

Corporate Responsibility Report for Stakeholders



Israel Chemicals Ltd.

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"Throughout our history, ICL has never wavered in its efforts to uphold and promote its core values. They include respect for the law, protecting the environment, ensuring the safety and health of our workers and taking into consideration the interests of our customers, our suppliers and the communities in which we operate"

CEO LETTER



I am very pleased to present you with ICL's first Corporate Responsibility Report.

As someone who has been affiliated with ICL for more than three decades, I can testify to the enormous changes that the Company has undergone - and the challenges it has faced - on its way to becoming a global conglomerate. Throughout our history, ICL has never wavered in its efforts to uphold and promote its core values. They include respect for the law, protecting the environment, ensuring the safety and health of our workers and taking into consideration the interests of our customers, our suppliers and the communities in which we operate. These values are as fundamental to us as our business and financial goals, and have been the cornerstones of ICL's operations since its founding. They are not slogans, but a way of life!

Over the years, ICL has developed a long-term growth strategy that includes accountability, fairness and full transparency towards all of our stakeholders, including our customers, employees, suppliers and our community.

This report is another positive step in our continuing efforts to improve our dialogue with the Company's stakeholders. I believe that our extensive activities must be transparent to all ICL stakeholders, for the purpose of creating long-term trust and open communication, increased cooperation and mutual success.

This report details our ongoing efforts to instill positive values to our stakeholders and our various environmental and communal activities. Over the past few years, our segments have introduced and implemented an increasing array of processes and technologies to reduce the impact of our activities on the environment. This trend is clearly noticeable in this report.

In a nutshell, I would like to draw your attention to three areas that reflect our commitment in this area:

- ICL has taken upon itself to lead the effort to reduce greenhouse gas emissions with the goal of preventing global warming. Consequently, we have initiated a comprehensive examination of our carbon balance, and are conducting tests to map our carbon footprint for several of our leading products in accordance with internationally accepted standards. Likewise, we initiated a number of projects to reduce greenhouse gas emissions, including the conversion of manufacturing facilities at Sodom to natural gas in place of fuel oil and dedicated two green buildings in Beer Sheva and Sodom, the first in the Negev region.
- We are taking into consideration the entire value-chain in our global product development activities. As part of this effort, ICL is currently developing a 'Green Index' that is guiding our development of new products, by providing the health, safety and environmental parameters we need to consider in creating new products.
- Management feels a profound obligation to operate the company in accordance with the highest standards of corporate governance.

This Corporate Responsibility Report outlines many of the new and complex challenges that ICL faces today. First and foremost, it reminds us of our responsibility to continually improve each and every one of the many areas that are specified here and to strengthen the transparency of our activities.

I believe that the positive feedback we will receive regarding our decision to follow the path of transparency, attentiveness and willingness to change, will strengthen our resolve to continue on the path of sustainability.

Sincerely,
Akiva Mozes, President & CEO



Chapter 1

CORPORATE RESPONSIBILITY AT ICL

As one of the world's leading chemical companies, ICL recognizes its responsibility for the impact of its operations. Chemical company operations are characterized by the creation of the building blocks for products and services in modern life and these represent an integral part of agriculture, electronics, food, cosmetics, pharmaceuticals, automobiles and more. However, this activity is not without social and environmental impact.

ICL's Board of Directors has published this report with a desire to document its policies regarding its corporate, environmental and social responsibility, all of which are in concert with those of its parent company, Israel Corp, and its Chairman, Mr. Idan Ofer, and communicate to its stakeholders and the general public. As part of a world view based on transparency and accountability, in this report, we have detailed the effect of our operations on the environment, and described the many projects that we have undertaken to reduce the impact. We hope that it will serve as a step that will further strengthen ICL's ongoing dialogue with its stakeholders.

This report relates to 2009 and includes information on the various segments of ICL Fertilizers and ICL Industrial Products in Israel. It is the first step in a long-term process designed to enhance the Company's transparency. This report has not been prepared according to GRI protocol. Work on this report was conducted as part of a process that will result in a corporate responsibility report according to GRI reporting standards. (GRI - Global Reporting Initiative – an initiative for voluntary corporate reporting to its stakeholders, regarding corporate responsibility on social and environmental issues)*.

We have already begun to expand the reports and ICL's segments are currently in various stages of the reporting process. In the fourth quarter of 2008, Bromine Compounds, a company in the Industrial Products segment, published its first environmental responsibility report for 2007. In 2009, the Corporate Responsibility report for all facilities of the Industrial Products segment in Israel was published (for 2008) according to the GRI reporting guidelines. Dead Sea Works and Rotem Amfert also published their 2008 environmental reports in 2009. During 2010 Corporate Responsibility reports for the Fertilizer segment, Industrial Products segment and Dead Sea Magnesium are also planned for publication - according to GRI reporting guidelines.

* The GRI is an organization that initiated the development of a leading protocol of reporting around the world, in corporate governance and economic, environmental and social performance. Additional information about corporate social responsibility can be found on GRI's website: <http://www.globalreporting.org/Home> and on <http://www.corporateregister.com/reports>.

This report is designed to strengthen the relationship between ICL, its stakeholders and the general public. It is an integral part of ICL's strategic philosophy, according to which business must be conducted in a transparent and responsible manner



POLICY

ICL maintains a far-reaching sustainable development policy that combines social, economic and environmental considerations in all of its business operations.

Sustainable development considerations are a key component in the plans of the ICL Group. As part of this policy, ICL strives to take into account the welfare of its employees, customers, shareholders and suppliers as well as that of the communities in which it operates, with a view towards the environment and future generations. As part of this effort, ICL also works to maximize its profits for the benefit of its shareholders and other stakeholders such as ICL employees, suppliers, customers, creditors, etc., who also have an interest in increasing company profits.

ICL's commitment to sustainable development and social responsibility is reflected in its adoption of the principles of Corporate Responsibility (CR) as well as the principles of Responsible Care, under the global chemical industry's Responsible Care Global Charter (see page 26).

CR principles reflect a policy of social responsibility that also includes community involvement, taking responsibility for the safety, hygiene and welfare of employees and visitors to ICL sites; reducing environmental impact; preparing for emergencies; generating dialogue and transparent communication with authorities, communities and other stakeholders; responsible management of products throughout their life cycles, including meticulousness about product quality, management ethics, corporate governance, transparency and accountability.

According to these values, ICL has formulated the following principles for its sustainable development policy:

- Management of the production, distribution, use and disposal of products in a manner that is safe for people and the environment;
- Efficient and effective use of resources, while minimizing waste and effluents wherever possible;
- Assuring the safety of production and products;
- Adoption of systems that identify, assess and manage risks throughout product's lifecycle;
- Ensuring appropriate safety and hygiene conditions;

- Striving for continuous improvement while complying with the provisions of the law and beyond ("beyond compliance"), and where there is no legislation, working to adopt the leading accepted standards in the industry around the world;
- Development and improvement of products, whose production, distribution, use, treatment and disposal shall be safe and environmentally friendly;
- Compliance with procedures and systems for handling emergency situations both within facilities and outside them;
- Encouraging customers, transporters and suppliers to protect the environment while creating cooperation plans such as Responsible Care, VECAP, etc.;
- Cooperation with persons in research and industry to develop methods and innovative systems to promote the safety of production and to develop environmentally-friendly products;
- Inculcating sustainable development principles among employees, through training, involving them in activities and exposing them to these values;
- Encouraging support plans within the community, as well as social and environmental involvement. Cooperation with the authorities and community on educational programs and programs to preserve nature and the environment;
- Creation of an ongoing dialog with the authorities and stakeholders, including "green" organizations and residents, in order to understand their positions and concerns, with the aim of achieving maximum transparency in social and environmental responsibility;
- Adoption of international standards, including ISO, in the fields of product quality, environmental management and safety;
- Testing by standards bodies as part of internal enforcement programs;
- Internal auditing;
- Consolidation and integration of ethics throughout company sectors;

ICL maintains a far-reaching sustainable development policy that combines social, economic and environmental considerations in all of its business operations. As part of this policy, ICL strives to take into account the welfare of its employees, customers, shareholders and suppliers as well as that of the communities in which it operates, with a view towards the environment and future generations



The Board of Directors of ICL and its segments, as well as ICL management, closely monitor implementation of this policy. To this end, Board of Directors committees have been established in the segments in Israel. Their role is to monitor, audit and discuss issues in all fields relating to environmental protection, safety and hygiene, and security. The committees are assisted by outside consultants with relevant expertise. Management of ICL also enforces compliance and control plans intended to ensure lawful performance of all the obligations of the companies in the Group.

The ICL Board of Directors has appointed the deputy CEO and COO of ICL, Mr. Asher Grinbaum, who is also the conglomerate's Chief Risk Manager, as the Company's Environmental Protection, Safety, Occupational Industrial Hygiene and Security Officer, Mr. Grinbaum reports to the CEO of ICL and, from time to time, reports on his behalf to the ICL Board of Directors regarding activities in these fields.

ICL provides the administrative and financial resources required for implementation of the sustainable development policy.

RELATIONS WITH STAKEHOLDERS

ICL highly values its relationship with its stakeholders and encourages public discourse in the various companies.

As part of its community dialogue with stakeholders, ICL established Community Advisory Panels (CAP) for factory and community representatives, including residents of areas near our factories, students, environmental activists and others. These forums discuss issues regarding environmental protection and cooperate in various areas for the benefit of the population. The first such forum in Israel was created at the Bromine Compounds factory over seven years ago. After that, other forums were initiated, including the Dead Sea Works forum (ICL Fertilizers) and the Dead Sea Magnesium forum, and recently, a joint forum of Rotem and Periclase with the involvement of area residents. These forums facilitate direct discussion between the stakeholders and representatives of the companies. This enables understanding of the issues that concern the stakeholders and provides the company with opportunities to try to resolve issues that arise.

One of the resolutions implemented as a result of the forums was the establishment of a monitoring station at Neot Hakikar financed by the factories. Residents can view the monitoring results on a publicly available website. Additionally, 900,000 sq. m of land south of the concession area was gifted to one of the towns in the area for agricultural cultivation.

The reporting process itself creates an additional communication channel for the companies. Public environmental reports are becoming part of the mechanisms for stakeholder discourse.



Additionally, ICL encourages people to visit its facilities. For example, in 2009, over 200 visits from groups and individuals were hosted by the Bromine Compound facility, and over 9,000 guests visited the DSW plant and Rotem Amfert Negev.

We plan to publish a corporate responsibility report according to GRI reporting regulations, and as part of the process, will initiate discussions with stakeholders according to GRI guidelines in the very near future.

As part of our community dialogue with stakeholders, ICL has established Community Advisory Panels (CAP) for factory and community representatives, including residents of areas near our factories, students, environmental activists and others



Chapter 2

ORGANIZATIONAL PROFILE

Israel Chemicals, originally established in 1968 as a government-owned company, is today a publicly traded, multinational corporation. ICL is engaged primarily in the areas of fertilizers and specialty chemicals, with activities in three segments - fertilizers, industrial products and performance products.

ICL's operations are focused on natural resources - potash, bromine, magnesium and sodium chloride from the Dead Sea, and phosphate rock from the Negev Desert. These operations are carried out under concessions and licenses from the State of Israel. ICL also maintains operations in Spain and England in potash and salt mines under leases and concessions from the relevant authorities in those countries. ICL's activities include production of these minerals, sales of minerals throughout the world, and the development, production and marketing of downstream products based on these raw materials.

ICL's main production facilities are located in Israel, Germany, the USA, the Netherlands, Spain, the UK, China, Brazil and France. ICL has additional production facilities in Austria, Belgium, Turkey, Argentina, Ireland and Australia.

ICL's operations outside of Israel are primarily in the production of products that are complementary to, or based upon, ICL's operations in Israel or related fields.

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ORGANIZATIONAL STRUCTURE

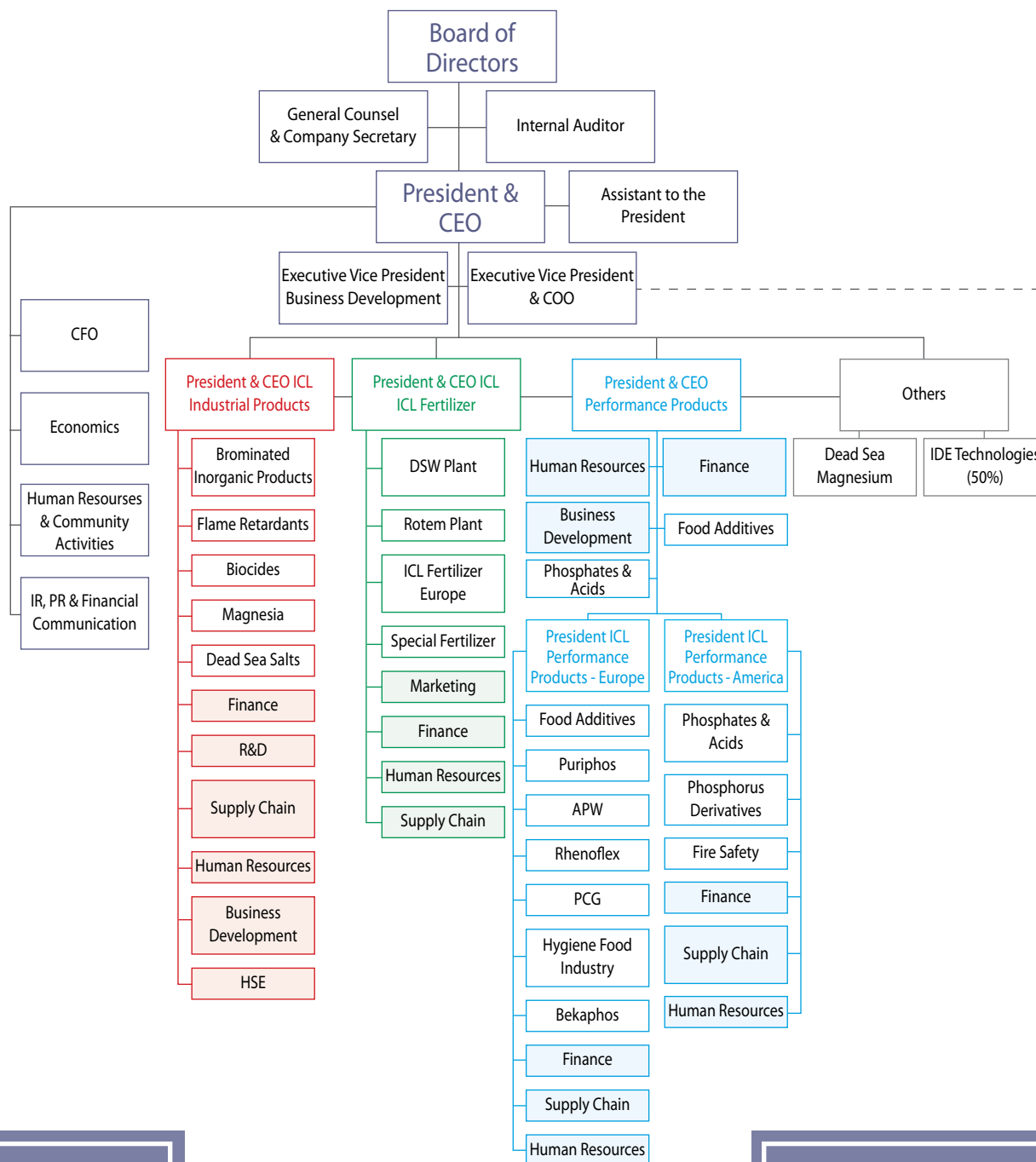
ICL is a public company traded on the Tel Aviv Stock Exchange (TASE). The company is divided into three segments of operation: ICL Fertilizers, ICL Industrial Products, ICL Performance Products and other activities. This division is based upon administrative and functional considerations. Each operational segment comprises several companies and manufacturing facilities that have certain factors in common; however, they are solely administrative structures and not legal entities.

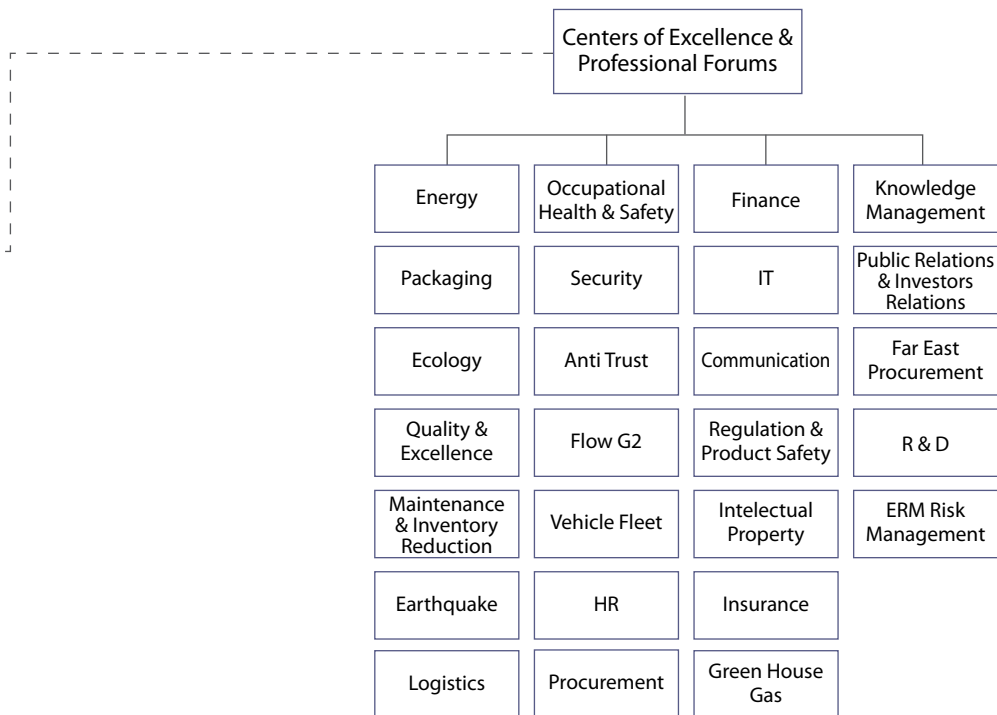
ICL headquarters are located in Tel Aviv.

