



Israel Chemicals Ltd.  
Corporate Responsibility  
Report 2013





## Foreword

We are honored to present the Corporate Responsibility Report of Israel Chemicals (ICL) for 2013. ICL's tradition of reporting, which began in 2006, continues to develop and improve every year, demonstrating the comprehensive operational strategy for sustainability and corporate responsibility that we are implementing at ICL. This report is the fourth written and published according to the international guidelines of the Global Reporting Initiative (GRI). It covers our work and progress during 2013. We intend to continue reporting, and even to expand, this format in the future as part of our Company's enhanced strategic thinking and activity on social and environmental issues in all aspects of our activities.

For more than a decade, the environmental-social strategy of ICL has been woven throughout the fabric of our business and is implemented in all of ICL's business activities around the world. The tradition of annual reporting makes it possible for us to make significant improvements in the process of gathering and upgrading data so that it may be presented to ICL's stakeholders in a reliable, accurate manner. The information presented below about ICL's environmental activities represents more than 95% of our global activity, as measured by our revenues.

As an international company, ICL is continuously engaged in meeting the ever-growing needs created by the world's rapidly

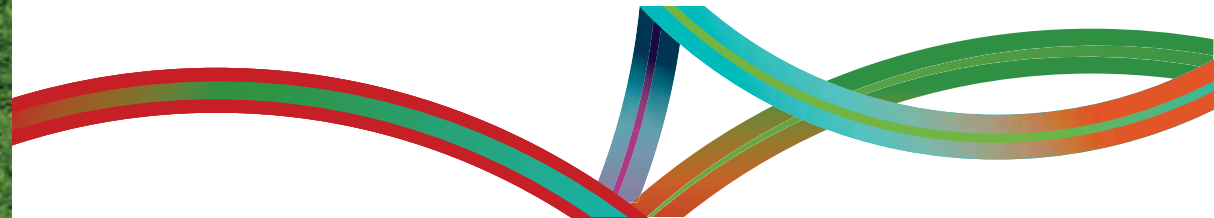
increasing population. The task of solving them are among the issues that can be read in detail in this report, including the critical need to produce increasing quantities of food without the availability of a corresponding increase in the amount of land allocated for agriculture; an effort to protect open spaces; guarantee quality food for the world's population; and ensure a supply of engineered materials required to meet humanity's most basic needs. ICL's extensive activities cover the entire life cycle of the products and materials that we manufacture, from raw materials and manufacturing through end sales. This breadth of activity allows ICL to offer appropriate solutions for the varying needs of humanity, through three critical end markets: agriculture, foods and engineered materials.

The many challenges faced by human society obligate ICL, as a responsible company, to steadily improve its corporate environmental-social performance. It is our hope that the report before you describes our efforts and initiatives in a clear manner, in compliance and beyond compliance, in all matters related to the environment and society.

We hope that this report will satisfy the desire of all stakeholders for on-going, reliable and comprehensive reporting about our activities.

Pleasant reading.

## Where needs take us





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# Letter from the Chairman and CEO

ICL is a global manufacturer of products based on potash, phosphates, bromine, magnesium and sulfur which we mine and, using sophisticated processes based on a wealth of research and knowledge, manufacture into products that provide the essential needs of mankind, particularly in the areas of food, agriculture, and engineered materials. ICL's identity is also its social mission.

The potash and phosphates that we mine and the value-added downstream products that we manufacture from them are used in the agriculture sector for fertilizers, thereby helping to feed the world's growing population. Our technologies aim to reduce waste and over fertilization while simultaneously improving farmers output. These minerals are also essential ingredients used by the food industry. The food additives that we produce improve the shelf life, quality and taste of processed and convenient foods. Our water treatment products provide clean water to millions of people and to industries across the world, and our products based on bromine and phosphates help to create more efficient and environmentally-friendly energy, prevent the spread of forest fires and enable the wide and safe use of a broad variety of products and materials.



We aim to continue to fulfill the essential needs of mankind in the future, and therefore strive to lead in the markets in which we operate by developing new products that continuously improve the balance between consumer needs, the environment and the demands of regulators.



We aim to continue to fulfill the essential needs of mankind in the future, and therefore strive to lead in the markets in which we operate by developing new products that continuously improve the balance between consumer needs, the environment and the demands of regulators.

Our key to success is our understanding that humanity's needs change continuously and, therefore, ICL must change, evolve and adapt to humanity's evolving needs.

While it is true that adopting a strategy of sustainability initially leads to increased costs and requires investment in advanced technology, ICL's continuous reduction in its environmental footprint and the improved sustainability of our products will eventually improve the Company's overall business value. For example, ICL's new generation of flame retardants integrate better with the polymer matrix in which they are used, and, therefore, they are not only more environmentally friendly and safer to use, but they also perform better. That is why ICL has begun to significantly increase its research and development budget to develop its next generation of products.

In particular, ICL has begun to focus its increased R&D spending in the following areas: broad bromine applications for polymers, environmental applications, energy storage and agricultural usage; improved technologies for balanced fertilization; new and healthy food ingredients to improve the texture and stability of processed foods; and process technologies to reduce the environmental footprint of large scale mining operations. Among recent applications that improve ICL's ecological footprint are a unique bromine compound that almost completely reduces toxic mercury emissions from coal power plants; products to suppress forest fires that firefighters believe are the world's most effective in saving people, animals, property and forests, and that are harmonious with forest soils and plants; and specialty fertilizers that provide all the nutrients that are required by plants while reducing the amount of water required for irrigation, thereby curtailing the use of pesticides and preventing the seepage of fertilizers into water sources.



