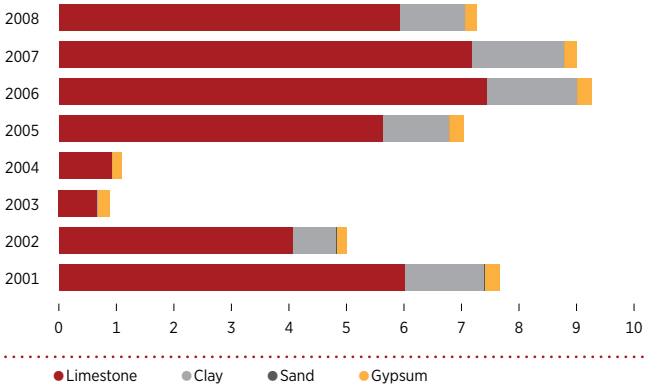
Nesher Har-Tuv

The Har-Tuv plant is used both to manufacture clinker, through a “semi-dry” manufacturing line and to grind clinker to create cement.

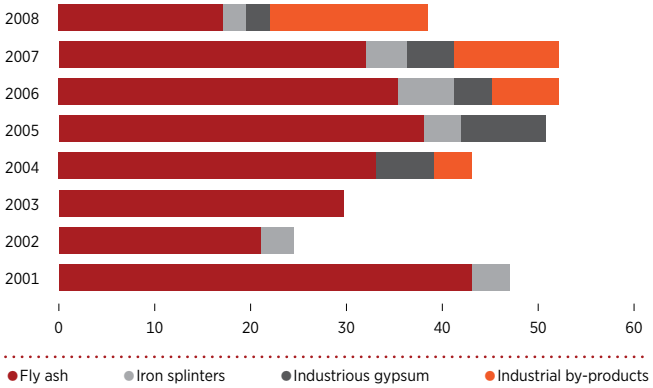
In 1969, Nesher acquired the Shimshon cement plant in Har-Tuv, located near Beit Shemesh and proceeded to renovate it and enable its full manufacturing capacity.

The Nesher Har-Tuv plant spans approximately 32.5 hectares and comprises large storage facilities, grinding facilities and a kiln; the plant has a manufacturing capacity of approximately 650 thousand tons of clinker and approximately 1 million tons of cement per year.

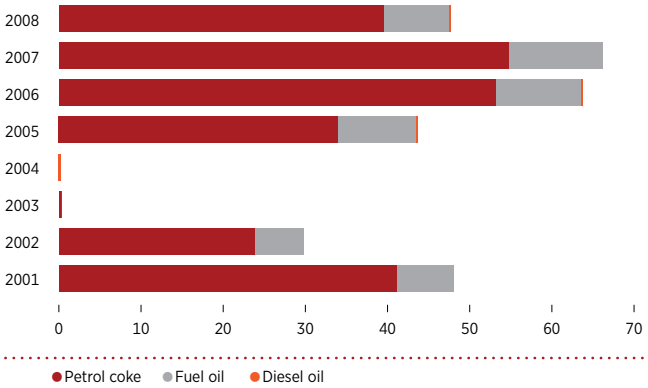
Use of Quarried Raw Materials (hundred thousands of tons)



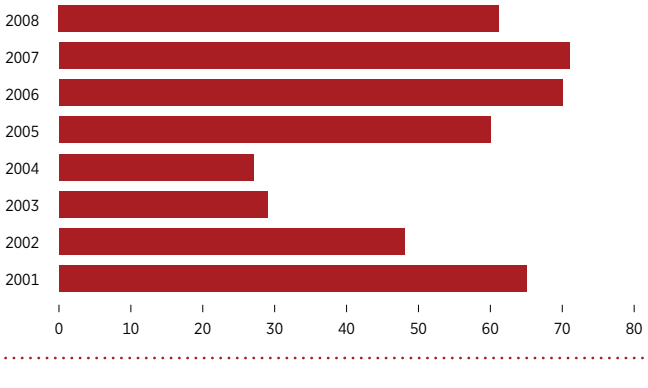
Use of Recycled Raw Materials (thousands of tons)



Fuel Consumption (thousands of tons)



Power Consumption (GWh)



Manufacturing in

2008

465,265

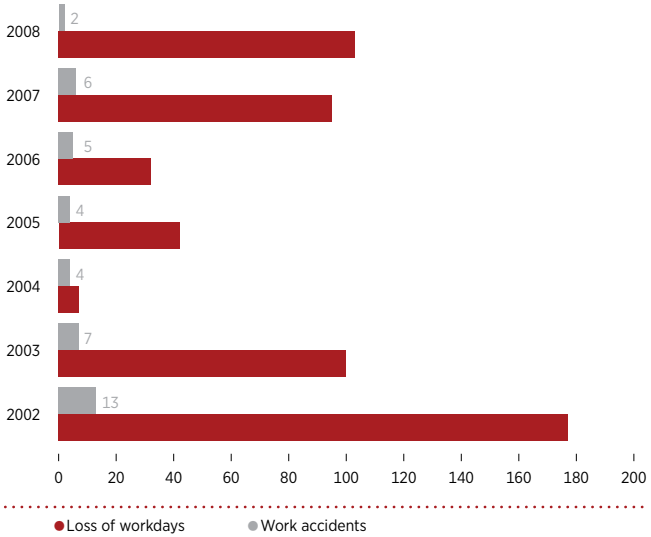
Tons of Cement

Pollutant (tons per year)	**2005	2006	2007	**2008
Nitrogen Oxides (NOx)	805	1,801	1,353	973
Sulfur Oxides (SOx)	9	*50-500	180	265
Particulate Matters (PM)	17	25.4	29	42