ICL's Board of Directors sets the Company's policy and monitors the execution of its policies by management. At the head of the ICL Group is the CEO, with an executive staff that includes the CEOs of ICL Fertilizers and ICL Industrial Products. Each segment maintains its own individual management group.

Additionally, the Group has created inter-segment Centers of Excellence in various areas. These are managed at the Group level by Company-personnel who are experts in the relevant fields in addition to their regular responsibilities. These centers help ICL and the segments to manage, coordinate and monitor these focus areas.

The following diagram outlines ICL's management organizational structure:





The following is a description of the segments:

ICL Fertilizers – ICL Fertilizers produces potash from the Dead Sea, and extracts and produces potash and salt from underground mines in Spain and England. ICL Fertilizers refines potash into various grades and sells it worldwide. In addition, the segment uses part of its potash production to produce compound fertilizers. In 2009, potash constituted approximately 63% of the segment's sales.

ICL Fertilizers also mines and processes phosphate rock from open-pit mines in the Negev Desert. At its production facilities in Israel, it manufactures sulfuric acid, fertilizer-grade phosphoric acid, phosphate fertilizers, compound fertilizers based mainly on potash and phosphate, and specialty fertilizers. ICL Fertilizers also manufactures fertilizers in the Netherlands, Germany and Belgium.

In addition, ICL Fertilizers manufactures phosphate-based animal feed additives in Turkey and Israel.

ICL Fertilizers markets its products worldwide, primarily in Europe, Brazil, India, China and Israel.

ICL Fertilizer operations also include the operations of Mifalei Tovala Ltd., which is engaged in cargo transport mainly for ICL companies in Israel. It is included in ICL Fertilizers because a large part of its operations is the bulk transport of cargo for the ICL Fertilizers segment.

ICL Industrial Products – ICL Industrial Products manufactures elemental bromine from an end-brine that is created as a byproduct of the potash production process in Sodom, as well as bromine-based compounds. In 2009 ICL Industrial Products was the world's leading producer of elemental bromine. In that year, ICL Industrial Products produced approximately 30% of the world's production of this product. ICL Industrial Products used about 77% of its bromine production in 2009 for manufacturing bromine compounds at its production facilities in Israel, the Netherlands and China.

In addition, ICL Industrial Products manufactures flame retardants and other phosphorus-based products at production facilities in the USA and Germany. It also produces various salt products, magnesium and chlorine in Israel. These products are produced together with caustic soda by electrolysis of salt created as a byproduct of potash production, and serve as a raw material in the segment's production processes.

ICL Industrial Products also manufactures chlorine-based products in Israel and the USA.

ICL Industrial Products markets its products worldwide.

ICL Performance Products – ICL Performance Products purifies some of the fertilizer-grade phosphoric acid manufactured by ICL Fertilizers into pure phosphoric acid, purchases pure phosphoric acid from other sources, and also manufactures thermal phosphoric acid. The purified phosphoric acid and thermal acid are used to produce downstream products of high added value - phosphate salts, which are a raw material used in the production of food additives, hygiene products, flame retardants and fire extinguishers. ICL Performance Products also produces phosphorus derivatives based on phosphorus purchased from external sources as well as specialty products based on aluminum oxide and other raw materials. Production takes place at facilities in Europe (specifically in Germany), the USA, Brazil, Israel, China, and in other countries. The products based on specialty phosphates made up approximately 77% of ICL Performance Products' sales in 2009. In January 2008, ICL Performance Products expanded the field of water treatment by acquiring most of the assets and operations of the water treatment business unit of the German Henkel Group.

In addition to the segments described above, ICL has interests in other operations, including water desalination (via its 50% share in IDE Technologies), and magnesium manufacture through the Dead Sea Magnesium Ltd.

There were no material changes in the size, structure or ownership of the organization in the reporting period (2009).

Data and information on the corporation's companies operating in foreign countries are not included in this report.

STRUCTURE OF THE BOARD OF DIRECTORS

ICL operates according to principles of corporate governance, voluntarily implementing rules designed to ensure checks and balances that lead to proper corporate governance. Among others, the following points are noteworthy:

ICL separates the identity and functions of the Chairman of the Board and the CEO. A separation also exists between the functions of the Board of Directors and those of the Company's officers. The directors are elected each year by the general meeting (except the external directors whose appointment is determined by law for term of three years).

Upon their appointment, new Board members receive appropriate training on ICL activities, and all the directors are briefed from time to time on issues that have undergone major changes.

The ICL Board of Directors resolved that at least three of its Directors must have accounting and financial expertise. At the current time, 9 of the 10 board members have such expertise. Four of the 10 board members meet the criteria of an "independent director" under the Companies Law. Two additional directors would also meet the independence criteria, except for the fact that they have served as directors for over nine years.

In 2009, the ICL board of Directors convened 12 meetings, and the Boards of Directors of the segments, ICL Fertilizers and ICL Industrial Products, convened 14 meetings each. In accordance with ICL's policy, certain of the Company's or its subsidiaries' operations require the approval of the Board of Directors (e.g., operations involving investments that exceed a specified amount, organizational changes, mergers and acquisitions).

Each year, the ICL Board of Directors holds detailed discussions on the annual budget, annual work plan, five-year plan, approval of the periodic reports and annual and quarterly financial statements. During the year, the Board convenes from time to time with Company management, which presents

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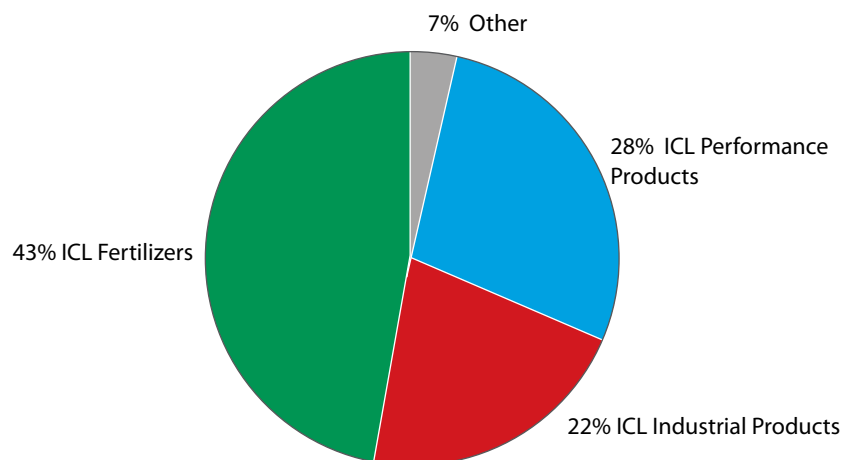
its activity on material issues. Board members also generally tour the Company's facilities. In addition to the ICL Board of Directors, the segments also work with other Boards of Directors in which some of the members of the ICL Board of Directors are members, as well as with officers in ICL and others who are not ICL directors and do not hold a position in ICL, including independent directors. These Boards of Directors, themselves or through committees (finance, audit, investments, safety, ecology and security, R&D, human resources, and ad hoc committees), convene regularly and review the segments' activities. According to ICL policy, even segment Boards of Directors operate according to accepted norms in publicly traded companies.

Directors who are officers of ICL are compensated according to their performance in the areas for which they are responsible. Annual bonuses are performance based, meaning that a certain percentage is derived from the Company's performance, a certain percentage from their record in meeting professional targets and a certain percentage based upon personal performance. ICL includes compliance with safety and environmental protection requirements as one of the parameters considered in evaluating the compensation and bonuses paid to managers.

ICL - FINANCIAL INFORMATION

The following is a description of the breakdown of ICL revenues in 2009 by segment:

Total sales in 2009- USD 4.5 billion*



*In this illustration, data on revenues of segments used to calculate the percentage of total revenues includes external revenues only. The data are based on both sales within Israel and outside Israel.



ICL products are used primarily in the agriculture, electronics, oil and gas drilling, water purification, wastewater treatment, hygiene, paper, cosmetics, pharma, automobiles and aluminum industries

MARKETS AND SALES

ICL is one of the world's leading companies in the markets for potash, bromine, pure phosphoric acid, special phosphates, bromide- and phosphate-based flame retardants and chemicals to control fires. ICL's products are used primarily in agriculture, electronics, food products, oil and gas drilling, water purification and desalination, detergents, paper, cosmetics, pharmaceuticals, automotive, aluminum and more.

Approximately 6% of ICL's production is sold in Israel. For certain products, ICL and some of the ICL companies have been declared a monopoly in Israel.

Approximately 50% of ICL's annual sales turnover in 2009 is attributable to production outside of Israel. Approximately 6% of the cost of sales of the products manufactured outside of Israel is attributable to raw materials supplied from Israel.

The following diagram shows the geographical distribution of ICL sales in 2009 and a description of the Company's main sites:



The following is financial data of the company, by segment:

2009 (\$ thousands)									
	ICL Fertilizers				ICL-IP	ICL Performance Products	Other	Setoffs	Consolidated
	Potash	Phosphate	Setoffs	Total					
Revenue:									
Revenue from external sources	1,264,567	689,174	-	1,953,741	1,003,982	1,293,539	303,054	-	4,554,316
Revenue from sales to other segments	164,46	98,537	(70,136)	192,866	11,099	34,505	35,895	(274,365)	-
Total revenue	1,429,032	787,711	(70,136)	2,146,607	1,015,081	1,328,044	338,949	(274,365)	4,554,316
Breakdown of Revenues	31.4%	17.3%	(1.5%)	47.1%	22.3%	29.2%	7.4%	(6.0%)	100.0%
Costs									
Expenses representing revenue of other segments of the Company	35,668	31,539	-	67,207	75,410	82,507	49,241	(274,365)	-
Other costs	685,293	744,699	(73,715)	1,356,277	918,820	1,082,791	260,414	(2,159)	3,616,143
Total costs	720,961	776,238	(73,715)	1,423,484	994,230	1,165,298	309,655	(276,524)	3,616,143
Operating profit									
Breakdown of Operating profit	708,071	11,473	3,579	723,123	20,851	162,746	29,294	2,159	938,173
	75.5%	1.2%	0.4%	77.1%	2.2%	17.3%	3.1%	0.2%	100.0%
Fixed operating costs	408,513	394,088	-	802,601	478,416	470,801	85,548	(10,439)	1,826,927
Variable operating costs	312,448	382,150	(73,715)	620,883	515,814	694,497	224,107	(266,085)	1,789,216
Total assets as at December 31, 2009	1,926,421	881,276	(72,494)	2,735,203	1,441,332	858,455	188,854	677,785	5,901,629
Minority interest in revenue from external sources	-	4,904	-	4,904	7,565	8,324	-	-	20,793

*including costs not attributed to segments

INVESTMENTS AND ENVIRONMENTAL PROTECTION EXPENSES AT ICL

In 2008, ICL spent approximately USD 100 million on issues related to the environment and environmental protection. Of this amount, ICL invested USD 53 million in property, plant and equipment for the prevention of environmental hazards and approximately USD 47 million as a current expense.

In 2009, ICL spent approximately USD 90 million on initiatives related to the environment and environmental protection, according to the following breakdown by segment.

Company	Investments and expenses in 2009 (USD millions)		
	Investments	Current expenses	Total
ICL Fertilizers	20	15	35
ICL Industrial Products	22.5	17	39.5
ICL Performance Products	2	5	7
Other	0.5	8	8.5
Total	45	45	90

In 2010, ICL expects to spend approximately USD 120 million in these areas, of which approximately USD 70 million will be in investment in property, plant and equipment and approximately USD 50 million as a current expense.

CORPORATE CULTURE

A good corporate culture is based on trust and credibility, fairness, transparency, law enforcement, responsibility mutual respect and excellence. This culture generates values that enable sustainable prosperity and growth.

To provide a stable foundation for ICL's corporate culture, ICL defined and adopted organizational values and a Code of Ethics. ICL strives to integrate and implement them using both internal and external information, guidance, integration and audit mechanisms.

CODE OF ETHICS

In 2005, ICL's Board of Directors adopted a Code of Ethics that sets out desirable and appropriate rules of conduct for the company and its employees. The code is based on the following five fundamental values:

- 1. Observing the law** - we will always work according to the law, instructions, procedures and professional guidelines that apply to our area of work.
- 2. Fairness in business** - we will conduct our business fairly and be fair in our dealings with customers and suppliers.
- 3. Respect for others** - we will treat all people with respect. We will meticulously respect the rights of all employees, in accordance with the employment agreements and the law.
- 4. Proper use and preservation of Company property** - we will protect the Company's assets and information and use them properly.
- 5. Work in accordance with the compliance programs and procedures as a basis for organizational excellence** - we will work according to the Company's procedures and enforcement plans and establish mechanisms to ensure compliance.

This Code of Ethics applies to all ICL employees and managers in Israel, and codes of ethics have also been adopted by ICL Group companies that operate outside Israel. The Code is instilled among ICL staff both inside and outside of Israel through periodic training sessions and other activities.

Ethics committees have been set up at ICL and in its segments with the mandate of implementing the Code of Ethics, both through definition of internal procedures and discussion of ethical dilemmas raised by employees.

The Code of Ethics is the foundation of values upon which the corporate culture is based. It also serves as the framework and main element of the enforcement and implementation programs currently in effect at the Company with respect to securities, restrictive trade practices, safety and hygiene, environmental protection, prevention of sexual harassment and in the initial phases of issues related to labor laws.

In 2009, ICL spent approximately USD 90 million on initiatives related to the environment and environmental protection

AUDIT MECHANISMS

Internal and external audit

ICL operates an Audit Committee on which all of its external Directors serve, and which is chaired by an external Director. In 2009, the Committee held 11 meetings, in addition to the 25 meetings of the Audit Committees of the segments. The Audit Committee is responsible, among other things, for approving the annual and multi-year audit plan, based on a risk survey conducted in Israel and abroad. The Audit Committee oversees the effectiveness of the Company's internal auditor, ensuring that he has the tools, sources and information required to perform his job according to appropriate professional standards. In 2008, the Audit Committee approved a Charter designed to ensure that the Committee fulfills its obligations in accordance with the law, and also performs its duties. The Charter was also designed to regulate the limits of responsibility and authority between the Committee and the segment Committees. In 2006, the Audit Committee and the Board of Directors approved procedures and controls designed to identify, report and approve transactions with interested parties. Once a year, the Committee convenes with the external auditor for a discussion which is not attended by ICL's managers.

The ICL Group has an internal audit system in place to ensure compliance with the law and ICL procedures. The internal auditor is a partner in Deloitte - Brightman Almagor, and employee-employer relations do not exist between him and ICL. The auditor is not an interested party or officer in the Company, or a relative of any interested party or officer in the Company, and is not the Company's external auditor or anyone operating on behalf of the external auditor. Additionally, the external auditor does not serve in any other position with ICL, and does not have material business relations with ICL or any other related corporation.

The internal auditor is given free, constant and unmediated access to the IT systems of ICL and the investee corporations in Israel and abroad. This information includes both financial and other data.

ICL's segments maintain employees whose job it is to perform internal audit functions under the professional guidance of the auditor.

As required by the Sarbanes Oxley Act (SOX), ICL has established a periodic audit mechanism that examines compliance with, and the effectiveness of, the systems used to assure the completeness and accuracy of financial statements. In addition, the Company has appointed an external auditor who conducts a financial audit.

In addition to the auditing mechanisms at the management level, the Company has established another auditing mechanism in the field. As part of their efforts to instill the Code of Ethics at the employee level, the companies operate a hotline.

This hotline allows employees to contact internal auditors and/or those in charge of the Code of Ethics to report any issue or instance they find troubling, whether it involves an improper action or deviation from the provisions of the law, procedures or the Code of Ethics, or any other matter they feel requires attention. ICL has established up a steering committee for this matter, in which the party who represents the segment is the person with ultimate responsibility for the Code of Ethics.

Internal enforcement

ICL has established internal enforcement programs whose purpose is to ensure that Company employees comply with the provisions of the law and Company procedures. Internal enforcement programs have been set up in areas such as restrictive trade/antitrust practices, securities laws, ecology, occupational safety and hygiene, and prevention of sexual harassment. An enforcement program on work laws was recently consolidated and approved. We are currently working on the integration of this program. The enforcement programs are regularly promulgated amongst the managers and employees. ICL also uses external parties to conduct periodic reviews designed to ensure implementation of the programs. A supervisor is appointed for each program, and ICL's Board and the Boards of the segments receive quarterly reports regarding the implementation of the programs in all segments during that quarter.