**Mr. Nir Gilad**  
Chairman of the Board



**Mr. Stefan Borgas**  
President & CEO

We live in an age of a fascinating and significant global transformation. Many countries are rapidly developing in an effort to provide their citizens and the others throughout the world with their basic needs. China, Ethiopia and other African countries, as well as Brazil and other South American countries represent an important opportunity for ICL to assist them by offering them our advanced knowledge and our range of capabilities in the three markets in which we operate - agriculture, food and engineered materials.

ICL understands that a part of its success also includes giving back to the communities in which we operate and support them through various means: cooperation and contributions that promote education, scientific research, environmental studies and excellence among children, youth and students; supporting challenged populations, especially children, women and minorities, as well as health services, culture and sports.

In addition, we maintain as open a dialogue as possible with the communities in which we operate and make available to the interested public reliable information about ICL's operations and its contribution to the markets in which we operate and to society. Openness, cooperation and transparency are the principles behind ICL's strategy of communicating with all of our stakeholders, including by shareholders. They are also the principles behind our communications campaign and increased activity by the Company in various media, including digital media.

We live in a dynamic and exciting world marked by technological development and the expansion and dissemination of knowledge among more people than ever before. We at ICL are committed and determined to meet the challenges and demands that face us, and we are willing and prepared to take advantage of the opportunities for growth and prosperity that the fundamental processes occurring in the world offer to us. The world's needs continue to evolve and so does ICL.

Sincerely,

**Mr. Nir Gilad**  
Chairman of the Board

**Mr. Stefan Borgas**  
President & CEO

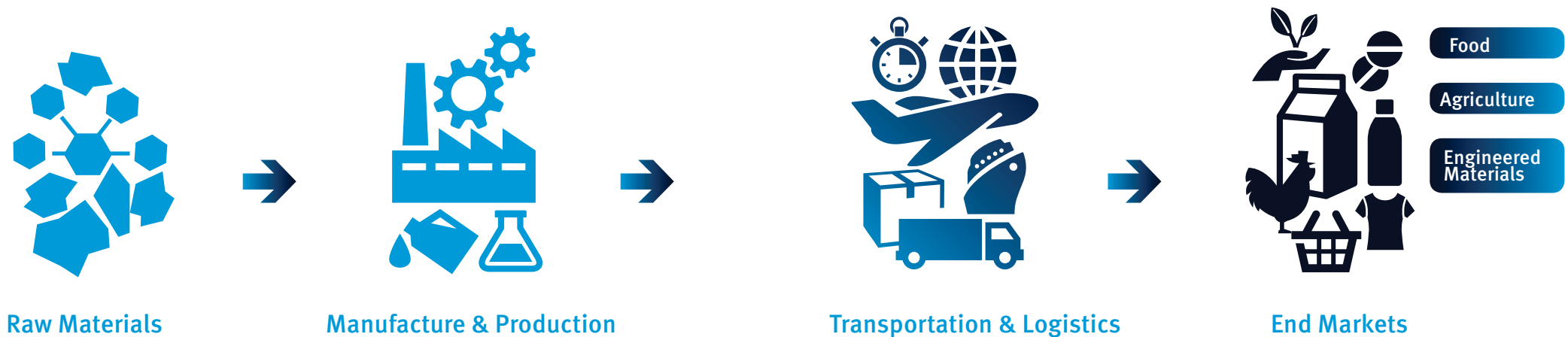
## Chapter 1:

# About ICL - Organizational Profile and Principal Activities

### Answering Essential Human Needs:



### ICL's Activity Throughout the Lifecycle:



# Where needs

# take us

ICL is a global corporation that works to meet the world wide needs in the fields of agriculture, food and engineered materials. In a world characterized by climate change and extreme weather, a continuously growing population and increased demand for food, as well as a desire to improve the standard of living, there is an ever-increasing need for products that meet these constantly evolving needs. ICL, as a global company, strives to meet these demands by focusing its core business on society's most critical current needs, in order to maintain the resilience of society and the environment: nutrition and food security, health, preventing pollution, safety, industrial materials, growth and prosperity.

ICL can indeed provide solutions for these essential needs thanks to its extensive activities that cover the entire product lifecycle: beginning with the production of raw materials through manufacturing, transportation and final use of products that are produced by our clients in end markets.

Food Security



Human Health



Pollution Prevention



Safety



Industrial Materials



Resilience



Growth and Prosperity





## ICL's Activity Throughout the Lifecycle:



**Raw  
Materials** →



**Manufacture  
& Production** →



**Transportation  
& Logistics** →



**End  
Markets**

# Where needs take us

### Needs



Food Security; Human Health; Pollution Prevention; Safety; Industrial Materials; Growth & Prosperity; Resilience.

Safety; Industrial Materials; Health; Pollution Prevention, Growth & Prosperity.

Industrial Materials, Pollution Prevention, Growth & Prosperity.

### Products & Activity

- The raw materials used by ICL are based on natural resources: The production of potash from the Dead Sea; mining potash and salt from underground mines in Spain and England; mining and processing phosphate rock.
- These materials serve ICL in its other activities and various manufacturing processes.
- A focused, experienced team of more than 500 experts are employed for developing manufacturing processes, new applications, formulations and products for ICL's three end markets.
- The manufacturing processes include: elemental bromine produced as a by-product of potash production and bromine compounds for various uses; salt, magnesium and chlorine products; products based on chlorine and phosphorus.
- Processing raw materials for industry and end uses, for food additives, hygiene products, water purification products, fire control and extinguishing products, etc.
- International logistical and marketing network, as well as production facilities in more than 30 countries.
- ICL invests significant resources in developing efficient logistics with advanced capabilities for monitoring and control, reducing negative impact on the environment and reducing costs.