* As dependent upon raw materials
** The kiln was operational part time

Throughout 2009, the cement mill at the Har-Tuv plant is planned to undergo an operational efficiency enhancement that will enable a significant improvement in product quality and savings of approximately 10% in electricity consumption.

Accidents and Loss of Workdays



Social Indicators

Number of employees: 63

The Har-Tuv plant won the beauty pendant within the framework of the "Beautiful Industry of Beautiful Israel" initiative.

In 2008, the plant hosted visits of 1,950 pupils from nearby schools in the course of 65 open days. The open days included educational workshops of minimization of noise, reducing dust emissions and transporting materials.

Community involvement activities at Nesher Har-Tuv

The plant manager, human resources manager and a team of employees are all part of a community team. Together they lead the relationship with the local community. Nesher's Har-Tuv plant continues to open its gates to communities in Beit Shemesh and its surroundings. Nesher Har-Tuv's community team conducts meetings yearlong with representatives of the residents, public representatives and public opinion setters to promote a dialogue between company management and community representatives. Four members of the plant's management won the 2007 Excellence Award; they donated their NIS 10,000 award for scholarships financing the acquisition of school textbooks.

In 2008, the plant hosted visits of 1,950 pupils from nearby schools in the course of 65 open days. The open days included educational workshops of minimization of noise, reducing dust emissions and transporting materials.

In addition to educational activities with the cooperation of the Beit Shemesh municipality and elementary schools in the area, the plant contributed to welfare institutions, fellowships, and populations within the community including the distribution of heaters to senior residents of the city, holiday celebrations for children, transporting pupils of Brenko Weiss school to the Tel Aviv University throughout the school year, and more.

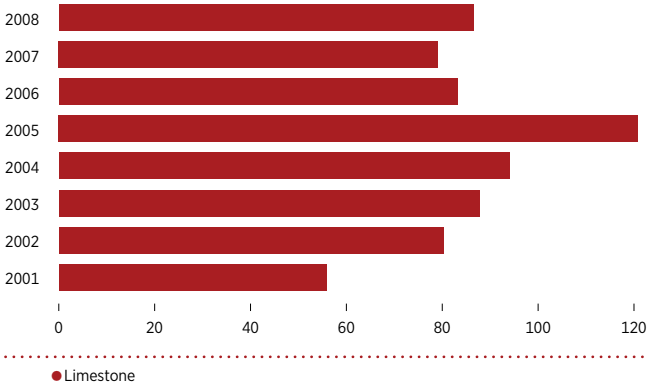
Nesher Haifa

The Haifa plant is used to grind clinker to produce cement, as well as to pack cement and distribute it.

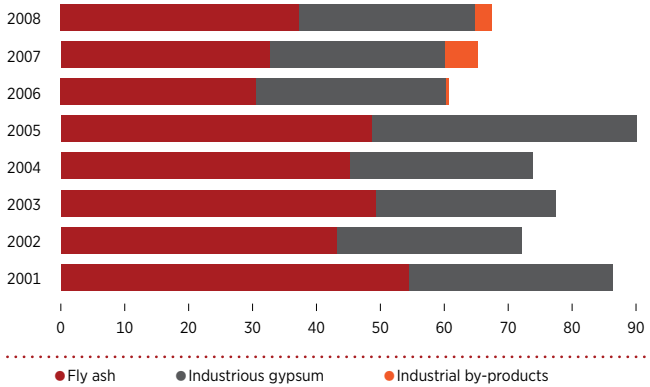
In 1923, the first steps were made regarding the establishment of Nesher's Haifa plant. Two years later, in October 1925, the first kiln began operating and in December of that year the first cement sack was produced. Nesher's Haifa plant was the first cement plant in Israel and in the whole of the Middle East.

Nesher's Haifa plant spans over some 40 hectares and includes storage facilities and grinding mills. The plant has a grinding capacity of 2 million tons per annum. No cement kiln is operated in the plant's area and no quarrying works are performed at the adjacent quarries in the Carmel area.