Identification and approval of transactions with interested parties

ICL has a stringent policy with respect to identifying and approving transactions with interested parties or controlling shareholders, as well as transactions in which interested parties or controlling shareholders have a personal interest. In accordance with ICL's policy, the rules for approving these transactions were made stricter than the requirements for approval stipulated in the provisions of the law. This was done as a precautionary matter and for the sake of proper corporate governance. To ensure the policy's implementation, ICL developed a mechanism to identify transactions with interested parties. According to this mechanism, the officers and controlling shareholders are required to complete a questionnaire each year and specify all organizations in which they have a personal interest and with which a transaction could potentially be tainted due to their personal interest. The list of interested parties collected from the questionnaires is entered into a computerized system and submitted to the ICL controller to update and flag suppliers defined as interested parties. From a certain amount and up, the system issues a warning in real time, before execution of a transaction with a supplier who is an interested party. This allows ICL to ensure that the transaction has been approved in accordance with the provisions of the law and ICL policy. There are currently about 1,000 organizations in the system. The system is updated once a year.

ICL does not contribute money or any other form of donation to politicians and political organizations.

Quality management systems

ICL has implemented and integrated the principles specified by several quality management programs at its different companies, including quality management (ISO 9001), environmental management (ISO 14001), safety and hygiene management (OHSAS 18001), GMP (for pharmaceuticals and food), HACCP, social responsibility management – as well as methodologies for operational excellence such as Six Sigma, improvement teams, risk management and learning from experience. The above is based on the understanding that these systems contribute to improving and streamlining processes and performance and reduce risk.

All the subsidiaries in Israel (aside from Mifalei Tovala) have achieved three certifications: ISO 9001, ISO 14001, and OHSAS 18001. In addition, the vast majority of the Company's abroad are certified by OHSAS 18001 and ISO 14001.

COMPLIANCE WITH LEGAL REQUIREMENTS

ICL's policy is to comply with all provisions of the law, statutes, instructions, regulations, treaties and applicable standards and to strive, to the extent possible and appropriate, to achieve standards beyond compliance.

As a company that operates in the field of chemicals, ICL is required to comply with a series of rules that apply to the entire life cycle of the product, both in the countries in which they are manufactured and in the countries in which they are sold. These include laws to protect employees and the public, manufacturing regulations, classification and labeling prior to transportation, packaging regulations, provision of information (MSDS – material safety data sheets, labels), registration of existing chemicals and chemicals under development in the relevant countries, specific instructions and rules regarding special uses of the substances that ICL manufactures (such as food or cosmetics), environmental protection laws relating to manufacture or use of the product and its environmental impact (air, water, land), and laws regarding the recycling of products at the end of their useful lives (electronic and electrical equipment, plastic, etc.).

Regulatory requirements change over time and usually become stricter. The Company uses the best and most economically viable technologies in order to comply with these requirements.

No legal action whatsoever was brought against ICL for non-competitive behavior in 2009.

Tort claims have been filed by dozens of soldiers and fisherman against the state, city of Haifa and a list of factories, including one of ICL's factories, and other authorities and organizations, alleging that substances emitted into the Kishon River, mainly during the period that the company was state-owned (from the 1950s) caused the plaintiffs different diseases, particularly cancer. Expert testimony on behalf of the defendants is currently being heard.

A request to approve a class action lawsuit was filed against Bromine Compounds for air emissions. On January 11, 2010, the parties informed the court that they decided to begin mediation.

A tort claim was filed by the residents of the Bedouin presence in the area surrounding Ramat Hovav and the residents of Omer against the State of Israel and the Ramat Hovav Industrial Council in respect of diseases they alleged were caused by emissions from the factories. The Ramat Hovav Local Council and the State of Israel submitted third party notifications against several factories in Ramat Hovav and other organizations, including Bromine Compounds.

An indictment was handed down against Bromine Compounds and three of its managers in respect of air emissions in 2004 and who are alleged to have deviated from the terms of the licenses and in violation of the Prevention of Hazards Law. Reading in this case has not yet been scheduled.





Chapter 3

OPPORTUNITIES AND RISKS - Chemical Industry

ICL makes efforts to minimize, monitor and manage the environmental risks involved in its operations. This activity is performed in conjunction with the authorities, employees, suppliers and customers.

ICL manufactures products at facilities on four continents that are marketed to thousands of customers in over 180 countries worldwide. The raw materials used in production are, in part, chemicals that may be hazardous. The production processes require an investment of energy, the production of which involves the combustion of fuels. These processes and some of these products may potentially cause environmental damage, including with respect to waste water, emissions into the air, and waste generated during the course of manufacture. ICL acts methodically and continuously to identify the hazards, and to prevent and minimize them where possible, in production, packaging, transportation, use, recycling and reuse. This is done in cooperation with its customers and with the approval of the authorities.

ICL's policy is to act as a matter of course to identify, develop and implement means for measuring and monitoring environmental impact. In this regard, ICL invests in treatment of effluents and air emissions, waste, transportation, and training of employees, service providers and consumers. ICL companies work in cooperation and coordination with the Ministry of Environmental Protection and with a number of environmental and social organizations.

ICL acts methodically and continuously to identify the hazards surrounding its activities, and to prevent and minimize them where possible



The Ecological Center of Excellence serves as ICL's arm in the performance of actions to manage, minimize and assess environmental risks at ICL companies. As part of this effort, the following is done:

- Instilling the value of environmental protection in the corporate culture among employees and managers
- Following environmental legislation and case law and bringing it to the attention of the relevant company at ICL as well as involvement in drafting environmental legislation by making comments and participating in discussions
- Representing ICL by having the members of the center participate on the environmental committees of the Manufacturers Association
- Implementing an internal enforcement program, including have legal counsel follow and update the program.
- Developing an ecological training program

Additionally, ICL has created a structured process for reviewing, identifying, managing and reducing environmental risks at its companies. For this purpose, the different companies have established an organizational structure for risk management. A manager is appointed for each high-level risk and is responsible for the management and reduction of that risk.

Together with the process of mapping and managing environmental risks, ICL works regularly to identify opportunities in this area. These include ICL's commitment to the Responsible Care program, initiatives to reduce greenhouse gases, and registration of projects in the CDM system (Clean Development Mechanism – a financial mechanism that enable international trade of greenhouse gases in order to help developed countries reach their reduction goals), as will be detailed later in this chapter.

RISKS

Natural disasters

The Company is exposed to natural disasters, such as flooding, earthquakes and others that may cause material damage to its business.

Some of ICL's plants in Israel are located on the African-Syrian rift, a seismically active area.

In recent years, sinkholes and underground cavities have been discovered in the area of the Dead Sea, which could cause harm to the plants.

In one of the Dead Sea evaporation ponds' dikes operated by a subsidiary of ICL Fertilizers, there is seepage of brines from within the pond and cracks have appeared in the dike. As a result, cavities have emerged in the dike and cracks have been found down its length. Under certain conditions, the cavities and/or cracks may endanger the stability of the dike. If the dike is breached, the Company may lose some of the solutions in the large evaporation pond. ICL Fertilizers, based on consultation with international experts in the field, has performed and continues to perform maintenance activities to preserve the stability of the dike and strengthen it, and continuously monitors it to identify the development of failures.

Sinkholes, primarily attributed to the drop in the level of the Dead Sea, are becoming increasingly common around the Dead Sea. Most of the sinkholes develop near the northern basin of the Dead Sea, where ICL Fertilizers does not maintain significant activities. In the area of the evaporation ponds and other places in the areas of Dead Sea Works, large cavities have developed underground. The collapse of the cavities under the dike could cause the dike to burst and the solutions in the pond to be lost. ICL Fertilizers is working to identify the development of these cavities in area of the factory and along the length of the dikes, and to fill them when they are found.

In the area of Sodom, where some of ICL's plants are located, there are occasional flash floods in the stream-beds. Three events of heavy flooding occurred in October 2004, causing property damage and loss of profits.

Some of the risks described above are insured.

Rise in the water Level in Pond 150

As part of the evaporation process, salt precipitates into the bed of Evaporation Pond 150 at the Dead Sea, known as Pool no. 5, at the site of Dead Sea Works of ICL Fertilizers. The precipitated salt creates a layer on the pond bed that is growing by about 20 centimeters each year. The process of production of the raw material requires maintaining a constant volume of solutions in the pond. To achieve this, the level of the solutions in the pond is raised by approximately 20 centimeters a year. As a result, ICL must raise the dikes supporting Pond 150. Given the current height of the dikes, the next increase in height must be completed in 2013.

The hotels of Ein Bokek and Zohar Hot Springs, the town of Neve Zohar and other facilities and infrastructures are located on the western shore of this pond. Raising the water level of the pond above a certain level may cause



structural damage to the foundations and the hotel buildings located near the water's edge, to the town of Neve Zohar and other infrastructures on the western shoreline of the pond, depending on the height to which the water level is raised and the location of the relevant object.

The situation described above requires the establishment of protective measures for the relevant objects. Such measures are divided into two stages. The first stage is referred to as "temporary defenses", which will be aimed at providing protection until a permanent solution is implemented. The second stage is that of a "permanent solution" which will be aimed at providing protection until the end of ICL's current concession period (i.e. until 2030).

Temporary defenses: Temporary defenses have been implemented for several years now, as part of which a dike has been positioned along the western shore of the pond, near the relevant hotel, along with, in some places, a system to lower the level of groundwater. These protective dikes must be elevated as part of the raising of the dikes that delimit Pond 150. Additional protective measures are also being examined for Pond 150, including the construction of a system for one-time harvesting, construction of breakwaters and more.

Permanent solution: The State is examining three alternative permanent solutions. These include: 1) the harvesting alternative, which is based on harvesting the salt from the pond bed in order to keep the pond level constant; 2) the lagoon alternative, which is based on the construction of another dike within the pond to separate the area close to the hotels (from which the precipitating salt would be harvested, keeping the water level constant) from the rest of the pond in which the water level would continue to rise each year; and 3) moving the hotels.

It is assumed that the permanent solution will not be complete before 2015. Since the existing interim measures do not provide working solutions through this date, additional interim defenses will need to be established until the permanent solution will be complete. There is no certainty that the construction of said defenses will be complete on the dates required by the height of the water level of the pond, as there may be delays due, inter alia, to the need to obtain permits required by law (subject to complex and lengthy proceedings) and for other reasons. A delay in the construction of interim defenses may lead to significant damage to hotels and/or Dead Sea Works.

The issue of protective measures (both temporary defenses and those that are part of the permanent solution) is being handled by the government, which has declared the defenses to be a project of national importance. In order to promote the project, the State set up a new government company in 2008 called The Dead Sea Preservation Government Company. According to the State's publications, sums have been allocated to the execution of additional interim defenses, and for feasibility studies that will lead to a permanent solution.



A decision has not yet been made as to which of these alternatives will be implemented. The feasibility studies will serve as the basis for final decisions.

Dead Sea level and sea canal

The water level of the Dead Sea (its northern basin) drops by about one meter each year. The decreasing water level is accompanied by a shrinking of the sea area and side effects such as the development of sinkholes, underground cavities and deepening of the river courses that flow to the Dead Sea. Maintaining the current depth and surface of the water would require an additional inflow of more than 700 million cubic meters a year.

In 2003, the Israeli government decided to evaluate a number of alternatives for the future of the Dead Sea, including a sea canal from the Mediterranean Sea to the Dead Sea, a sea canal from the Red Sea to the Dead Sea, and restoring potable water inflow by returning a significant portion of the natural water sources. The government also decided to check the default option - on the assumption that the current situation would persist.

At a later stage, the Jordanian government initiated the evaluation of the alternative of a canal from the Red Sea to the Dead Sea. Its pilot project is being financed by the World Bank which prepared a document to define the tests to be performed before a decision can be made. The pilot project is being led by a steering committee with members from Jordan, the Palestinian Authority, Israel and the World Bank.

In 2008, two international companies were chosen to conduct a feasibility study of the sea canal. The study will last approximately two years, and an affirmative decision regarding the project will require the consent of all of project members (Israel, Jordan and the Palestinian Authority).

An inflow of water from the Mediterranean Sea or the Red Sea would affect the composition of the water in the Dead Sea and the level of evaporation, and therefore the quantity of raw materials that can be produced in the Dead Sea Works' evaporation ponds.

Bringing water from the Red Sea or the Mediterranean Sea could cause a layer of light, low-mineral water to float on the upper level of the sea, as well as the creation of gypsum and the development of microorganisms.

The magnitude of the potential influence of this action depends on a number of variables, such as the point of discharge into the sea, type of water that would be brought into the Dead Sea, the annual amount of water brought in, the future water level, and the rate of precipitation of gypsum and growth of microorganisms. Today, before these effects have been examined scientifically and the planning decisions made, it is difficult to determine the impact of that the Sea Canal will make on production in the evaporation ponds, or any other environmental impact that it will have in the Dead Sea area.

Limits on cadmium in phosphate fertilizers

The phosphate rock mined by ICL contains various concentrations of cadmium. Cadmium is considered to be harmful to the environment.

For some time, the European Union has been conducting a series of public hearings prior to deciding to enact regulations limiting the maximum

concentration of cadmium permitted in phosphate fertilizers within its member countries. According to a draft of these regulations, published as part of the hearing proceedings, the regulations would come into effect gradually over a period of five to 15 years after being approved.

Most of the countries that buy phosphate fertilizers from ICL do not currently limit the amount of cadmium in fertilizers, although a number of European countries have already imposed limits on cadmium in fertilizers. The cadmium content in some of ICL's fertilizer products currently exceeds these cadmium limits. ICL Fertilizers intends to modify its use of raw materials in fertilizer production to achieve concentrations that will comply with the levels permitted in the proposed European Union regulations.

LEGISLATION FOR SAFE CHEMISTRY - REACH

Interest in ensuring the production of chemical products that are safe for humans and the environment has gained momentum in recent years in Europe and the USA. The legislation on this matter is expanding and one of the most comprehensive laws in this field is the European Union's REACH regulation.

The European Union regulation concerning the Registration, Evaluation, Authorization and restriction of Chemical substances (REACH) entered into effect on June 1, 2007. The aims of the law are to improve protection of human health and the environment from the risk of chemicals and to enhance the competitiveness of the EU chemicals industry.

The legislation applies to both existing and new chemicals in the market. Under REACH, chemical manufacturers in the European Union and importers of substances into the European Union, including chemicals in a mixture or, in certain cases, finished products as well, will be required to submit detailed information about each substance that falls under the law and which is manufactured in the European Union or imported into the EU in quantities of one ton per year or more.

REACH is being implemented gradually from 2008-2018, and is overseen by the European Chemicals Agency (ECHA), located in Helsinki.

During the pre-registration stage, which ended at the end of 2008, ICL registered 736 products. In 2010, ICL plans to register 73 substances.



REACH will have implications for some ICL companies that manufacture within the European Union and export to it. Implementation of REACH will impose additional costs on ICL in the field of licensing, control and implementation of product stewardship programs with customers, and may increase the prices of raw materials. REACH may also bring about a reduction in usage of products or removal of certain products from the European market. It is reasonable to assume that certain products and compounds will require investment in additional research and in the development of alternative products due to the need to remove certain components from use in the European market.

ICL is committed to allocating the resources required to implement this important environmental regulation. All of the relevant companies are prepared to implement the provisions of this regulation.

CLIMATE CHANGE AND GLOBAL WARMING

The contribution of human activity to global warming is known and accepted by the vast majority of scientists and governments. Human activity causes emission of greenhouse gases - various gases that prevent the escape of the heat in the Earth back into space. Greenhouse gases lead to an increase in the average temperature of the Earth and the implications of this can be seen in climate change and extreme climate phenomena.

Tremendous effort is being invested in attempts to minimize the emission of greenhouse gases from human activity, including treaties and international commitments, local regulation and voluntary action.

ICL strives to be among the leaders in Israel in reducing emissions in general and greenhouse gases (GHG) in particular. The Company's activity in this regard is carried out at two levels: through the reduction of emissions in production processes, such as the transition to using natural gas, and through the development of new products that contribute to the reduction of emissions among users of those products.

In accordance with this policy, the Company has begun conducting an overall review of its carbon balance and preparing for possible measurement of the carbon footprint of its main products. A pilot mapping of the carbon footprint has already been conducted for five leading products. The pilot has been expanded to 12 additional products and is expected to be completed in the coming months. As part of this process, the carbon footprint will also be taken into consideration when purchasing raw materials, entering into agreements with suppliers and in merger and acquisition activity.



As part of these efforts, projects are currently being undertaken to reduce greenhouse gas emissions at the different companies:

- **Transition to natural gas** - At the end of 2009, ICL's power station at its Dead Sea Works began a gradual process of switching over to natural gas instead of fuel oil. The transition to natural gas allows the Company to stop most of its use of fuel oil and diesel fuel at ICL's facilities, thus enabling the reduction of associated emissions. As a result of this step, a 25% reduction of particles emission is expected as well as a reduction of 65% - 75% in the emission of sulfuric acid. The transition to natural gas is also expected to reduce the emission of CO₂, leading to a major improvement in ICL's carbon footprint.

ICL is working to reduce emissions, in general, and greenhouse gases, in particular, by reducing emissions in its production processes and through the development of new products that contribute to reduced emissions

Similarly, ICL's Periclase, Rotem Amfert Negev, at Mishor Rotem and Bromine Compounds operations at Ramat Hovav are in the advanced stages of implementing a project to convert production facilities from heavy fuels (fuel oil and naphtha) to natural gas. The conversion should take place in 2010.

These activities, to be performed by the end of 2010, are expected to reduce the Company's carbon dioxide emissions by approximately 150 thousand tons per year.