### Food

Food Security; Resilience; Growth & Prosperity, Health.

### Agriculture

Pollution Prevention; Food Security; Growth & Prosperity; Resilience.

### Engineered Materials

Safety; Health; Pollution Prevention; Industrial Materials; Growth & Prosperity.

- The world's growing population and improving quality of life encourage the consumption of more sophisticated food products.
- ICL is the world's leading provider of advanced products and formulations for upgrading food products in a variety of industries.
- Specialty phosphates are used primarily as additives in processed foods that improve texture, durability and shelf life.
- The amount of agricultural land available for cultivation continues to decrease as the world's population grows creating the need to produce larger amounts of food from a smaller area, which in turn creates a greater need for fertilizers.
- ICL is a world-leading provider of potash, phosphates, fertilizers and specialty fertilizers.
- These products are essential components used by farmers around the world to improve the quantity and quality of the produce grown in their fields.
- Products that improve the safety of consumer products that are produced by a wide range of industries.
- Flame retardants are included in many products including plastic cases for electronic products, printed circuit boards, insulation materials for building, furniture, automobiles and textiles.
- Engineered materials based on bromine and other compounds are used for water purification and in a variety of other industrial uses that contribute to the durability, availability and safety of thousands of end products.



# Essential Human Needs



## Nutrition Security

- The world's population currently exceeds 7 billion. By 2050, it is expected to reach 9.1 billion people, and that seven out of 10 people will live in cities.
- Social and climatic instability and a lack of social resilience increase the need for steady food supply and nutrition security.
- According to the International Fund for Agricultural Development (IFAD), an international agency of the United Nations, there are 925 million hungry people in the world. In order to provide adequate food to meet the needs of the developing world, it will be necessary to nearly double food production by 2050.
- The amount of arable land is constantly declining and with it the ability to provide the necessary quantity of food.

In order to successfully provide more food for more people, farmers use fertilizers. The potash and phosphate fertilizers produced by ICL include elements needed by people and animals in order to grow and develop.

One sack of potash-based fertilizer is sufficient for a field that produces approximately 2.5 tonnes of rice, the equivalent of 20,000 meals.



## Health

- According to a report of the World Health Organization (WHO) approximately one-half of the world's population has only partial access to vital medications needed for basic health care in the public sector.
- Approximately 2.5 billion people, more than one-third of the world's population, does not have direct access to clean sources of drinking water and adequate sanitary facilities. Without these basic conditions, they risk developing diseases and epidemics including malaria, cholera and typhoid fever.

ICL produces compounds that are used for many medications and for purifying drinking water and sanitary facilities. The tablets for purifying drinking water that ICL produces and manufactures include unique compounds that are capable of purifying up to 2,500 liters of drinking water. Their purpose is to help prevent diseases that are transmitted in polluted water such as cholera. Every year ICL ships millions of tablets to disaster zones and Third World countries where they save millions of lives.

Sodium, a mineral found in salt, is required by the human body. Like many minerals, it must be consumed in moderation, but because of its taste and availability, sodium-heavy salt has become a prime ingredient in the food industry. Therefore, many people consume more than the recommended daily amounts. Excessive consumption of sodium increases blood pressure and with it the risk of heart disease. ICL produces a naturally low-sodium sea salt, the first of its kind in the world. This is a natural crystal that includes essential minerals and only 7% of the sodium found in ordinary salt.



## Pollution Prevention

- In order to facilitate progress in the development of humanity and maintain social and environmental resilience, without endangering the natural environment on which all life depends, it is necessary to integrate environmental, economic and social issues.
- The International Council of Chemical Associations (ICCA) has adopted a concept that calls for the effective, sustainable management of scarce resources, avoiding intolerable burdens on natural systems, and supplying all of humanity equally with vital needs.
- The chemical industry is a developing industry both because it is a significant link in the supply chain and because the products and services it supplies meet humanity's needs for food and clothing, housing, communications transportation and even leisure time activities. It also meets the needs of other industrial sectors including energy, information systems, environmental industries and waste treatment.

The Responsible Care program of the international chemical industry, which ICL has adopted, obligates the company to ongoing improvements in the field of safety, health, and the environment, as well as guiding customers and the community in the proper use of its products, in order to reduce negative impact on the environment, and create better products for the benefit of private customers and downstream industries. In addition, ICL develops and produces specialty fertilizers with unique characteristics that enable limited irrigation and prevent emissions of substances into the soil.





# Essential Human Needs



## Safety

- In our daily life, we are surrounded by products and objects on which we depend and use daily: textiles like curtains and carpets, furniture, electrical appliances, plastics and electronics. Some of the components in these products are flammable and present danger in case of fire.
- Flame retardants are organic materials included in some furniture, plastic and electronic products that are at risk of igniting. Their function is to slow the development of the fire and, in many cases, even prevent it entirely.
- Extreme weather resulting from climate change sometimes causes giant fires.

Flame retardants are used in a large number of our electronic devices, automobiles, furniture and carpets, etc. They double or triple the time available for evacuation, making it easier for people to escape. In one of the largest flame retardant factories in the world, ICL produces flame retardants using unique production process. Flame retardants make it possible for us to use many products without fear and facilitate the development of new products. ICL also produces materials that prevent and delay the spread of major wildfires.