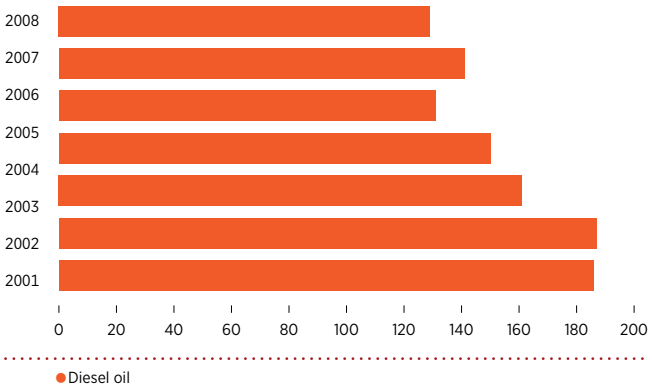
Use of Quarried Raw Materials (thousands of tons)



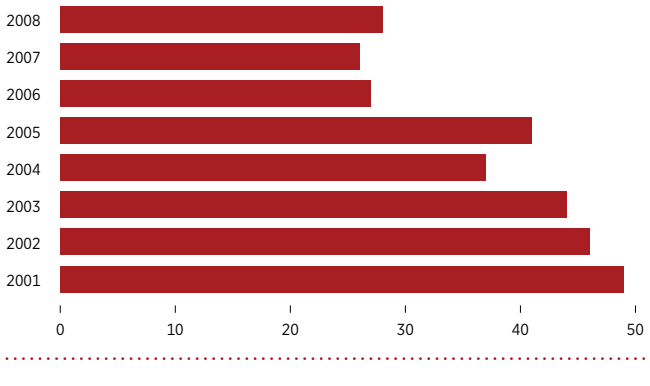
Use of Recycled Raw Materials (thousands of tons)



Fuel Consumption (tons)



Power Consumption (GWh)



Manufacturing in

2008

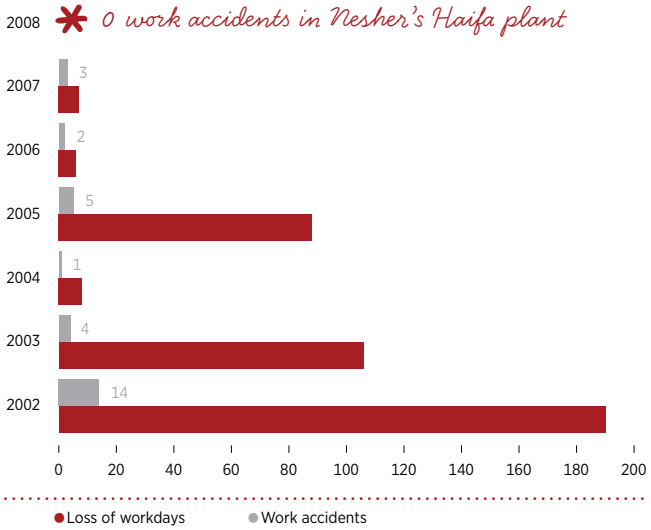
599,631

Tons of Cement

Pollutant (tons per year)	2005	2006	2007	2008
Particulate Matters (PM)	8	3.6	3.9	4.6

In 2008, a leakage from an old fuel pipe used in the past to transport fuel from the Oil Refineries Company to Nesher was discovered. The leakage was taken care of immediately upon its discovery. Treatment included closing the old fuel pipe and the removal of polluted soil. In order to verify that no environmental damage has occured, measuring devices were installed in the area to monitor the quality of ground water.

Accidents and Loss of Workdays



Social Indicators

Number of employees: 42

Nesher Haifa helped sponsor local medical clowns as well as a leadership project for women on promoting health in the community.

Community involvement activities at Nesher's Haifa plant

In 2008, Nesher's Haifa plant contributed to associations and to institutions benefiting the residents of adjacent communities to the plant in several events: within the framework of cooperation with "Joy of the Heart" medicinal clowns association, the plant assisted in the financing of local medicinal clowns; at a school in the town of Nesher, a games and sitting corner was established and building materials were contributed; bathroom heaters were donated to a local home for the elderly; a contribution was made to a project promoting leadership among women to advance community health issues. Furthermore, the plant contributed funds to the Adloyada (Purim festival) parade and made donations benefiting members of the community in Passover.

The Nesher Ramla plant

Tel Aviv Port

Bulbous Bench – seating element
Mayslits Kassif Architects
Manufacturing > Milshtein GRC Ltd.
Photographer > Daniela Orvin

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* Indicators from GRI's sector supplement for mining and metals

Table of GRI's Report Application Level

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, including at least one from each of Economic, Environmental, Human Rights, Labor, Society, and 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.	

GRI REPORT SELF DECLARED

Plants from the area of the Ramla quarry imprinted in cementitious material
Philippe Boulakia 2009, the work is on display in the lobby of Nesher's headquarters

Contact Us

Dr. Azriel Pillersdorf

Environmental Manager

Tel: +972-73-2911559

Fax: +972-73-2911141

Email: apill@nesher.co.il

2 Hahazon St. P.O.B 166, Ramla 72101 Israel

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נשר מפעלי מלט ישראליים בע"מ

2 Hahazon St. P.O.B 166
Ramla 72101 Israel

www.nesher.co.il