- **Reduction of emissions** - ICL fertilizers and chemical companies operate a nitric acid facility which emits a small amount of nitrous oxide (N2O). Nitrous oxide is not considered a health contaminant, but is included among greenhouse gases. Since the end of November 2007, an innovative system has been deployed to reduce the nitrous oxide emissions by about 80%. At this stage, the actual reduction achieved has reached 60%, and the Company is continuing its efforts to improve the performance of the system by supporting the developer of the technology, Johnson Matthey. The reduction achieved to date is equivalent to the prevention of emission of approximately 80,000 tons of carbon dioxide. The project was approved by the Clean Development Mechanism Executive Board of the United Nations Framework Convention on Climate Change (CDMEB - UNFCC) with the backing of Israel's National Committee for Clean Development. This process enables the Company to use the Clean Development Mechanism (CDM), making it possible to trade in Carbon Credits.

- **Use of CO2** - a facility for the production of CO2 was built at the Periclase plant. This facility uses the CO2 that would otherwise have been emitted into the air in the hydrochloric acid neutralization process, significantly reducing its carbon emissions.

- **Changes in the manufacturing process** - The process of producing magnesium requires strict control of the environmental conditions in which it is performed. Magnesium, when melted, ignites if it comes into contact with oxygen in the air, and the quality of the product is impaired. For this reason, it is common practice in the industry to "protect" the magnesium by using gases that prevent its exposure to oxygen. Different gases can be used in this process, some of which have health and environmental effects. The gas used successfully by the magnesium industry around the world is known as SF6. As awareness of the need for environmental protection grew, it came to light that this gas is a greenhouse gas with a significant greenhouse potential - 23,900 CO2e.

Dead Sea Magnesium decided to replace this gas with HFC134a, which has less of an impact on the environment, while using the UN's Clean Development Mechanism (CDM). This mechanism enables trading of approvals of reduction of greenhouse gases (Carbon Credits). The project to replace the gases began in 2009, underwent validation during the course of 2009, and in January 2010 underwent verification to ensure that replacement was indeed done and that the measurement of the reduction was properly carried out.

The following table shows the comparison between the emission of greenhouse gases from use of the two gases according to UN-approved methodology:

Type of gas	Annual consumption (ton)	Emission in CO2 equivalent (ton)
SF6	27.4	294,000
HFC134a	17.0	20,000

Thus, as a result of this project, there are 274,000 tons less of CO2e emissions per year.

RESPONSIBLE CARE

In October 2008, ICL's CEO signed a commitment to the principles of the Responsible Care Global Charter, a document developed in 2006 by the International Council of Chemical Associations. It is a statement of principles for the activities of the global chemical industry in the coming years.

Responsible Care is the global chemical industry's flagship program for chemical management. The program is run by the ICCA – the International Council for Chemicals Associations, in which organizations from 53 countries around the world are members, including the Israeli Manufacturers' Association.

The Responsible Care Program strives for continuous improvement in the chemicals industry, compliance with the provisions of the law and standards. Beyond that, it seeks to promote volunteer initiatives to realize these principles together with government, public and other stakeholders in order to promote the program and conduct activities to create security and public trust in the chemicals industry.

ICL was the first Israeli company to commit to the principles of the Responsible Care Global Charter



Responsible Care[®]
OUR COMMITMENT TO SUSTAINABILITY

Within this program, ICL has committed to the Responsible Care Global Charter, a statement of principles for the activities of the global chemicals industry in the coming years defined by the heads of the global chemical industry. These principles include: product stewardship, responsibility for environmental risk management along the supply chain, increased transparency along the supply chain, contribution to sustainable development, increased dialogue with stakeholders, deployment of a management system with external controls, and more.

Cornerstones of Responsible Care at ICL:



Product Stewardship is practiced in the management of all phases of the product lifecycle, from product development until the end of the product life cycle:

During product development: Complying with regulations, identifying potential risks, designing for minimum waste

When purchasing raw materials: Testing, assessing and managing potential risks

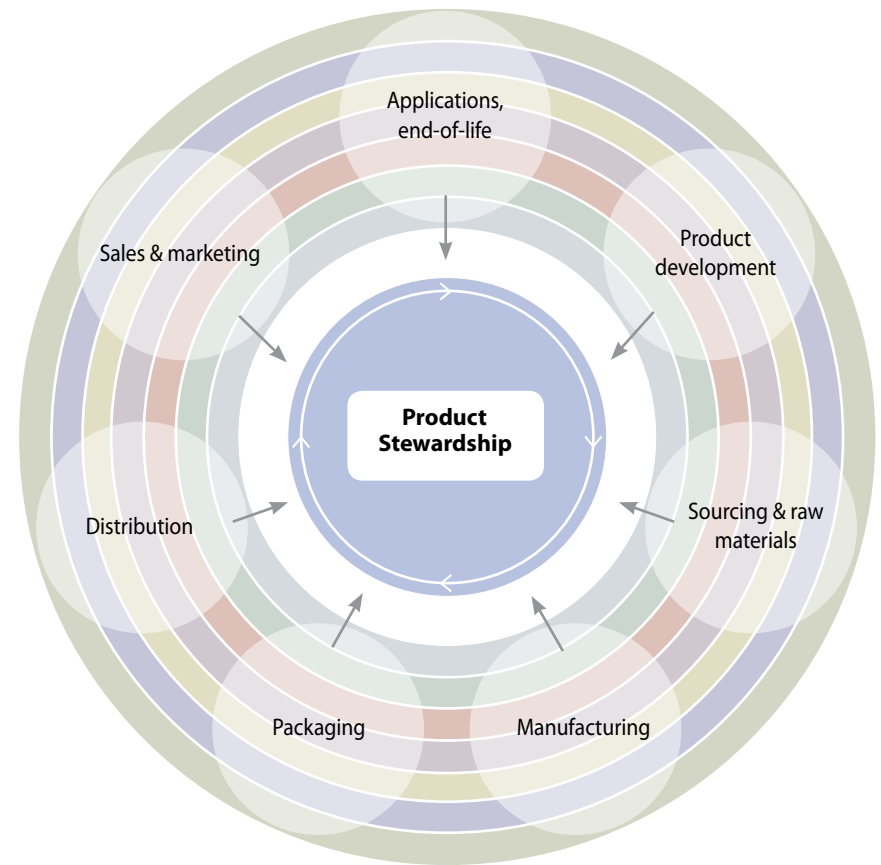
During production: Zero accident policy, integrating management systems such as ISO, risk assessment, and contingency plans for emergencies

During packaging: Proper labeling, complying with legal requirements, adopting customer requirements

During distribution: Training programs, risk assessment, separation of hazardous materials, HACCP audits

During marketing and sales: Information guides on products, customer safety training, technical support, applications

At end of life: Reuse, recycling, reclaiming energy



In 2009, several ICL companies began adopting the principles of product stewardship and examining all products according to stewardship concepts. For example, at Dead Sea Works, this process is being carried out with an emphasis on bulk potash; at Bromine for a series of bromine products; and at Rotem Amfert, for green acid and white acid.

ICL's commitment to Sustainable Development is shaped by its strict interpretation of Responsible Care, the global chemical industry's flagship program for chemical management, and by product stewardship principles



Chapter 4

PRODUCTS & RESPONSIBILITY - Along The Value Chain

THE CORPORATION'S PRODUCTS

The following is a list of ICL's main products, by segment:

ICL Fertilizers

Potash

- Standard, compacted & fine
- Red & white, from 3 sources

Phosphates

- Phosphate rock
- Phosphoric acid

Fertilizers

- Phosphate fertilizers
- Compound fertilizers
- Liquid fertilizers
- Soluble fertilizers
- Animal feed additives

ICL Industrial Products

Flame Retardants

- Bromine, phosphorus and magnesium-based

Elemental Bromine

Other Chemicals

- Organic and inorganic Bromine compounds
- Bromine and chlorine-based biocides for water treatment
- Phosphorus-based functional liquids
- Chemicals for sterilizing land
- Magnesia products
- Calcium products

ICL Performance Products

Specialty Phosphates

- Phosphoric acid, at food, technical and electronic quality
- Phosphate salts
- Food additives
- Chemicals and services for treating water and paper

Other Products

- Based on Phosphorous, phosphate, alumina and other chemicals



Potash, phosphorus and nitrogen (K, P and N) are the three major nutrients required for plant growth. Potash and phosphorus do not have artificial substitutes. Each of the three nutrients plays a specific role in the development of the plant and are naturally present in the soil at various concentrations. The use of the soil for agriculture depletes these nutrients from the soil. Therefore, this shortage must be replenished from external sources through the use of fertilizers.

Potash is a plant's primary source of potassium, while phosphate is the primary source of phosphorus.

Potassium and phosphorus are vital for a plant's physiological processes, including strengthening cereal stalks, stimulating root development, leaf and fruit health, and accelerating the growth rate of crops. Without these elements, crops cannot achieve their full growth potential.

There is a correlation between the agricultural area available for cultivation coupled with the amount of food required for the population on the one hand, and the need to use fertilizers on the other. The smaller the agricultural area available for cultivation and the larger the world population, the greater the need for food production from a smaller area – that is, the more crops that must be cultivated per given area. This intensification of agriculture requires the use of fertilizers.

Worldwide population growth and the urbanization process are reducing the amount of agricultural land per capita, which in turn is leading to an increase in the demand for fertilizers. Furthermore, the rise in the standard of living and consequent changes in nutritional habits lead to an increase in the consumption of meat, particularly in developing countries. The amount of fertilizers required per nutritional unit of meat is higher than that required per nutritional unit from plant sources. As a result, use of fertilizers continues to grow.

Flame retardants are substances that provide greater resistance to fire. They are designed to protect by delaying the spread of fire 15-fold compared to the time it takes to spread without flame retardants. This extra time allows people to escape and prevents large-scale damage.

These substances are incorporated into a wide variety of home products, particularly in electronics (such as the plastic components of televisions, connectors, printed circuits, air conditioners, computers, etc.). They are also used in the construction industry (i.e. in insulation), the motor vehicle industry and the textile industry (carpets, upholstery, etc.).

The most efficient flame retardants are bromine based and they comprise about 40% of the flame retardant market. One of ICL's series of customized flame retardants suitable for different types of plastic was developed together with its customers and uses environmentally-friendly substances.

This is important, because most flame retardants based on bromine compounds break down when the temperature rises during a fire and emit substances that react with the particles necessary for continued burning that are present in the gaseous area above the burning material. These flame retardant substances thus control the fire.

Soil and space fumigation products (primarily methyl bromide) are used for soil fumigation and work primarily against nematodes (microscopic worms) and soil fungus that damage plant roots. Methyl bromide is also used in space fumigation against infestations that damage stored produce, primarily in dry agricultural produce. Since 1995, limitations have been imposed on the use of methyl bromide (which is suspected of damaging the ozone layer) and the quantities used for soil fumigation are decreasing. ICL Industrial Products plans to remain active in the field of soil fumigation products by offering a new product that is currently being developed. In addition, ICL Industrial Products will continue to use methyl bromide for other applications where production and sales quantities are not limited, as well as for "critical uses" in soil fumigation as determined from time to time.

In 2008, ICL launched **Merquel™**, a new product line designed to reduce mercury emissions at facilities powered by coal, such as power stations and cement factories. The new line of products, based on inorganic bromides, is designed for use with dedicated technologies developed in recent years around the world to reduce mercury emissions. Mercury-free technologies implemented with the new line of products are an especially effective solution for preventing mercury pollution, as they do not impact the existing burning process and systems and do not create secondary pollution.

The smaller the agricultural area available for cultivation and the greater the world's population, the more the need to increase food production from a smaller area. This situation necessitate processes. Without these fundamentals, crops cannot achieve their full growth potential

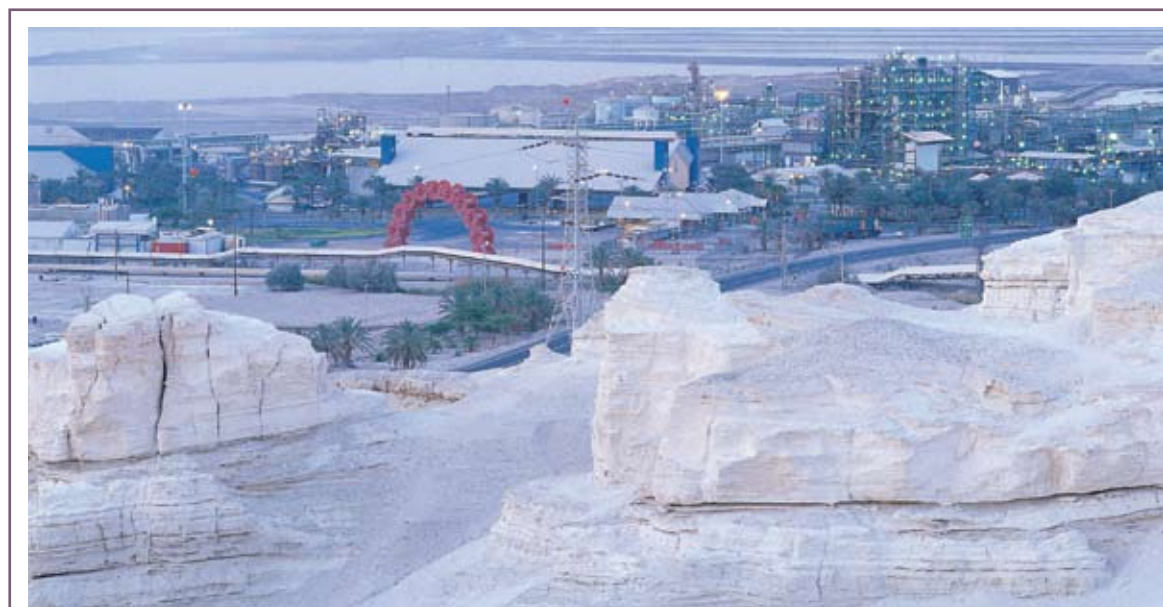


Chlorine-and bromine-based biocides for water treatment are primarily used for various types of water treatment. Use of these products has grown annually, driven by increased pollution of worldwide water sources and the adoption of environmental regulations for purifying and disinfecting sewage. Chlorine-and bromine-based biocides produced by ICL Industrial Products are used in swimming pool and spa water treatment, cooling towers, paper production systems (patented), the cleaning and sanitizing markets, and for disinfecting drinking water.

Special and roasted magnesia products are used by various industries, mainly for steel-transformer and rubber industries, and as mineral additives to pharmaceutical and food products.

Salts based on chlorine from the Dead Sea include mainly magnesium chloride (flakes and pellets) used for de-icing roads and dust control on dirt roads. The product is also used in the textile and cosmetics industries. ICL Industrial Products also manufactures a wide range of types of sodium chloride used for food, as salt for water softening, electrolysis for the electrochemical industry, de-icing roads and other purposes. Another product is pure potash, a type of high-quality potash used for metal coating processes and in the food and pharmaceutical industries.

Magnesium is a metal that is considered one of the lightest structural metals in existence. The metal is mainly used in the aluminum industry, where the metal is used as a principal alloy in the manufacture of aluminum; the steel production industry, where the metal is used as a powerful aid for removing sulfur from steel (desulfurization); and the magnesium alloy foundry industry, chiefly for the production of parts for the motor vehicle industry. One of the reasons for the use of magnesium in the motor vehicle industry is its commitment to reduce air pollution.



In 2008, ICL launched Merquel™, a new product line designed to reduce mercury emissions at facilities powered by coal, such as power stations and cement factories

RESPONSIBILITY IN THE VALUE CHAIN

ICL promotes compliance with required standards, while striving to use the best available technology and economic measures (BAT), and, where technologically and economically feasible to go beyond compliance. The directive from the Board of Directors and management to the companies is that any activity that deviates from the relevant standards and that cannot be solved to the satisfaction of the authorities will be closed down. In addition, the Company promotes full compliance with environmental, safety and occupational hygiene standards in the Group's plants in Israel and around the world. Master plans are in place for the reduction of emissions into the environment during production and compliance with standards, including emissions from non-specific sources.

To implement these principles, development of new products and new production lines are promoted and approved, taking into account their impact on humans and the environment throughout the product's life cycle. Research and development are designed to take into account all stages of production, storage, transportation, use and disposal at the end of the product's life. As a rule, preference will be given to products whose production processes create biodegradable effluents, along with the implementation of policies for reducing effluent quantities. In the production processes, use is made, where possible, of environmentally-friendly solvents. Likewise, environmental considerations will be taken into account such as savings of energy and water. To implement these principles, the Company created a sustainability index for the development of sustainable products and improvement of existing products.

ICL has formulated product development processes and processes in general to reduce the risks to humans and the environment, including risk surveys for the implementation of a process policy to reduce environmental impact. This is done to ensure compliance with the values stipulated by law and, to the extent technologically and economically possible, to go beyond compliance.

Additionally, ICL promotes conservation of natural resources, planned reduction of greenhouse gases from its factories and energy savings, while encouraging and investing resources in reducing the use of energy and other natural resources.

To this end, ICL promotes, inter alia, the following:

- Transition to the use of natural gas as a source of energy where possible.
- Responsible use of natural resources, including conservation of water and recycling of process water for other production processes, pumping brine back into the Dead Sea, responsible use of land resources, restoration of river beds, restoration and preservation of mining and quarrying areas, and returning them to the State at the end of operations for the land zoning determined by the State, and in accordance with the relevant statutes.
- Reduction of the amount of waste and by-products from production processes in order to bring about maximum restoration of resources and inputs used; also the use of advanced recycling technologies such as catalytic recycling etc., reuse of water, recycling and reuse of raw materials and waste, use of by-products as raw materials in other production processes and proper treatment of waste.
- Reduction at source of the amount of waste generated by ICL companies as well as increased recycling of recyclable waste, including paper, cardboard, wood, beverage containers, rubber, metals, oils, batteries, printer heads, computer equipment, iron, plastic, glass, and more.
- Ongoing cooperation with manufacturers, suppliers, research institutes, customers and other users in the development and implementation of methods for the safe manufacture and use of products, while reducing and preventing harm to users and the environment.
- Safe transportation – selecting responsible carriers and training them, use of emergency systems to handle transportation failures, strict compliance with safe and standardized packaging and strict compliance with proper and adequate transportation measures.