## Industrial Materials

- As it develops, human society requires many materials to develop industry, prevent pollution and to maintain safety for its continued development and to maintain the resilience of society and the environment.
- In early 2013, WHO published a declaration calling for the reduction of metallic mercury emissions by coal-burning power plants around the world. Mercury emitted by coal-burning power plants permeates the ground and water sources with the rain, thereby polluting some food sources. Metallic mercury is a dangerous, poisonous substance that can be harmful to health.
- Every year more people buy cars and the number of cars in the world is steadily increasing. Today approximately 333,000,000 tons of carbon dioxide and other gases are emitted into the atmosphere. Reducing the weight of automobiles will lead to a decrease in gasoline usage and in the quantity of gases emitted into the atmosphere.
- ICL products are used as food additives, the basis for medications, for protecting food hygiene, in the production of paper, clothing, safety products, flame retardants, fire retardants and more.

ICL manufactures materials that can be used to reduce the emissions of metallic mercury from coal-burning power plants by up to 91%.

ICL manufactures magnesium alloy, a lightweight, strong metal that is used for producing parts for automobiles, airplanes, as well as large and small electronic devices.



## Growth and Prosperity

- ICL employs thousands of people worldwide while ensuring suitable and fair employment conditions, making it a source of livelihood for thousands of families.
- The need to develop a comfortable life with greater leisure time and improved quality of life is evident around the world. Many people seek to improve their living conditions, the quality of food that they consume and the transportation they use.
- The demand for more durable products that do not easily wear out or break down, and for products that are easier to carry and resistant to various hazards is increasing.

ICL's products are used for construction, food production and as food additives, ingredients that enhance the durability and quality of food, medicine, electronics and plastics. The materials used by downstream industries help create durable products, a healthier diet, better hygiene, food production and more.



# Organizational Profile

ICL is a global leader in specialty minerals. It produces raw materials and processes them using procedures and sophisticated processing and formulation capabilities, in order to improve the value of products produced by our customers in end-markets for agriculture, food and engineered materials. Today, these three areas account for over 90% of the company's revenue. ICL operates through three segments: Fertilizers (which produces raw materials, and manufactures and markets potash, phosphate fertilizers and specialty fertilizers), Industrial Products (which produces bromine from the Dead Sea, and manufactures and markets bromine and phosphorus compounds for the electronics, construction, oil and gas drilling and automotive industries), and Performance Products (mainly manufactures, markets and sells a wide range of phosphate-based downstream products that are used both as food additives and as intermediate materials).

ICL's wide-ranging activities cover the entire lifecycle of its many products, from the extraction of raw materials through production and, for certain products, including the product's use in end-markets (agriculture, food and engineered materials) where the final product reaches the consumer.

## Raw Materials



Potash, bromine, magnesium and sodium are extracted from the Dead Sea and phosphate rock is mined in the Negev based on concessions and licenses from the State of Israel. Mines in Spain and England produce potash and salt under leases and licenses from authorities in those countries.

## Transportation & Logistics



ICL has an extensive, advanced logistics system that operates according to the highest standards, so these activities are accomplished in the most efficient manner.

As a matter of company policy, various raw materials manufactured at ICL's plants are utilized efficiently to make downstream products with high added value. For example, ICL Fertilizers, which mines phosphate rock in the Negev, produces phosphoric acid from it. ICL-PP further processes it into clean phosphoric acid, a raw material used in the production of phosphate salts and hygiene products. Phosphate salts are used as food additives.

## Manufacture & Production



These minerals are sold raw or processed throughout the world and are developed, produced and marketed as downstream products. ICL's main production facilities are located in Israel, Germany, the United States, the Netherlands, Spain, the UK, China, Brazil and France. ICL has manufacturing facilities in Austria, Belgium, Turkey, Argentina, Ireland, Mexico, Hungary and Australia. The Company's activities outside of Israel are mainly manufacturing products that incorporate or are based on its operations in Israel or areas related to them.

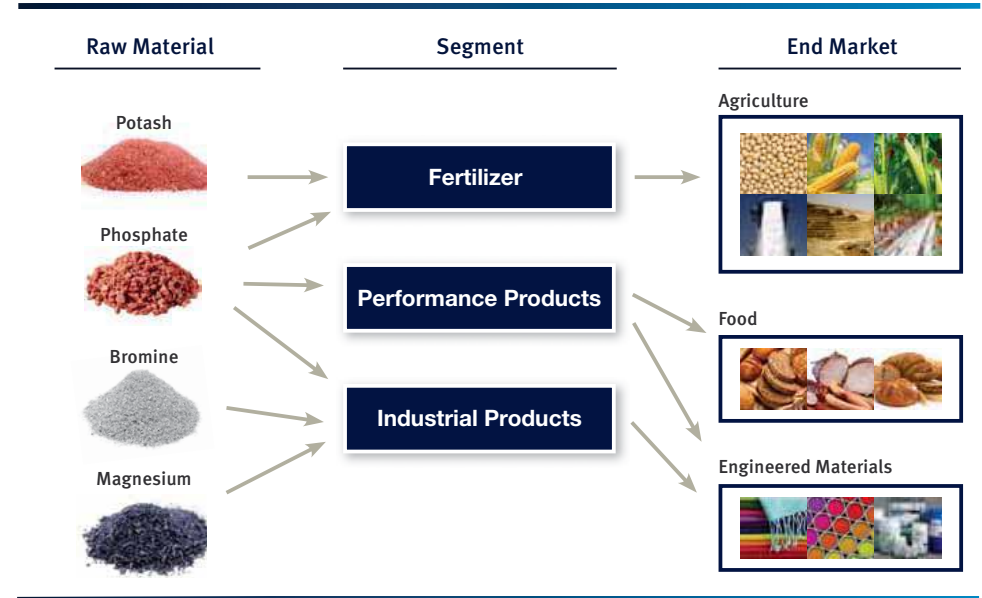
## End Markets



In ICL's end markets – agriculture, food and engineered materials – new needs are emerging as the results of various global trends. ICL's varied activities address these essential needs of human society.

## ICL's Activities and End Markets

### Highly Integrated and Synergistic Value Chain



## Agriculture

Demand for fertilizers is driven by demand for grain, which is mainly influenced by the increase in world population, and changes in eating habits in the developing world.

### Growth of the Population and Per Capita Income

According to the U.S. Bureau of Labor Statistics, the world population is expected to grow by one billion to 8.3 billion by 2030. The economic growth of emerging markets is increasing the demand for food and, in turn, the demand for fertilizers. The increase in per capita income in emerging markets is a transition to consumption of protein-rich food which leads to increased demand for consumption of grain to feed livestock. According to the International Monetary Fund (IMF), per capita income in developing countries is expected to grow by about 6% by the year 2018.



The fertilizers that ICL manufactures help to produce greater amounts of food more efficiently. In a reality in which the amount of available arable land is diminishing, this is of critical importance.

**The Shortage of Arable Land**

As a result of urbanization, the amount of agricultural land per capita is declining in absolute terms. According to data from the Food and Agriculture Organization (FAO), by 2030 the amount of agricultural land per capita is expected to decline from 0.053 acres to 0.048 acres. Consequently, the only way to increase agricultural production is by increasing output in emerging markets, particularly in China, India, Russia, Africa and Central America, which means increasing the use of fertilizers (mainly potash and phosphates), making more fresh water available for irrigation and improving seeds.

**Increasing Demand for Food**

The increase in demand for food is expected to continue leading to historically low levels of the annual grain stock-to-use ratio. Consequently, grain prices are expected to remain higher than the historical average, leading to higher income and more incentives for farmers to increase grain production, leading in turn to higher consumption of fertilizers.

Fertilizers play an important role in the agricultural sector by providing essential nutrients that help to increase the quality and quantity of produce. ICL produces potassium and phosphorus, which are two of the three major nutrients essential for plant growth, potassium, phosphorus and nitrogen (K, P and N). These nutrients occur in the soil naturally in varying concentrations, but using land for agricultural purposes dilutes their concentration, which causes a reduction in crop output and increases the need for replenishing the soil from external sources (fertilizers).

The growth rate of the specialty fertilizer market is faster than that of the conventional fertilizer market. Farmers are looking for customized fertilizers to meet the needs of specific crops and climates, in order to maximize crop productivity and quality. Specialty fertilizers allow farmers to respond to new needs of the agricultural industry, while protecting the land and the environment as much as possible. Specialty fertilizers facilitate the addition of essential elements for plant growth (phosphorus, potassium and nitrogen) in the precise amounts needed, which significantly reduces exposure to active ingredients and saves time, work and irrigation. They include controlled release fertilizers (CRF) that allow nutrients to be released accurately over time, slow-release fertilizers (SRF) designed for very slow release of nutrients (N and K only), liquid fertilizers for use in irrigation systems and fully water-soluble fertilizers that most commonly used in drip irrigation systems and for spraying foliage. Specialty fertilizers are also used in special crops (greenhouses, gardens and lawns), but they are expanding rapidly into field crops (see the section on Responsibility in the Value Chain).

**Food**

Demand for different foods in developing countries has changed dramatically in recent decades. These changes are supported by a number of trends and global processes, including growth in per capita income, demographic changes and lifestyle changes. Other processes, such as growing awareness of nutrition and health, access to a wide range of food products, longer working hours and changes in family structure have led to a demand for more sophisticated, high-quality products that have a longer shelf-life, including prepared food and processed food products.

These processes motivate the adoption of more sophisticated food products and increased demand for processed foods with high, balanced nutritional value, and improved taste, texture and appearance. The lengthening food supply chain, as well as growing consumer awareness of food waste, is also increasing the demand for durable food with a longer shelf life. These trends increase the long-term demand for food supplements, including phosphate-based food additives, phosphate formulations and hygiene products for the meat, dairy and beverage industries.

ICL manufactures special magnesia and calcium compounds that are used as raw materials for healthy foods. It is also developing new products that provide a solution for growing global demand for low-sodium products.

Demand for different and varied foods in developing countries has changed dramatically in recent decades.



ICL's vision today is the development of the Company while meeting the needs of society. For example – end-markets in which we operate provide solutions for the daily essential needs of billions of people. The trends of land and water scarcity are expected to increase, at the same time as population growth and an increased demand for food. The solution, in such a case, is to increase the quantity of fertilizers and to use fertilizers more efficiently and in a smarter manner. ICL has increased its activities in specialty fertilizers in recent years, combining knowledge and advanced technology, a combination that allows us to address these needs and enables growers to increase their crop per plot of land, while, of course, minimizing the increase in the quantity of fertilizers and water and improving environmental impact.

**Mr. Avi Doitchman,**  
Executive Vice President, CFO & Strategy





ICL's flame retardants allow many industries to produce effective products that are safe for public use. Its chlorine- and bromine-based biocides are used in various types of water treatment processes. Merquel® provides a solution for reducing mercury emissions from coal-burning power plants and the combustion of hazardous materials, thereby contributing to cleaner air.