As an example of implementation of these principles, at the end of 2009, the Industrial Products segment committed to the US EPA to gradually stop exporting Decabromodiphenyl ether (DecaBDE) into the USA. This step was taken as part of a voluntary initiative as a result of a dialogue between the leading manufacturers and importers of the substance and the US EPA. Although ICL believes that the substance, which was used for many years as a flame retardant, is safe for use, it joined this initiative voluntarily, and has since developed non-brominated alternatives.

ICL has formulated product development processes and other processes to reduce the risks to humans and the environment, including risk assessments to reduce environmental impact



VECAP - ICL Industrial Products

The Voluntary Emissions Control Action Programme - VECAP, is a voluntary action program to manage and reduce the presence of flame retardants into the environment. ICL has voluntarily adopted the principles of the program. As part of this effort, ICL Industrial Products has secured commitments from its relevant customers to abide by the principles of the program, primarily small and medium-sized enterprises from the plastics and textile industries who are involved in the plastics industrial supply chain. According to this program, the customer who uses the flame retardant in the production of end products reviews its production processes, quantifies the loss of the material using a mass balance, diagnoses the reason for the loss (into the atmosphere, water, etc.), and prepares a plan to prevent emissions into the environment. The manufacturers of flame retardants who are partners in the program train customers on the optimal courses of action and support customers by supplying information and professional guidance. The flame retardant manufacturers have also hired independent professionals to conduct tests for customers and receive regular reports activities for improvement and their results.

Among other things, in 2009 the program achieved the following:

- Approximately 70 sites of ICL Industrial Products customers joined VECAP in Europe (between 80% to 95% of total sales volume)
- Significant reduction of emissions into the environment as a result of applying VECAP guidelines:

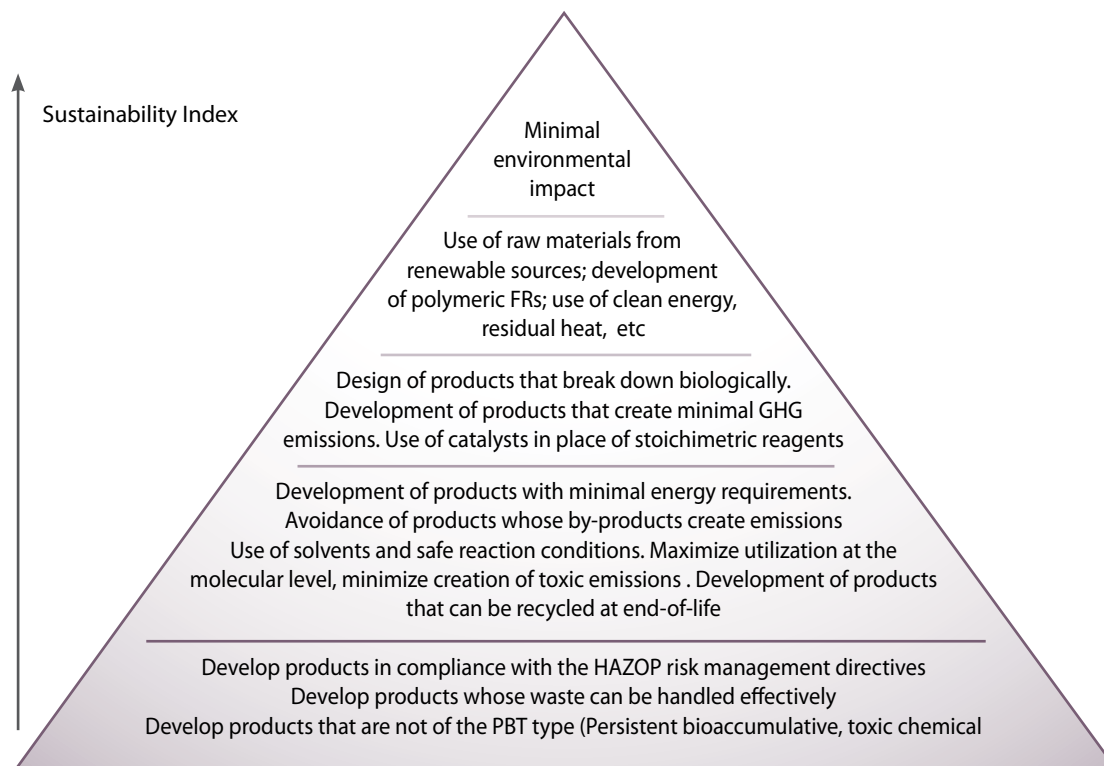
Total Emissions g/ton sold	2008	2009
Deca	600	175
HBCD	200	30
TBBA	200	60

GREEN INDEX FOR PRODUCTS IN DEVELOPMENT

ICL is currently in the process of developing a "green index" methodology through which it will establish guidelines for product development. The following are some of its guiding principles:

- A product will not be developed if it is persistent, biocummulative and toxic, or if it has the potential to be ozone depleting.
- Products whose raw material is classified as carcinogenic, mutagenic or having an effect on the reproductive system will be discussed separately.
- When developing solid products, it is advisable to prevent dust to the extent possible.
- To calculate the green index, parameters such as solvents, raw materials, energy, waste, carbon footprint and the like will be used.

The hierarchy in development of new products according to the "green index" will be as follows:



ICL has voluntarily adopted the principles of VECAP - the Voluntary Emissions Control Action Program - a responsible chemical management program aimed at increase awareness of chemical handling processes throughout the value chain



Chapter 5

ENVIRONMENTAL ASPECTS

The chemical industry, of which ICL is a part, is an essential industry for modern life as we know it. The uses of the products ICL manufactures are numerous and diverse and are part of many other industries, including agriculture, food, pharmaceuticals, electronics, cosmetics, motor vehicles and more. However, the activity of the chemical industry is intensive, which has various influences on the environment.

INDICATORS

The global economic crisis at the end of 2008 led to a slowdown of the global economy, a decline in the prices of agricultural commodities and a decline in demand for fertilizers and in fertilizer prices. The negative trend that characterized the fertilizer market in the fourth quarter of 2008 continued into the first quarter of 2009, and then intensified. Towards the end of 2009, the global economy began to improve, leading to the return of customers to the fertilizer market.

As a result, production at ICL facilities declined. However, some facilities require a minimum level of resources at any level of production. Therefore, in some cases, we can see a decline in the performance per unit output in those years.

The chemical industry, of which ICL is a part, is an essential element of modern life. ICL manufactures thousands of products that are used by numerous industries, and its activities, like the entire chemical industry, impact the environment in a variety of ways

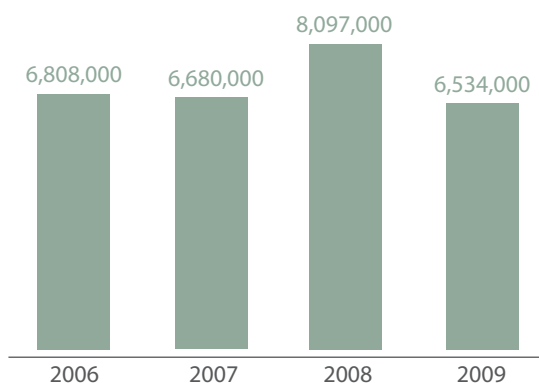


RAW MATERIALS

ICL uses various natural resources as raw materials. Two main sources that ICL uses in its products are the phosphate mines in the Negev and the evaporation ponds near the Dead Sea.

Phosphate mines - Phosphate rock is mined at the Company's sites in the Negev Desert: Rotem, Zin and Oron. The rock is transported from the mines to the enrichment facilities, where the enrichment processes are applied to remove the phosphorus-poor components from the rock. The phosphate rock is used as the primary raw material in the production of phosphorus-based acids and fertilizers.

Rotem-Amfert - tons of phosphates mined



ICL Fertilizers restores the mining sites during and after its mining of phosphate. At the Zin, Oron and Mishor Rotem mining sites, the Phosphate Mines Restoration Fund provides financing for the final restoration of the mines (funded in full by Rotem Amfert Negev), while the initial restoration of the landscape is done at the expense of ICL Fertilizers as an integral part of the mining operations. Financing for the restoration of the quarry sites in Sodom is provided by the Dead Sea Sites Restoration Fund, which is financed by Dead Sea Works.

Mining Wadi Material – For its ongoing activities, the DSW requires wadi material and clay, which are extracted from three authorized mining sites within the concession area – the sites are located in the Heimar River, to the south (Zin site) and west of the magnesium site (the clay site). In addition,

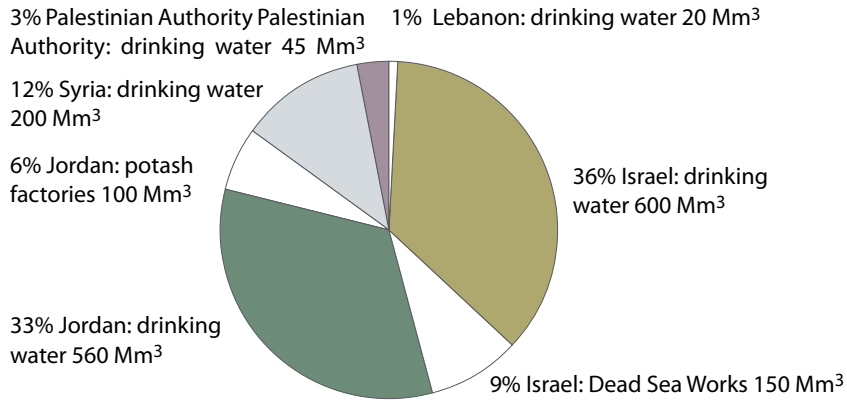
the Company has come to an agreement with Kibbutz Ein Gedi, according to which it is permitted to use the wadi material on the site north of the Tze'elim River, intended for planting an orchard. This agreement is subject to approval by the Israel Land Administration.

Dead Sea – the Dead Sea is located on the Israel-Jordan border and is the lowest elevation on the Earth's surface on dry land and the second most saline body of water in the world. The water level of the Dead Sea (its northern basin) drops by about one meter a year. The drop in the water level of the sea is accompanied by a shrinking of the sea area and various side effects, such as the development of sinkholes, underground cavities and deepening of the river courses that flow to the Dead Sea. ICL is aware of the fact that the production of the sea salts by its factories also contributes to lowering the water level of the northern basin. However, it is important to note that the drop in the water level is primarily due to the policies of the Jordanian, Syrian and Israeli governments, who take advantage of the water resources in the Dead Sea contributory catchment.

In fact, growth in population and water consumption have led to widespread use of the water sources that feed the Dead Sea. For thousands of years prior to human intervention, a balance of water was maintained, in which the amount of water that evaporated was equal to the amount that flowed into it from multi-seasonal streams, flash floods in the wadis and from springs that drain groundwater.

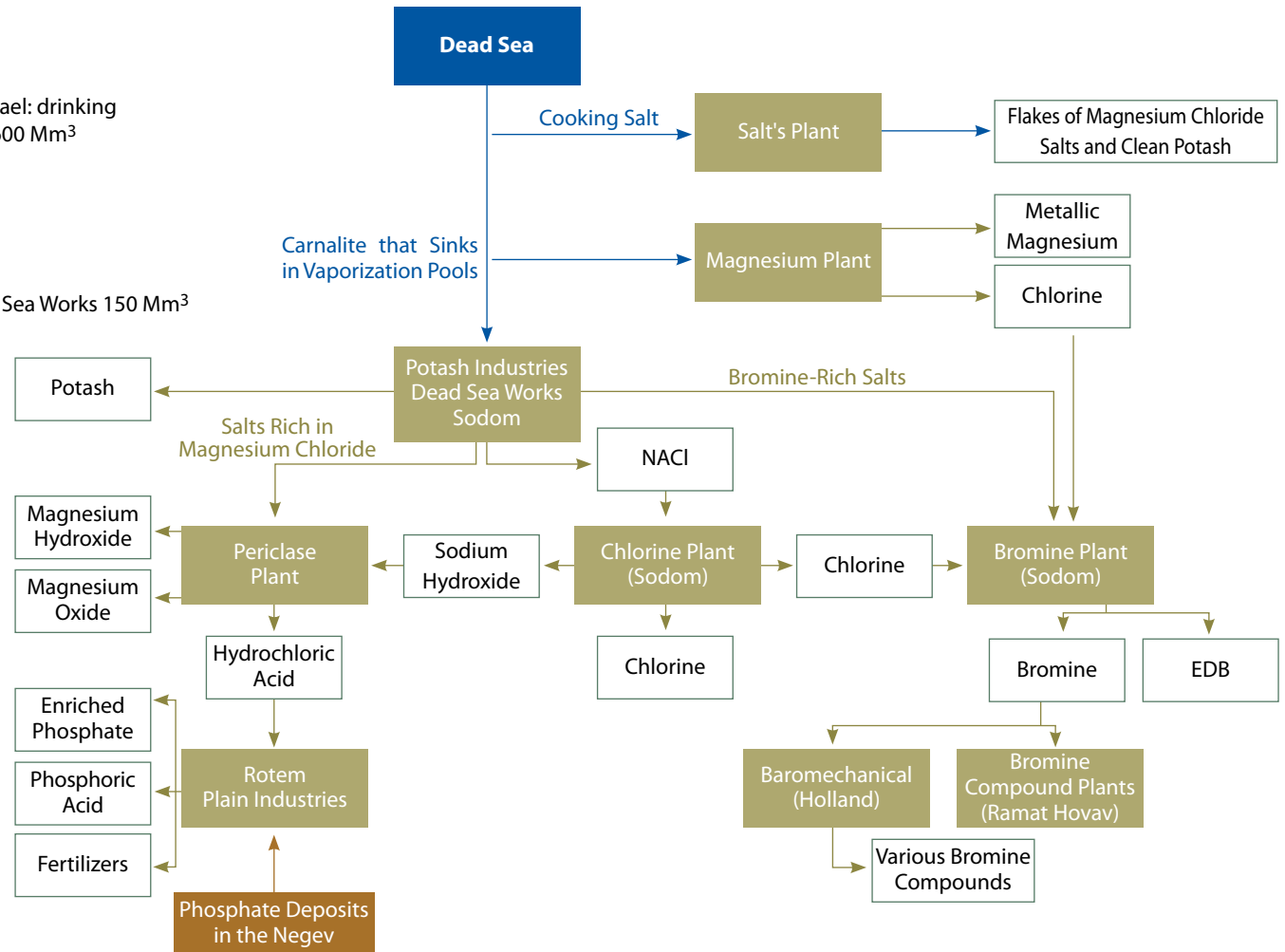
Over the past forty years, this balance has been disrupted. To meet the ever-growing demand for sweet water, massive national investment was made in projects to use water, such as the construction of the Degania Dam, the national water carrier and other projects, including diversion of the Yarmouk River, the King Abdullah Canal, damming the Arnon River, etc. Large amounts of water from the Jordan's upper sources and groundwater were diverted for home, agricultural and industrial use. The peace treaty with Jordan exacted an additional price, namely tens of millions of cubic meters of water per year diverted to Jordan. As a result, the flow of water from the Jordan River to the Dead Sea has virtually stopped, and this is the main reason for the drop in the Dead Sea's water level.

About 1,675 million m³ of water are removed from the Dead Sea each year, as illustrated here:



* Based on data from: Dead Sea Policy document, Ministry of Environmental Protection and Jerusalem Institute for Israel Studies, 2006

Raw materials, factories and products - flow chart



CONSERVATION AND RESTORATION OF NATURAL RESOURCES AND HABITATS

ICL attaches great importance to conserving and restoring, when needed, the natural environment in which it operates.

A significant portion of the operations of Dead Sea Works and Rotem Amfert are conducted in open spaces and habitats. In recent years, both of these companies have been jointly addressing the issue of conservation and restoration of habitats and the diversity of species.

Last year, for example, Dead Sea Works, in cooperation with the Israel Nature and Parks Authority, conducted a detailed design for plans to restore landscape and eliminating ecological hazards in the southern Dead Sea region. This work was initiated following a survey that identified landscape and environmental hazards. It includes identification of a number of hazards together with instructions on how to address them and to carry out restoration activities. The project identified four types of hazards:

Ecological hazards – cause harm to wildlife and plant habitats

Geomorphologic hazards - change the physical characteristics of the area (such as change in the flow regime)

Environmental hazards – represent a possible source of pollution

Landscape hazards – create aesthetic damage to the surroundings

Based on the detailed design, work plans are now being drawn up for future activities. The ecological restoration includes attempts to restore habitats so that wildlife and plants will return and renew nesting sites, burrows, etc.

Mining and Landscape Restoration

Raw materials are mined in areas where the company has concessions from the Ministry of Infrastructures. The mining and restoration plans are submitted for approval of the Ministry of the Interior's District Committee.

In recent years, awareness of the importance of landscape restoration during mining has increased. To minimize harm to the landscape, every mining plan includes an advance plan for landscape restoration. The restoration is performed during and after mining. The plan for mining and restoration is carried out with the help of the world's most advanced software in the field of engineering design to allow, among other things, simulation of each phase.