ICL is one of the few chemical companies that operates from the raw material stage through the end market stage. This unique capability enables it to continue to evolve and meet the needs of a changing society.

## Engineered Materials

Demand for engineered materials manufactured by ICL, including solutions based on bromine and phosphorus, as well as phosphate-based products, is driven by the increase in construction activity, growing demand for energy, fresh water and pharmaceutical products. The rise in living standards has caused increased regulation and environmental awareness. As a result, demand has increased for flame retardants, bromine and chlorine based biocides for water treatment, and bromine, magnesia and potash based materials for the pharmaceutical industry. In addition, the increase in oil and gas drilling is expected to continue and lead to an increase in demand for drilling fluids and bromine-based clear fluids, as well as for biocides for water purification for the shale gas production industry. The average annual number of oil rigs in the world grew at an annual rate of 3.6% from 2,395 in 2004 to 3,412 in 2013.

The main commercial use of bromine is for flame retardants, which currently accounts for approximately 40% of the demand for bromine. In order to meet fire safety requirements, flame retardants are used as additives in production processes and in final products, such as plastic cases for electronic devices, printed circuit boards, insulation for construction purposes, furniture, automobiles and textiles. The market for flame retardants has decreased in recent years but alternative uses for bromine have grown substantially. These new uses include water purification for various industries, including gas production from shale, oil and gas drilling and other industrial uses.

Moreover, ICL is developing systems for energy storage based on unique bromine compounds, which will help energy producers to provide more renewable energy. Another development is the Merquel® series of products used to treat mercury emissions from coal-burning power plants.

Through Dead Sea Magnesium, ICL markets and sells pure magnesium and magnesium alloys. It produces dry carnallite and byproducts containing chlorine and sylvanite. Magnesium is considered one of the lightest structural metals; one of its principal characteristics is a better strength-to-weight ratio than other, alternative metals such as steel and aluminum. It is used primarily in the aluminum industry where it is an element in important alloys; in the steel industry where it is used in the process of extracting sulfur from steel; and in the foundry industry that manufactures products, mainly vehicle parts, from magnesium alloys.

In addition to these activities, ICL holds 50% of I.D.E. Industries Ltd. which is active in the construction and sale of water desalination plants, the sale of water, the operation and maintenance of facilities for water treatment, water desalination, and production and development of industrial steam generators and heat pumps, in Israel and around the world.

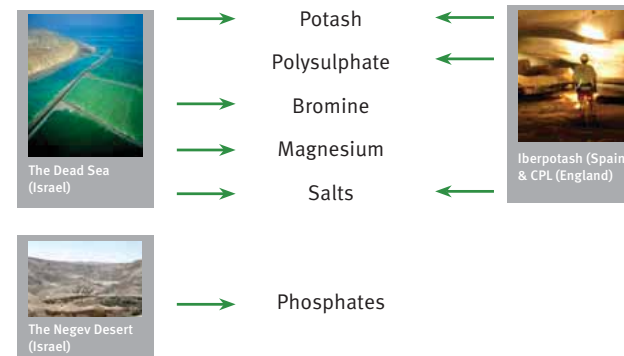
As a result of the Company's continuous efforts to seek out new business opportunities and address emerging needs, ICL has succeeded in maintaining its global leadership in a variety of product groups, including, but not limited to, elemental bromine, fire control products, and phosphorus-based flame retardants.



**ICL is a market leader in most of the fields in which it operates:**

- #1 in elemental bromine, with approximately one-third of the global bromine production capacity
- #1 in phosphorus-based flame retardants
- #1 in specialty phosphates
- #1 in the production of products for the control of forest fires
- #1 in Europe in the the manufacture of PK fertilizers (containing potash and phosphates)
- #2 in Western Europe and #6 in the world in the manufacture of potash
- #2 in manufacture of magnesium in the western world
- Key manufacturer of specialty chemicals in niche markets

### Raw Materials





# The Corporation

ICL's operations are divided between three main segments:

## ICL Fertilizers



In response to the need to supply food to a growing world, ICL Fertilizers produces potash from the Dead Sea, and mines and produces potash and salt from underground mines in Spain and the UK. ICL Fertilizers processes potash of various types and markets it around the world. In 2013, potash accounted for approximately 54% of the segment's sales. ICL Fertilizers also mines and processes phosphate rock from open-pit mines in the Negev. In Israel, it manufactures sulfuric acid, fertilizer-grade phosphoric acid, phosphate fertilizers, compound fertilizers based primarily on potash and phosphate, liquid fertilizers and soluble fertilizers. It also manufactures compound fertilizers in the Netherlands, Germany, Spain and Belgium; liquid and soluble fertilizers in Spain; slow release and controlled-release fertilizers in the Netherlands and US, as well as phosphate-based animal feed additives in Turkey and Israel. ICL Fertilizers markets its products worldwide, primarily in Europe, Brazil, China, India and Israel. The ICL Fertilizer segment also includes the activity of Mifalei Tovalel, Ltd., which transports freight of all types, but particularly bulk cargo, mostly for ICL companies in Israel.

## ICL Industrial Products



To meet the growing need to produce cleaner water, protected and safer products, ICL Industrial Products (ICL-IP) develops, manufactures, markets and sells bromine as well as industrial chemicals based primarily on bromine, magnesium, chlorine and salt mined from the Dead Sea, as well as on phosphorus and chlorine acquired from external companies. In 2013, ICL-IP was the world's leader in elemental bromine, and produced one-third of the world's production of this product. The Company's products are classified according to application and used in many industries. Its flame retardants are used by the electric and electronic industries, in construction, and in the automotive and furniture industries. Biocides are used in industrial water, drinking water and swimming pool industries. Clear solutions are used in the oil industry; products in the Merquel® series are used to treat mercury emissions from coal-burning power plants, and magnesia-based products are used in the food, pharmaceutical and transformer industries. Its salt products are used to reduce dust and melt snow. ICL-IP sells these products around the world.