Photo: Yoram Spierer,
Birds&Wildlife Photography
www.shpirery.com

The base design includes the following:

- Confining mining activity to the smallest area required: design of the physical extent of the pit, keeping the area free of secondary substances and restricting access paths to a minimal area. In areas with a very high level of scenic value (such as near river banks and/or hiking trails), sometimes part of the deposit is foregone so that the scenery facing the hiker is left untouched.
- Reducing the scope of the breached area at any given time by dividing the mining area into small mining blocs and planning the direction in which to advance the mining and disposal of secondary substances to the extent possible.
- Restoration is to be as similar as possible to the original topography. This activity is defined at the outset of the mining plan. The topography restoration is carried out during the mining and when complete, including reestablishing the arrangement of flow channels.
- To the extent possible, restoration of the original texture of the surface. This is done by returning the top soil, which is saved for this purpose. This layer, which includes sun-scorched rocks, nutrients and sustainable seeds of local flora, is distributed back over the surface in the final stages of arrangement to bring the surface back to its natural shade and texture. As a final step, after distributing the top soil, the surface is compacted, pitted or mixed.
- Arrangement of previously mined surfaces: the company restores surfaces that were mined and not restored in the past.

At the end of 2008, a pilot project began to examine the suitability and adaptation of flora to the gypsum pools at the Rotem facility. Depressions excavated in the embankments were filed with sandy soil, and several types of trees and bushes were planted and irrigated.

All the mining, arrangement and restoration activity is carried out in coordination and cooperation with the Nature and Parks Authority.

To minimize damage to landscapes, every ICL mining plan includes a parallel plan related to restoration of the landscape. This restoration is performed during and after mining activities



Upgrading the sludge pools

A project conducted by the Israel Ministry of Environmental Protection in 2009 raised the possibility that water from the sludge pools at the Zin plant was flowing towards the nearby springs, Ein Zin and Ein Akrabim. This issue is being handled by the Company along with the Ministry of Environmental Protection, the Israel Nature and Parks Authority, the Society for the Protection of Nature and the Water Authority.

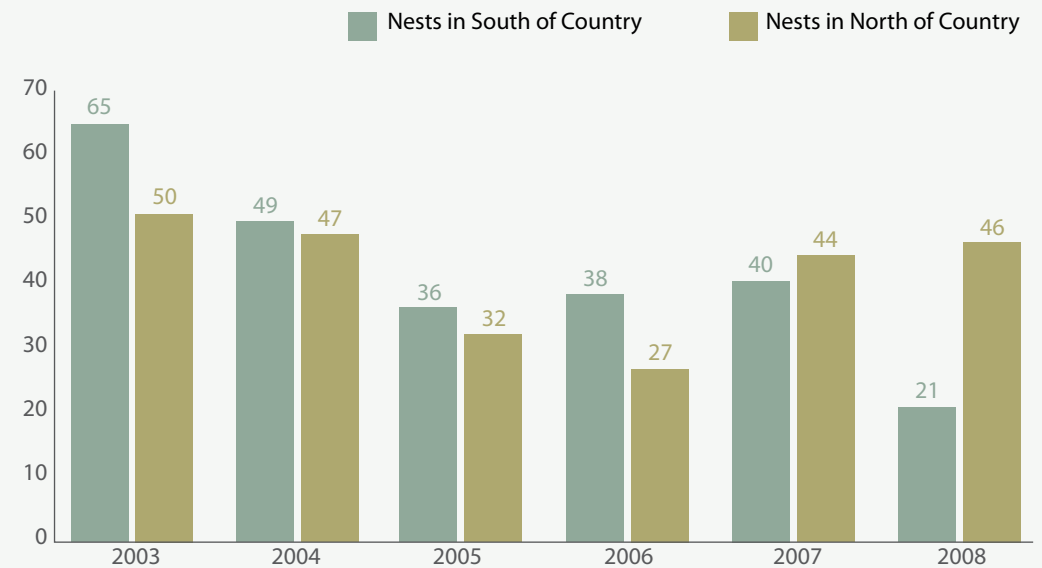
In the summer of 2009, the Ministry of Environmental Protection and the Nature and Parks Authority conducted a comprehensive hydrogeological-geotechnical survey that updated the mapping of the hydrogeological system in the area of the reservoirs at Zin. Based on this survey, the Company worked with the Ministry of Environmental Protection and developed a solution comprised of a system of pumping stations used to pump the water near the sludge pools and return them to the reservoirs.

The water from phosphate washing from the phosphate enrichment processes in Zin and Oron is transferred to the sedimentation pools, where the phosphate-poor material sinks and the water is returned to the process. In the 1990s, a change was made in how the pools are operated. This led to a reduction of over 90% in the amount of water that seeped through the pools. Today, the situation is further improved to prevent seepage of water from the pools. For this purpose, a number of pumping boreholes were drilled that are designed to trap the water. In addition, a number of monitoring boreholes were drilled in the pools and along the slope of the Zin River.

Contribution to strengthening the population of birds of prey

In 2007, Rotem-Amfert responded to the demand of the District Committee of the Southern District to reach an agreement with the Israel Nature and Parks Authority regarding its request to help finance a project to increase the population of vultures in the Negev. The first phase of the project was carried out over three years and included: high-quality and toxin-free foods for eagles and vultures; monitoring the population of eagles and vultures/birds of prey; and educational programs and information to promote preserving birds of prey. In 2008, results were already visible, with 160 vultures now populating the southern desert region, including 46 nesting couples, maintaining their numerical stability as opposed to the downward trend in the Mediterranean region of Israel (see chart below).

In light of the project's success, a decision was made to extend it for another five years (2010-2014).



Source: Israel Nature and Parks Authority

ICL has joined the effort to preserve birds of prey populations in Southern Israel, assisting the Israel Society for Protection of Nature in the creation of feeding stations for these birds. These activities have already resulted in an increased number of birds of prey in the South

ENERGY CONSUMPTION

ICL consumes energy from various sources. Fuels used include crude oil, fuel oil, naphtha, diesel, natural gas and others. Energy consumption includes both direct and indirect consumption. Direct energy consumption is used primarily to operate the steam boilers and similar facilities at Company sites, to generate electricity and as fuel for the various vehicles. Indirect energy consumption is mainly the purchase of electricity from the electric grid and the use of steam.

ICL invests significant effort to reduce the use of energy at its different facilities and sites. In recent years, the Company has begun using natural gas, rather than fuel oil, to generate energy. At the end of 2009, ICL's power station at Dead Sea Works began partially working on natural gas. Before the use of natural gas was introduced, approximately 250,000 tons of fuel oil was used annually. Now (2010) approximately 110,000 tons of fuel oil are used annually and the final target is to use only 80,000 tons of fuel oil a year.

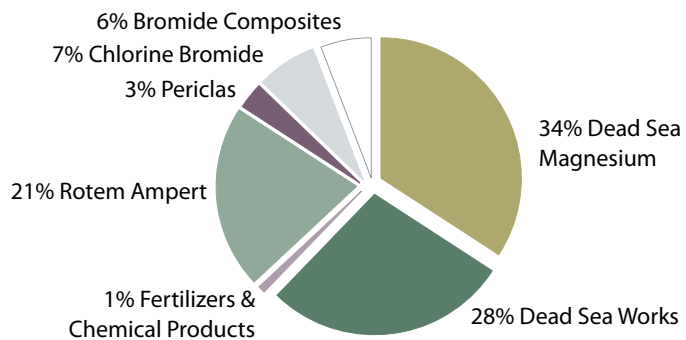
Additionally, two cogeneration plants are in operation at ICL facilities:

1. Sodom - plant with production capacity of 110 MW that generates about 260 tons of steam an hour.
2. Mishor Rotem - plant with production capacity of about 50 MW that generates about 330 tons of steam an hour.

The cogeneration plants are considered to have a very high energy utilization level, reaching over 85%.

It should be noted that the power plants at the sulfuric acid facilities receive residual heat emitted from the sulfur combustion process.

Consumption of electricity by ICL companies in Israel as detailed in the chart below in 2009 was 1,471,300 MWh, according to the following breakdown:



GREEN BUILDING AT ICL

ICL decided that every new building, or significant renovation to be done to its buildings, will be done according to green building principles, with the goal of receiving green building certification. To reflect this decision, a binding procedure was drafted to examine green elements in each new building and renovation. The principles according to which green building is reviewed are based on the Israel Standard for Green Building - IS 5281. Members of the Center of Excellence for recycling and green building, who have been certified to mentor green building by the Standards Institution of Israel, are responsible for implementing this decision.

ICL is also a member of the Israel Green Building Association.

Green building issues are considered in every construction or renovation project. These considerations include the following: physical form and location of the building, energy efficiency and use of environmentally friendly gas in the air conditioning systems, use of natural lighting to the extent possible, efficient energy use of artificial lighting, thermal insulation, efficient and economical use of land, water conservation gardening, preventing ground pollution, conservation of fresh water, utilization of rain water for irrigation, separating waste by type and maximum recycling of waste, providing fresh air from clean sources, handling noise and radiation, and more.

To date, these principles have been implemented in several new and renovated buildings. At the end of the first quarter of 2010, the Fertilizer segment dedicated an office building for the Performance Service headquarters in Sodom. The building was the first one to be built according to green building standards in the Negev and was even certified as an "Outstanding Green Building". In addition, a welding workshop was built according to green building principles in Sodom. Beit Makleff in Beer-Sheva, the HQ building for the Industrial Products segment, was also renovated in accordance with the standard and became the first renovated green building in Israel. In addition, BK Giuliani, of the Performance Products segment, is building a logistics center in Ladenburg, Germany according to green building principles defined by ICL, with the hope of obtaining certification under the local green building standard.

ICL is a pioneer in 'green construction' in the Negev. Its renovated ICL Industrial Products headquarters in Beer-Sheva was the first building based on green construction standards, as established by the Standards Institute of Israel and the first 'green' building in Beer-Sheva. ICL Fertilizers' 'green' office building in Sodom, was certified as an "Outstanding Green Building" by the SII



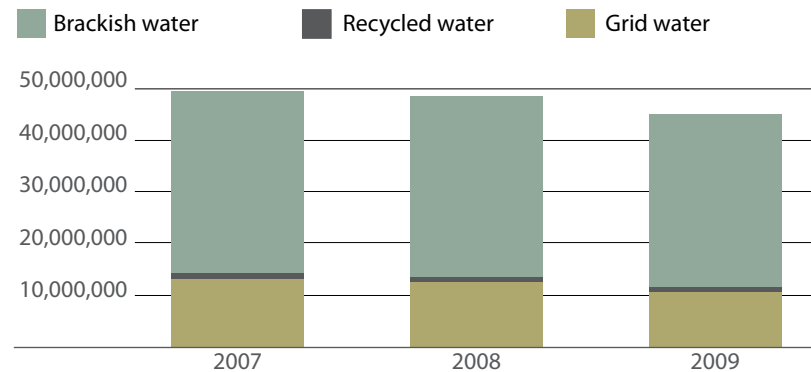
WATER AND WASTEWATER

Water is essential for life. The State of Israel is an arid country with a water deficit that has worsened over time. Overuse of water sources may lead to salification of the water and damage to ground water. Furthermore, the limited water sources are in danger of becoming polluted by untreated wastewater, waste, fuels and more.

In recent years ICL has implemented numerous plans to reduce water consumption. Thanks to these efforts, it has become clear that wastewater from some processes can be used as raw material for other processes, thus reducing the use of freshwater. Also, to the extent possible, brackish groundwater that is not potable or appropriate for irrigation is used instead of freshwater. In addition to reducing the use of freshwater, ICL has built facilities for the treatment of sanitary wastewater at a large number of Company sites. As the latest such project, Dead Sea Works is currently building a sanitary wastewater treatment facility.

The following graph illustrates the downward trend in water usage at ICL in recent years:

Water consumption at ICL companies (m³)

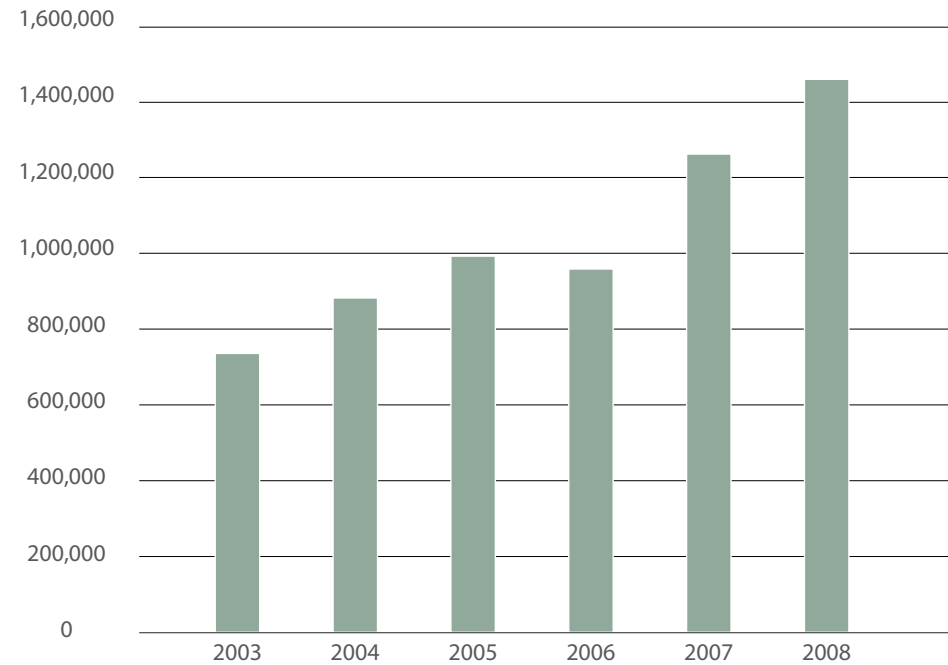


As can be seen in the graph, most of the water used by ICL companies is sourced from brackish water (including desalinated water) rather than grid water. At Dead Sea brackish or desalinated sources are used and no grid water is consumed whatsoever.

In 2009, ICL companies in Israel (Dead Sea Works, Rotem Amfert, Fertilizers & Chemicals, Bromine Compounds, Bromine Chlorine, Periclase and Dead Sea Magnesium) used a total of 33,209,445 cubic meters of brackish water, 1,032,700 cubic meters of recycled water and 10,650,643 cubic meters of grid water.

Fertilizers & Chemicals operates a desalination facility for brackish water pumped from wells on the plant's premises. The treated water is used for production processes and to feed the steam tanks at the Company's plant and at neighboring plants, eliminating the need for significant quantities of freshwater from the national water resources.

Manufacture of salt-free water from brackish water, m³/year



Industrial waste

In 2001, Rotem Amfert began looking for ways to reduce waste and improve efficiency across all of its processes as far as possible. Its R&D Department, along with its separate plants, developed technology to: 1) reduce the amount of waste at the source, 2) recycle waste, 3) neutralize and treat waste products, and 4) create waste-free production processes.

Since 2001, the Company is implementing a master plan to manage the industrial waste at the Rotem site. As part of this effort, many changes were made to the waste flow process with the primary goal of minimizing "upstream" waste – that is, reducing waste as close as possible to its source.

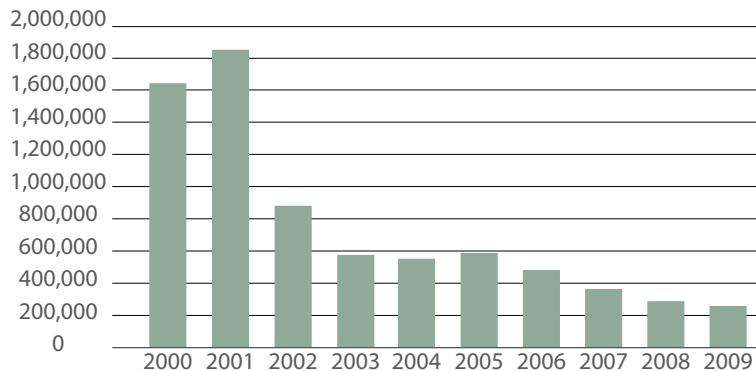
Thanks to the effort, it was learned that waste from certain processes can be used as raw materials for other processes.

The main changes integrated since implementation of the plan are:

- Changes in some of the production processes.
- Recycling of the waste from the phosphate enrichment facility. In the past, this waste was transferred directly to lakes. Today it undergoes a process of sedimentation to separate the small phosphate particles from the water, and the water is used for other processes.
- Creation of a water-processing pool for recycling from various processes. From there, it is recycled to the appropriate recycling or disposal processes in the plant.

The result: the amount of waste created at the site was reduced from 1.85 million cubic meters in 2001 to approximately 255 thousand cubic meters in 2009.

Effluents (m³) at the Rotem Site



Ecological tax - environmental-economic management

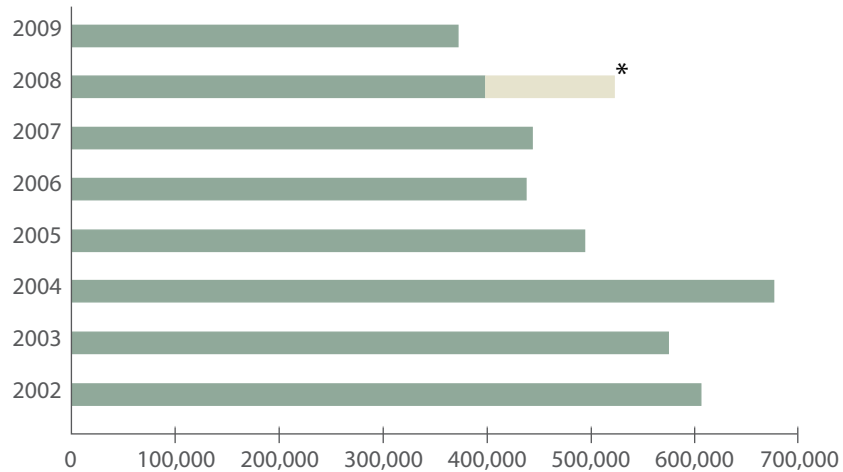
Although the law does not stipulate a defined cost per ton of pollutant, there is clearly a price associated with environmental pollution. This price includes different components, from the cost of treating the pollution and loss of raw materials through fines for emission of pollutants into the environment. As a result, Bromine Compounds has developed several methods for the management of its industrial byproducts in an environmental-economic manner.