## ICL Performance Products



In order to improve the living standards of the world population, provide safer products and protect forests, ICL Performance Products (ICL-PP) develops, manufactures, markets and sells a wide range of phosphate-based products that are used, among other things, as raw materials in the production of food additives, hygienic products, and in products that prevent the spread of fires and extinguishing them, as part of ICL's policy to increase its production of downstream products with higher added value. It also develops, manufactures, markets and sells aluminum-based and other products. ICL Performance Products purifies some of the fertilizer-grade phosphoric acid manufactured by ICL Fertilizers, purchases pure phosphoric acid from other sources, and manufactures thermal phosphoric acid, necessary for electronics and the solar industry. The segment's production takes place at plants in Europe (primarily Germany), the USA, Brazil, Israel, China, Mexico and other countries. Products based on specialty phosphates accounted for approximately 76% of ICL-PP's sales in 2013.

## IMI TAMI



IMI TAMI is ICL's central research institute. Its facilities include some of Israel's most advanced research laboratories, a sophisticated mini-pilot facility, large pilot facilities and analytical laboratories equipped with state-of-the-art equipment. IMI TAMI provides a broad range of services, including research and development, production testing and other types of analyses for a broad range of customers from the chemical, pharmaceutical, food and environmental quality service industries. IMI TAMI's most important asset is its human resources, including expert chemists, engineers, microbiologists, analytical chemists, corrosion experts and technicians. Its professional teams produce high quality work as can be expected from a leading R&D institute.

## Dead Sea Magnesium



Dead Sea Magnesium manufactures, markets and sells pure magnesium and magnesium alloys. The company also manufactures dry carnalite and byproducts containing chlorine and sylvanite. Magnesium is used by the foundry industry for vehicle parts due to its strength and low weight, compared to other metals.



## Main Companies in the ICL Fertilizers Segment



### Dead Sea Works

DSW manufactures potash and a wide range of chemical products, industrial salts, bath salts, cooking salt and more. The company operates a production plant in Sodom, a transportation terminal at Mishor Rotem (Zefa), and terminals at the Eilat and Ashdod ports. Its offices are located in Beersheba.



### Fertilizers and Chemicals

Manufactures fertilizers and industrial chemicals, mostly for the Israeli market, and liquid fertilizers for agriculture based on potash, phosphorus and nitrogen. It also manufactures and exports NPK soluble fertilizers to several countries. The company's marketing systems includes ongoing agronomic consultation to its customers. It operates a computerized logistics system that enables it to supply fertilizers according to the requirements of farmers throughout Israel.



### Rotem Amfert Negev Ltd.

Operates in three main sites: In Zin and Oron it mines and enriches phosphates and in Rotem it also produces downstream products. Rotem Amfert Negev also operates a sulfur terminal at Ashdod port, and utilizes the services of Ashdod and Eilat ports to store and transport its products. The three main products manufactured by Rotem Amfert Negev are phosphoric acid, fertilizers and sulfuric acid. It also manufactures clean phosphoric acid as part of the ICL Performance Products segment.



### Mifalei Tovola

Provides transportation, storage and logistics services. It is comprised of three divisions: liquid, bulk and general cargo. The company operates an average of 350 trucks daily, and also uses transportation subcontractors. Mifalei Tovola operates the container terminal at the Zefa terminal.



### ICL Fertilizers Europe CV

Headquartered in Amsterdam, Netherlands, it manufactures, distributes and markets P, PK, NP and NPK fertilizers throughout Europe.



### Cleveland Potash Limited (CPL)

Headquartered in northern England, CPL manufactures and markets potash, polysulphate and salt.



### ICL Fertilizers Germany GmbH

Located in Ludwigshafen, Germany, it manufactures, distributes and markets NP, PK, P and NPK fertilizers throughout Europe.



### Iberpotash

Located in Catalonia, Spain, where it manufactures and markets potash and salt.



### Rotem Turkey

Located in Bandirma, Turkey, where it manufactures additives for animal feed.



### Everris

Everris operates four manufacturing plants: one in the Netherlands, one in England and two in the US. It also mines peat, which is used as growing media in the UK. The company operates in three areas: commercial nurseries and greenhouses (ornamental horticulture); turf for municipal gardens and sports pitches; and intensive/advanced agriculture (specialty agriculture). Everris manufactures and sells controlled-release fertilizer, slow release fertilizers, soluble fertilizers, growing substrate, plant protection products and grass seeds.



### Fuentes

Located in Spain, Fuentes manufactures and markets fertilizers suitable for drip irrigation and foliar application. Fuentes manufactures specialty fertilizers and markets liquid NPK fertilizers and solid fertilizers. The company maintains state-of-the-art facilities, production and packing plants in Totana, Cartagena, Port of Cartagena and Port of Almeria, and also operates a fleet of trucks.

### Nu3 NV

Located in Belgium, Nu3 NV has a state-of-the-art production facility and produces mainly water soluble NPK fertilizers (WSNPK).

### Lawn fertilizers

Stadiums and golf courses around the world boast green and healthy grass that grows from seeds produced by ICL Fertilizers. Abrasion resistant grass in a dark color allows players to identify their location on the field. The fertilizers contain no additives and is natural and healthy for those that step on it.