To implement this concept, Bromine Compounds uses a management tool called "ecological tax" - an internal methodology that incorporates the cost of treating waste from the product's production process into the cost of the product. The high cost of treating the waste flow from a specific product affects its pricing. The ecological tax creates a mechanism for incentivizing production managers to reduce the amount of pollutants and quantity of waste at source. It also gives facility management and product and production line managers the ability to estimate the "environmental" price of each and every product.

As part of the Company's plan to reduce its water usage, wastewater from some processes is re-used for other production processes



Bromine Compounds - Quantity of Effluents (m³)



* Until 2008, the facility's sanitary waste, run-off and brine were treated outside the facility, and were therefore not defined as waste generated from the facility. From that time – that is, since the industrial waste treatment facility was constructed on the factory's premises - this waste has been conveyed to the facility for treatment. The data, therefore, seems to show a significant uptick in the quantity of the waste in 2008, when in fact, this is due to the larger quantity of waste being treated and reported within the facility.

Fertilizers & Chemicals - wastewater from the fertilizer solution facility

The waste flow from the fertilizer solution facility carries most of the associated pollutants, and therefore, great effort is dedicated to reducing its quantity and treating it. Fertilizers & Chemicals has set a target of recycling all the waste produced by the solutions facility.

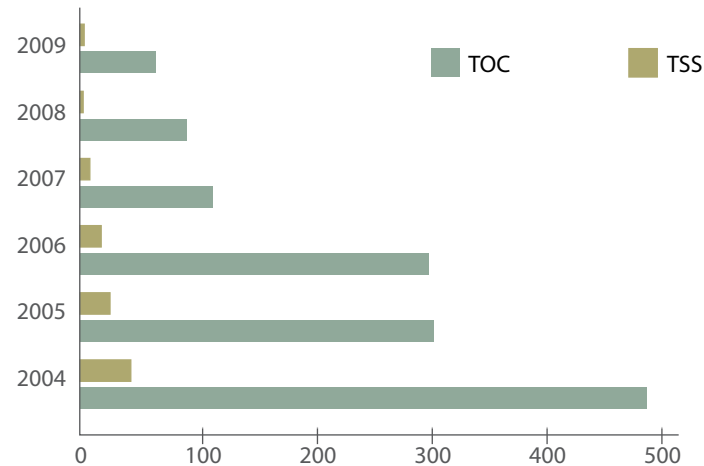
In 2007, a project was initiated that included the construction of a separate washing station for chemical-transport tankers outside the facility, and a system for collecting, storing and handling waste products from the facility floor in order to recycle them fully.

Since 2008, the waste from the solution facility has been fully recycled. As a result, the treated water that now flows into the Kishon River from the facility has been cleaned from pollutants. This water includes drainage from tanks and cooling towers, regeneration water from ion exchangers, reverse osmosis brine, and water from the washing of filters and membranes at water treatment facilities.

In 2007, Bromine Compounds built a biological treatment facility for waste. This has led to a significant reduction in the amount of organic pollutants in the wastewater. Biological wastewater treatment is the most widely used technology in the world for reducing organically degradable substances in wastewater. The biological treatment uses micro-organisms that feed on the organic substances in the wastewater reducing them significantly. The process is only applicable to biodegradable substances.

The following graph illustrates the downward trend in water usage at ICL in recent years:

Pollutants in Effluents (tons)



Biological wastewater treatment is the most widely used technology in the world for reducing organically degradable substances in wastewater. This biological treatment uses micro-organisms that feed on organic substances in the wastewater thereby reducing them significantly

AIR QUALITY

ICL views the preservation of air quality as a key goal in environmental protection.

The following are the primary air pollutants from transportation, electricity generation and industry: nitrogen oxides (NOx), sulfur oxides (SOx), volatile organic compounds (VOC), carbon monoxide (CO) and particles.

ICL is working to reduce these emissions through several concurrent methods, including integration of innovative and clean technologies, transition to cleaner fuels and streamlining of processes.

ICL's Israeli subsidiaries comply with the requirements and guidelines of the Ministry of Environmental Protection in all matters related to emissions.

Most ICL companies conduct ongoing monitoring of stacks. For example:

- **Bromine Compounds at Ramat Hovav** - GC/IR monitoring systems are installed on all seven stacks that emit organic substances. SMS Alerts are triggered if a level of 80% of the standard is reached, and production is automatically stopped if 100% of the standard is reached.
- **Bromine Chlorine** - ongoing monitoring of chlorine and EDB.
- **Magnesium** - HCl is monitored at the main stack. SMS Alerts are triggered if a level of 80% of the standard is reached. Particulate matter is also continuously monitored.
- **Dead Sea Works** - monitoring devices are installed on the stacks of the power station boilers, the potash oven for hot crystallization and several stacks of the production units. Investment in the purchase of additional monitoring devices for other stacks has been approved.

Fertilizers & Chemicals - devices are installed to continuously monitor NOx at the nitric acid facility and interim organic products facility. Meters are installed at the DCP facility and the steam tank.

- **Rotem Amfert** - devices are installed at the Company's various sites to monitor particles and combustion gases for SO₂, HF, oxygen and CO.

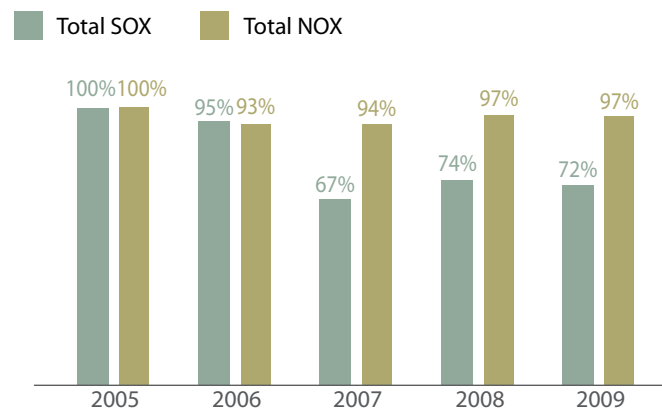
The Periclase plant is also currently preparing to conduct continuous monitoring for HCl and particles from its stack.

ICL has established a five-year target to erect continuous monitoring systems on the chimneys of each of its installations, connecting these monitoring systems to each of its facilities' operating systems and ceasing production activities before an installation's threshold limit has been reached.

Moreover, environmental air monitoring stations have been placed in Sodom, Neot Hakikar and Ein Tamar. The industrial council in Ramat Hovav operates an environmental monitoring station that is financed by factories in the area. Mishor Rotem-based factories are also preparing to install an air monitoring system over the next two years which will include several monitoring stations.

NOX (Nitrogen Oxide) and SOX (Sulphur Oxide) Emissions

NOX and SOX – percentage of aggregate emissions at ICL companies in Israel relative to 2005

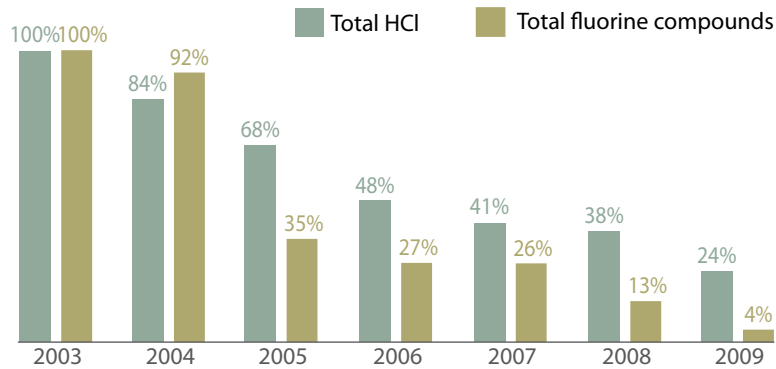


A significant decline in NOX emissions is expected from early 2010, as a result of the operation of a device to reduce nitrogen oxides at the Sodom power station using the NCR method (a system to reduce NOX emissions using urea injection technology). A significant drop in SOX emissions is expected as a result of converting to natural gas and the transition to the use of 1% sulfur fuel oil in Sodom.

ICL is reducing emissions through several concurrent methods including integrating innovative and clean technologies, transitioning to cleaner fuels and streamlining processes

Fluorine compounds and HCl

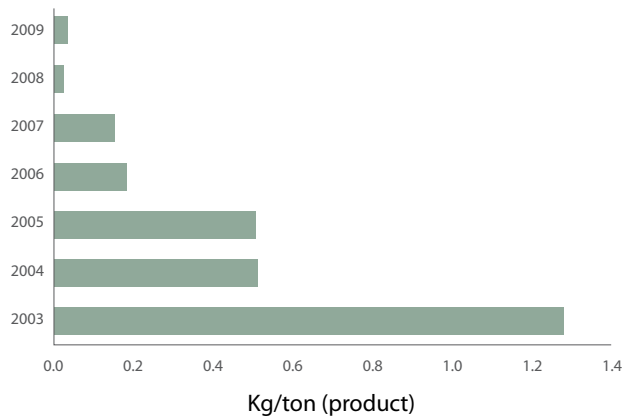
Percentage of aggregate emissions at ICL companies in Israel relative to 2003



The Company has achieved a reduction in fluorine compounds, mainly due to the installation of absorption systems and an upgrade of existing systems in the Company's Rotem facilities.

HCl compounds are also being reduced as a result of the installation of absorption systems at Dead Sea Works, Rotem and Periclase.

Bromine Compounds - volatile organic compounds (VOC) per product unit

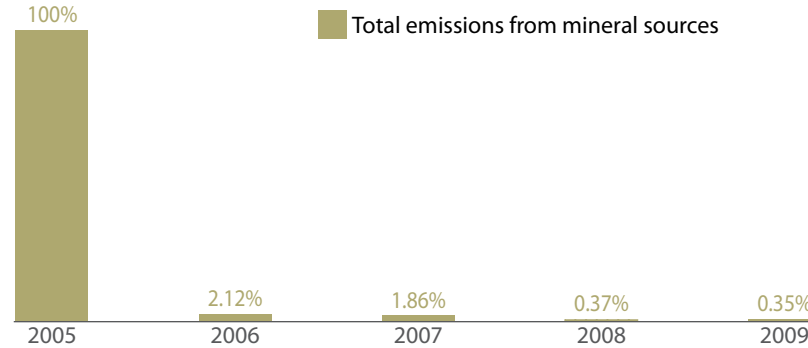


Particles from mineral sources

In 2005, the operation of the roasting facility in Zin was halted. In 2006-2007, absorption oven systems were installed in Oron and Zin, as were systems for absorption of particles in the potash drying ovens in Sodom. The results of these activities and others can be seen in the following graph:

Particles from mineral sources

Percentage of aggregate emissions at ICL companies in Israel relative to 2005



A portion of ICL's successful reduction of particle emission stems from the activities of Rotem Amfert, as part of the master plan drafted by the company in coordination with the Ministry of Environmental Protection. As part of this effort, emissions control systems have been deployed at 15 stacks in all the company's sites. In 2008-2009, additional steps were taken to reduce emissions from the stacks, including upgrading the absorption system of the drying oven at the enrichment facility at the Rotem site, completing the upgrade of the scrubbers of the drying ovens at the enrichment plants in Zin and Oron, upgrading the absorption system at the facility in the fertilizer factory at the site, shifting to low-sulfur fuel oil (1%) in the drying oven at the enrichment plant at Rotem and more.

At Bromine Compounds, emissions of volatile organic compounds have been reduced by 95% since 2004 as a result of the installation of advanced technologies to reduce emissions into the environment.

WASTES

Solid waste is a problem worldwide due to the limited reserves of land for waste disposal, and in Israel, with its relatively high population density, this problem is especially serious. Nearly five million tons of solid waste is generated in Israel each year, and the amount is growing by 5% per annum.

ICL views waste as an important issue, and invests significant resources in the search for ecological solutions for reducing the amount of waste generated, and reusing and recycling existing waste. ICL actively pursues these goals in all its various activities, from its securing of raw materials, to its efficient use of by-product flows and manufacture of final products.

For example, bromine is produced using the minerals recovered in the byproduct flows of the production of potash. In addition, the chlorine which is used in the production of bromine is recovered and reused from a byproduct stream created in the production of magnesium.

ICL as a whole is currently engaged in a project aimed at reducing the amount of waste sent to landfills by sorting and separating different waste items and recycling them. Separation areas have been built at ICL's various facilities to maximize utilization of waste for reuse, sale or recycling at the source. Cardboard, paper and polyethylene are regularly sent for recycling.

At the Bromide Compounds facility, a plan to reduce waste was implemented in 2008. As part of this plan, sorting and recycling of nylon, cardboard, paper, metal and wood products was initiated. Special containers to separate nylon and cardboard boxes were placed in various locations around the facility, and containers for the collection of paper were placed in all offices. Wooden pallets are collected and saved for reuse, and food and industrial waste are separated. Once sorted, the materials are sent to recycling companies.

The Bromine Compounds factory was one of the first facilities in Ramat Hovav to adopt this project, and, in 2009, additional ICL factories joined.

At Dead Sea Works, a process has been established for the removal of solid waste from construction to authorized sites. The waste site established for this purpose in Sodom is expected to be renovated in 2010.

The separation and recycling process significantly reduces the quantity of waste sent to landfills. For example, at Bromine Chlorine, in 2009, some 450 cubic meters of mixed waste was sorted and separated – quantities that, in the past, would have been sent to landfills. As a result of the recovery and recycling process, approximately 50 tons of iron and 50 cubic meters of lumber and pallets were sent for recycling.

From securing raw materials to efficient use of by-products and creating end products, ICL constantly searches for ecological solutions to reduce, reuse and recycle its waste



ENVIRONMENTAL SAFETY

Hazardous materials management systems are installed at various ICL companies. These systems enable management of hazardous materials in a dedicated ERP system, as well as handling of emergencies and management of safety and entry control systems.

Uses of the ERP system include:

- Control of the inventory of hazardous materials at the sites of the companies to keep them within the limits specified in the toxin permit.
- Preventing deviation from quantities permitted when ordering, accepting or transferring hazardous materials within the company by blocking such actions.
- Issuing requests for renewal of toxin permits and revisions of permits in existing databases.
- Immediate access to MSDS of any hazardous material in the system.

Additionally, the companies use a computerized system to control shipments of hazardous materials, performing all checks required to ensure that such materials are sent only when all approvals are in place and valid.



ICL has deployed hazardous materials management systems within each of its companies. The functionality of these systems enables the plants, among other things, to carry out comprehensive accounting and control over their inventory levels of hazardous materials, and to be assured of immediate access to the Material Safety Data Sheet (MSDS) associated with each hazardous material



Chapter 6

SOCIAL ASPECTS

FAIR EMPLOYMENT

At the end of 2009, ICL had 10,625 employees, 42 of whom were employed at the Company (ICL) and the remainder at subsidiaries.

The following is the geographic distribution of ICL employees:

	2008	2009
Israel	5,063	4,994
Germany	1,149	1,180
Spain	1,082	976
UK	981	886
The Netherlands	246	237
USA	967	941
China	551	559
France	254	332
Brazil	110	109
Others	281	441
Total employees	10,684	10,625

In 2009, following various legislative changes (Employment Agencies Law), the Group's companies in Israel accepted hundreds of workers through employment agencies and contractors.



Personnel by area of activity:

	2009	2008
Manufacturing	8,135	8,377
Marketing and sales	1,089	947
Management and administration	1,035	993
R&D	366	367
Total employees	10,625	10,684

The Company's Code of Ethics sets rules for the appropriate conduct for the Company and its employees, as described above. These rules include respect for others, provision of equal opportunities, preventing of discrimination and respecting the rights of all employees in accordance with the law and employment agreements. These rights are meticulously observed. In addition, the Company does not employ children under the age of 17 (at manufacturing sites, not under the age of 21).

ICL recently began integrating and implementing a compliance plan aimed at ensuring that ongoing activities are conducted according to labor laws. The compliance plan will include training programs, auditing, documentation and supervision.

FAIR EMPLOYMENT

ICL's employees in Israel are employed under collective employment agreements, personal employment agreements in the case of senior personnel, or other personal agreements. The collective employment agreements are negotiated for specified terms and renewed periodically. By law, if a new collective employment agreement is not signed, the terms of the original agreement are extended for another year, or for an unlimited term, as the case may be, unless one party gives the other notice of rescission.

Senior employees in positions of trust and management personnel are employed under personal agreements. These agreements are unlimited in time and can be terminated with prior notice of several months.

In Israel, the percentage of employees employed under collective employment agreements is approximately 85%.

A small number of employees at ICL's Israeli sites are employed via employment agencies for short periods. In addition, the Group has contracted in Israel

with subcontractors to provide special services that are not in the Company's main areas of activity, such as security, packaging, maintenance, catering, cleaning, etc. In accordance with a resolution of the Board of Directors of ICL and its Israeli subsidiaries established in October 2004, contractors who employ workers at ICL's Israeli plants are required to give salary terms to permanent employees that are beyond those required by law. Pursuant to this resolution, the agency employers are obligated to grant these employees a salary at least 5% higher than the minimum wage stipulated by law, and also pension contributions, severance fund contributions, convalescence pay, appropriate uniforms, holiday gifts, etc.

In October 2004, the Board of Directors established supervision arrangements for its subcontractors to ensure that they grant their employees the conditions described above.

SAFETY

Industrial manufacturing involves dangers and requires special precautionary behavior and systems. This is especially important when dealing with hazardous materials and manufacturing processes that involve high pressure and temperatures. Some of ICL's products, raw materials and manufacturing processes can be dangerous to those exposed to them. To guarantee the safety of employees and others at its facilities, ICL must comply with safety standards and requirements, part of which are determined by local law and part by international and local standards. ICL invests continuously and significantly in occupational safety, hygiene and accident prevention, both to prevent accidents and out of constant concern for its employees.

ICL has set a target of "zero accidents". Over the years, the Company's efforts in this area have resulted in improvements and excellence in safety, and in an attempt to reduce the number of accidents and near accidents, and in day-to-day improvements in work safety conditions.



Work Accidents



ICL has a detailed safety policy, including the following principles:

- Adoption of international standards and compliance with accepted international safety standards.
- Encouragement of a high, uncompromising level of awareness of safety and hygiene among employees and service providers, construction contractors, transporters, suppliers and visitors to factories. Employee improvement teams in Israel suggest and implement original ideas for improving the level of safety. Internal achievement competitions are held in the field of safety. Training, certifications and internal drills to instill knowledge and readiness are conducted in the Group's training center.
- Constant improvement in safety and hygiene targets and their deployment, in keeping with the Company's "zero accidents" goal.
- Deployment of advanced processes of behavioral safety, training and accident prevention.
- A comprehensive training system and control of authorizations to employees, service providers and contract employees in the field of safety.
- Monitoring of occupational and environmental hygiene in work areas beyond that required by regulations.
- Implementation of processes to assess hygiene risks with the goal of preventing exposure of employees to dangerous products and processes.



ICL has set a goal for itself of "zero accidents". Its pursuit of this goal includes striving for improvement and excellence in all safety-related areas, including making enhancements to the day-to-day work safety environment and the carrying out of fact-finding and conclusion-drawing processes in the wake of any accidents or near-accidents

- Conducting of periodic medical examinations for employees. Operating a system for occupational medicine and preventative medicine inside the factories, in cooperation with hospitals and experts in these fields.
- Formation of a company-wide Safety Forum of Excellence to sponsor inter-company activities aimed at heightening awareness, drawing conclusions, and encouraging feedback, plans and ideas for the entire ICL Group. Members include safety representatives of the Group's Israeli companies as well as Group subsidiaries around the world. The Forum discusses ICL's guidelines and policies. Events and operations occurring at the companies are also presented for inter-company discussion.
- System to deal with failures outside of the plants.

The Boards of Directors of the segments, the safety committees that operate in the segments, and the committees in the plants periodically examine safety achievements and events, and evaluate the extent to which targets set in the Group's safety policy are met. The segments implement a safety and hygiene enforcement program with periodic internal and external inspections to ensure compliance with legal requirements and ICL directives.

Accidents and near accidents are analyzed in all of ICL's Israeli companies, and in most of its companies in Europe and the US.

PROACTIVE SAFETY

Behavior-based safety

ICL Fertilizers has adopted the methodology of Behavior-Based Safety, known as BBS. The BBS process has been in use in the Western world since the 1980s and is based on long-term academic research. Studies have examined the process and proven it effective for developing a positive safety climate and preventing accidents.

The objective of the process is to change work habits from "bad" habits (those that expose employees to the risk of injury) to "good" habits. The instilling of good habits is accomplished through constant repetition and creation of a subconscious pattern of good work habits, known as "auto pilot", which helps prevent injury.

The process is based on: 1) ongoing observation of employees while at work, 2) identification of behaviors for improvement from the critical behaviors of employees, 3) reports by employees of events in the field, and 4) definition of tasks and events that need to be handled by managers.

Dead Sea Works has added a preliminary stage to its BBS process: "thinking safety". Before setting out to work, employee teams, along with their direct managers, conduct a "mini risk survey" aimed at inspiring thinking regarding the work's potential risk and injury factors. In observations carried out at the Dead Sea Works, this behavior has been instilled among all the members of the team and has become part of its safe work habits. In this manner, optimal results are being achieved.

Operative risk management

ICL Industrial Products has taken a proactive approach to the prevention of work accidents and near accidents. At the Bromine Compounds facility, the method adopted is Operative Risk Management (ORM).

ORM is based on three principles:

- A. Planning before doing
- B. Making each person performing the work a full partner in the planning process
- C. Including controls in each process to ensure that performance is in line with the plan

The process includes five main steps related to the primary risks related to work accidents and employee safety:

1. Identifying the risk factors by conducting a preliminary tour
2. Through joint planning, assessing the risks of each of the factors expected to play a role in performance of the work
3. Creating appropriate controls for possible scenarios
4. Implementing methods and measures to control risks
5. Overseeing feedback and revision of the safety practices during and after work is performed. For this purpose, a coordination and control center was created to monitor the process

In addition to the fixed safety system in the facility, the Company also has created an emergency response system. This system is designed to enable rapid response to any event that takes place inside or outside the Company's factories, including on the roads and at export ports. The system is ready for immediate use, with emergency teams on duty 24 hours a day.

ICL Fertilizers has adopted behavior-based safety ("BBS") procedures, an effective methodology for developing a positive safety climate and for preventing accidents. The objective of BBS is to instill "good" work habits so that they are performed habitually in order to prevent injury



EMPLOYEE TRAINING

ICL invests continually in the development, coaching and training of its employees. The majority of ICL managers in middle to most senior echelons have risen through company ranks and regard their expertise as a source of pride.

To facilitate synergetic development and training, a learning center was established in Israel to handle several main tasks: development of organizational curricula common to ICL companies, training and development of managers, running of professional courses and professional conferences, and management of in-training workshops. The center's management team includes development and training professionals from each segment.

In addition, periodic training is offered by the center at Company guidance centers (both on- off-site) for ICL's internal compliance programs, including restrictive trade practices, securities, safety, ecology, ethics, and prevention of sexual harassment.

The Company also conducts activities designed to raise the level of its employees' professionalism. These include: hiring employees with professional education in various fields, conducting initial screening and training courses (in operational/maintenance professions) at the Technological College of Beer Sheva, and preparing job descriptions in different fields (operation, maintenance, safety, security, ecology, projects, etc.).

During the year, a group of ICL managers completed a managers' development course. Graduates of this course are expected to become the Company's next generation of key managers.

Development of the proper management infrastructure for the Company includes many activities. The Company defines the profiles of senior managers, and screens, hires, and trains them. The Company also develops management staffing plans including several levels of management infrastructure. Mobility of managers between Group companies is also a primary consideration.

During the year, ICL also ran pilot programs aimed at heightening awareness of health. These programs include the encouragement of participation in sports



(walking) and healthy eating, In addition, a program to stop smoking in the workplace was initiated, including training to increase awareness of the negative effects of smoking, lectures to managers about their responsibility for enforcement of smoke prevention rules in the workplace, training smoking prevention officers, and smoking cessation workshops.

The average number of training days given to each employee at ICL companies is 3 days per year.

To facilitate synergetic development and training, ICL has established a learning center in Israel to develop organizational curricula common to ICL Group companies, train and develop managers, and organize professional courses, conferences and training workshops

INVOLVEMENT IN THE COMMUNITY

ICL - Investments in Community Activity (thousands NIS)

2007	2008	2009
10,596	13,719	11,320

For 2010, ICL has allocated a budget of NIS 16,646,000 for community service.

ICL's community involvement is reviewed and discussed by ICL's Board of Directors, the Donations Committee of the Board of Directors and by the Joint Operations Teams of ICL and other companies in the Israel Corporation Group that promote joint social activities. ICL makes an effort to respect its employees, as well as employees of businesses that provide services to it.

ICL focuses its community involvement on the development areas of the Negev (Dimona, Yerucham, Arad, Beer Sheva and the Bedouin communities) as well as in the north of Israel (Kiryat Ata, Haifa and Isfiya). These areas represent the regions in which most Group employees live, and were chosen out of recognition of the desire of employees to be involved and to respond to the needs of the immediate community. The activities enrich the lives of both the residents and the participating employees.

Most of ICL's activity is in the Negev and includes working with:

- physically challenged children and teens
- children and women at risk
- populations with poor socio-economic conditions and populations in need
- populations with special medical needs
- schoolchildren, with a focus on education and excellence in chemistry, computing, young entrepreneurship and acquaintance with industry

As part of its community efforts, ICL encourages its employees to participate in numerous volunteer activities for the benefit of the community. The following list describes ICL's main projects:

Adoption of network of clubs for children at risk - In 2001, the Boards of Directors of the Israel Corporation and ICL drafted a strategic plan for the Group's social and community involvement. ICL's national flagship program is the "adoption" of a network of clubs for children at risk between the ages of 6 to 13.

In keeping with the resolution, the companies undertook to promote the development and upkeep of the club for five years, both in material terms (funds and equipment) and with educational content. The latter is provided through active and close contact of ICL employees and retirees, who regularly participate in club activities.

Each of the principle ICL companies have adopted a town in the Negev or in the north of Israel, and each manufacturing facility or department in a company has adopted one of the clubs in the towns the Company has agreed to care for. The relationship is personal and warm. Employees act as tutors, friends and sometimes serve as a parent figure that the children sometimes lack. The clubs are a therapeutic framework based on a family model. The children who attend these clubs are between the ages of 6 to 13 and have been identified as being at risk. This includes children whose parents have difficulty caring for them during the day, as well as children suffering from violence, neglect, dysfunction and more.

After beginning with a pilot project of six clubs in 2001 in towns near ICL facilities (Yerucham, Beer Sheva, Dimona, Arad, Kiryat Ata and Haifa), the number of clubs adopted by ICL companies has grown steadily to about 50 active clubs for children by the end of 2009. The program has also expanded to include activities at clubs for older children, and also to adopt the Beer Sheva branch of Yated - Children with downe's Syndrome and the "warm homes" program for teen girls in distress in Beer Sheva, Dimona and Arad. In 2009, a new club was founded in Rahat for Bedouin children whose parents suffer from physical and emotional disabilities.

The companies have taken upon themselves to financially support and strengthen through volunteer activities a network of afternoon clubs in disadvantaged neighborhoods



Drug fund - In recent years, ICL has supported the NIS 35 million life-saving Drug Fund of the Israel Corporation Group, ICL, Zim Integrated Shipping Services Ltd. and Mr. Sammy Ofer. ICL's contribution amounted to NIS 5 million. In 2009, after the life-saving drugs were included in the health coverage "basket" (i.e., covered by Israeli national health insurance), the management of the Drug Fund decided, with the agreement of the partners in the Fund, to transfer the balance of the money to the Variety Club to help children at risk. At that time, ICL's remaining share was approximately NIS 300,000.

"Password for every child" - ICL is also active in education. It is involved in the "Password for Every Child" initiative led and financed by the Ofer Group and Israel Corporation. Through this program, schools in development towns are connected to a computer network, and user networks are created at the classroom, grade, and school and town level. This enables every child to use the dedicated network and to take advantage of the courseware and information it provides. ICL has taken leadership of the project in Dimona.

Another area of education in which ICL is actively involved is **encouraging the study of chemistry** in high school. This effort is conducted jointly with the Weizmann Institute of Science, and includes a competition, tours and other events, at a cost of approximately NIS 200 thousand.

ICL also continues to support activity on behalf of women, particularly the Beer Sheva branches of The Inbal Treatment Center and Maslan (The Association of Rape Crisis Centers in Israel). ICL has committed to donate about NIS 2 million over five years to Inbal as well as a similar amount to Maslan. Inbal is a support center for child victims of sexual abuse. Maslan supports and helps rehabilitate battered women and women who have been victims of sexual assault.

ICL is also involved in community environmental conservation initiatives and encourages its employees to volunteer and promote these efforts. In 2009, ICL:

- Engaged in activities to protect and feed birds of prey and prevent their extinction in the Negev.
- Initiated clean-up of the main traffic artery in the Arava from Dead Sea Works to Eilat.
- Maintained roads to nature and landscape preserves in the Negev (the hiking trail to Har Hahar, Machtesh Hakatan (small crater) and Ein Zin).
- Provided assistance to hikers in its areas of operation.
- Provided assistance to regional cultural events, including hikes and bike rides especially those of various organizations of handicapped people, off-road treks, etc.



Also, the Council for the Reconstruction of Heritage Sites, together with the Dead Sea Works and the Ministry of Environmental Quality, began reconstruction and preservation works at the Israel Potash Plant workers' camp, in order to convert it into a tourist site that will perpetuate the historical story of the workers' camp that was established in 1934. At the end of the works, a visitors' center will open to the general public, displaying, in various ways, the story of the Israeli Potash Plant, and the Dead Sea Works, which followed in its footsteps.

Hundreds of ICL employees volunteer their time on behalf of the community in over 50 afternoon clubs located throughout the country.

ICL helps and contributes, both in cash and cash equivalents, to various assistance organizations in southern Israel. These include the "Hayim" Association dedicated to help children with cancer and their families; Al-Sam (dedicated to preventing drug abuse) in Beer Sheva; Nitzan dedicated to helping people with learning disabilities; Bat Dor Dance Company for Children in Beer Sheva; Israel Cancer Association in Arad; equipment for Yad Sara in Beer Sheva; packages of food for the holidays for needy people in Beer Sheva, Dimona, Arad and Yerucham; Beterem - National Center for Children's Safety and Health; assistance fund for needy new immigrants in the Negev and other non-profit organizations working in the towns and communities of ICL employees in the Negev. ICL also initiated the opening of a branch of Yated (Children with downe's Syndrome) in the south of Israel and committed to contribute USD 30 thousand a year for three years.

In addition to the above, in 2008-2009 ICL donated to the following projects:

- A special donation of NIS 9 million by the Israel Corporation and ICL to "Kfar Ha'irusim" - a permanent home for children and teens in Beer Sheva that is operated by ALUT (Israeli Society for Autistic Children). In addition, at the end of 2009, the ICL Board of Directors resolved to add NIS 3 million, to help complete Kfar Ha'irusim in Beer Sheva, which involves two additional residential buildings, a work center and dining hall. The additional special donation will be made over three years, beginning in 2009 and through 2011, such that ICL's total share in the financing will reach NIS 6.75 million.
- A donation of NIS 700,000 in 2009 went to Soroka Hospital, which serves the residents of the entire Negev region, including employees of ICL factories, their families and the communities in which the Group companies operate. For the past ten years, once a year, the donations collected are used for the construction, development and purchase of equipment for one of the hospital's departments. Also, in the summer the children of employees assist with various tasks in the hospital and in old age facilities, clubs and community activities (in cooperation with the municipalities). ICL companies pay the children.
- At the end of 2009, a contribution of NIS 20 million by ICL, along with the Israel Corporation and ORL, was approved for the construction of a School of Sustainability at the Interdisciplinary Center (IDC) Herzliya. ICL's contribution will be NIS 7.5 million, a sum that will be contributed over four

years. Environmental protection and sustainability is a major issue for ICL and the center will help teach academic managers and employees about this field and advance the work in this important area.

- Over the past three years (with a notable increase this year) ICL has been especially involved in helping the Bedouin communities, where some of the Company's employees live and where organizations that provide outsourcing services to the Company are located. Activities are in the areas of education, child enrichment, professional care of disabled children, excellence and personal empowerment of teens and encouraging them to undertake academic studies, and more. ICL works in the Bedouin community with several partners, including the Israel Nature and Parks Authority, Sustainable Development for the Negev, Lieli of Ben-Gurion University, Beit Issie Shapiro in Raanana and Kaye Academic College of Education.
- A donation towards the establishment of Cinema Soroka, a movie theater for sick children located in the pediatric ward of Soroka Hospital.
- A donation of NIS 200,000 for the reconstruction of "Makom Meyuchad", a cafe in Lod, after it was burnt down. The cafe employs young people with downe's Syndrome and distressed teens as part of a non-profit organization called Only Love Will Bring Love.

In addition:

- Gifts for holidays and special events to ICL employees were purchased from MAAS - Center for Rehabilitation Work - a sheltered workshop that provides employment and rehabilitation of people with disabilities and special needs. ICL decided to purchase items made at the center in order to help ensure the continuity of the project.
- ICL companies reallocated the budget formerly used for holiday gifts (traditionally distributed to colleagues and other external parties at the Jewish New Year and Passover) into hundreds of food parcels and gift vouchers to needy families in development towns of the Negev. The companies also work with the "Hayim" Association to distribute packages of candy to children with cancer who are hospitalized or undergoing day treatment at Soroka Medical Center in Beer Sheva.

At the end of 2009, ICL approved a contribution which, together with the contribution of Israel Corp and Oil Refineries, will be used to establish a new School of Sustainability at IDC (Interdisciplinary Center) Herzliya. This school will educate managers and academic workers in a broad range of topics related to sustainability. The Company believes that the Center will be a critical tool for advancing this critical area



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ICL

Millennium Tower

23 Aranha St., P.O. Box 20245

Tel Aviv 61202

Tel: +972 (0)3 6844400

Fax: + 972 (0) 3 684 4444

Email: contact@icl-group.com



www.icl-group.com