## Main Companies in the ICL Industrial Products Segment



### Bromine Compounds

Operates plants in the Neot Hovav Industrial Council and its headquarters in Beersheba. The company manufactures bromine-based compounds for a variety of markets and industries, including: flame retardants, mostly for the electronics and plastics markets, soil fumigation and pesticide products, brines for the oil drilling industry, mercury emission control products for coal-fired power plants, water purification and treatment products, and products used by the textile, plastic and construction industries.



### Dead Sea Bromine

operates plants at two sites:

Periclase, at Mishor Rotem, which manufactures magnesium-based products used mainly in the food additive and pharmaceutical, steel transformers, rubber, vehicle and fertilizer industries.

Bromine-Chlorine, located in Sodom, is the largest bromine producer in the world. The bromine manufactured at the plant is used as a raw material for the manufacture of bromine compounds, and as elemental bromine for various industries, including primarily the pharmaceutical, pesticide and fumigation, flame retardant and tire industries.



### ICL-IP-America

Located in West Virginia, USA. ICL-IP America manufactures phosphorus-based flame retardants used in a wide range of industries including: electronics, furniture, automotive, construction and others. The plant also manufactures hydraulic fluids used in electric power generation, aluminum production, and the aircraft industry.



### Scora

Located in Caffiers, France. It manufactures magnesium-based materials primarily for the food industry. The plant also produces materials used in the steel industry for transformers, and in pharmaceutical industry.



### Sino-Brom Compounds Co. Ltd.

Located in Shangong, China. It manufactures bromine-based products, including flame retardants used in the electronics and plastics industries, as well as water treatment products.



### Jiaxing ICL Chemical Co. Ltd.

Located in the Port of Jiaxing, China, it began operations in 2012. For the short term, the plant is being used to produce bromine-based biocides for the water treatment industry. In the future, it is planned that the plant will be used to manufacture other biocides and phosphorus-based flame retardants.

### Clearon

Located in West Virginia, U.S., Clearon manufactures chlorine-based water treatment products. The company's main products are TCCA, which is used mainly for treating swimming pools and spas, and DCCA, which is used primarily for treating surfaces in public buildings, such as hospitals and dairies.

### Medentech

Located in Wexford, Ireland, Medentech manufactures products that help protect human and animal health through water purification. Its product, Aquatabs, is one of the world's best-selling products for sterilizing and purifying drinking



### ICL-IP Bitterfeld GmbH

Located in Bitterfeld, Germany, it manufactures phosphorus-based flame retardants used mainly by the furniture, vehicle and construction industries, and in foamed polyurethane used for sealing.



### Lianyungang Dead Sea Bromine Co. Ltd.

Located in Jiangsu, China, it manufactures one product for soil fumigation and volume fumigation and another biocide.

### ICL-IP Terneuzen

Located in Terneuzen, the Netherlands, it primarily manufactures bromine-based compounds for the pharmaceutical, pesticide, construction, flame retardant and plastics industries.

### Melting snow

ICL-manufactured salts are used for melting accumulations of ice on roads that endanger the lives of travelers and also ease our lives in a variety of other ways, such as removing dust, softening tablets for dishwashers and more.





## Main Companies in the ICL Performance Products Segment



### Fibrisol Service Muscalla

Located in Viernheim, Germany. It manufactures food additives.

### Fibrisol Service London

Located in London, UK. It manufactures food additives.

### Fibrisol Service Australia

Located in Melbourne, Australia. It manufactures food additives.

### Shanghai Tari International

Located in Shanghai, China. It manufactures food additives.

### ICL France

Located in Vaas, France. It manufactures hygiene products, water purification substances and cleaning products for industry and agriculture.

### Anti-Germ Germany

Located in Memmingen, Germany. It manufactures hygiene products, water purification substances and cleaning products for agriculture and industry.

### Anti-Germ Austria

Located in Neumarkt am Wallersee-Salzburg, Austria. It manufactures hygiene products, water purification substances and cleaning products for industry and agriculture.

### Anti-Germ Hungary

Located in Nyíregyháza, Hungary. It manufactures hygiene products and cleaning substances for industry.

### Puriphos

Located at Mishor Rotem, Israel. It manufactures food-grade phosphoric acid.



### BKG Jiangyin

Located in Jiangyin, China. It manufactures products for the paper, water treatment, cosmetics and footwear industries.



### Yunnan BK Giulini Tianchuang

Located in Kunming City, China. It manufactures specialty phosphates for food and other industries.



### ICL Fosfatos y Aditivos Mexico

Located in Monterrey, Mexico. It manufactures phosphates and additives for the food industry.

### ICL-PP Brasil

Operates a site in Sao Paulo and a site in Sao Jose dos Campos, Brazil. It manufactures phosphates and components for the food industry and for other industrial uses.



### Bakery Solutions

Bakery Solutions containing minerals manufactured by ICL improve the properties of dough, allow complete and uniform leavening and prevent the development of mold and bacteria in products.



### ICL Performance Products LP

Operates at several sites in the USA (Missouri, New Jersey, Kansas, Indiana and California) as well as in Canada. The company manufactures phosphoric acids and phosphates for the food, water treatment, metal, ceramics, electronics, asphalt and other industries. It also manufactures fire safety and anti-corrosion products.

### Performance Products Europe/Asia Pacific

Operates at three sites in Germany: Ludwigshafen, Ladenburg and Knapsack. It manufactures phosphate- and alumina-based products for the food, paper, water treatment, construction, cosmetics, pharmaceutical, hygiene, clothing and footwear industries.





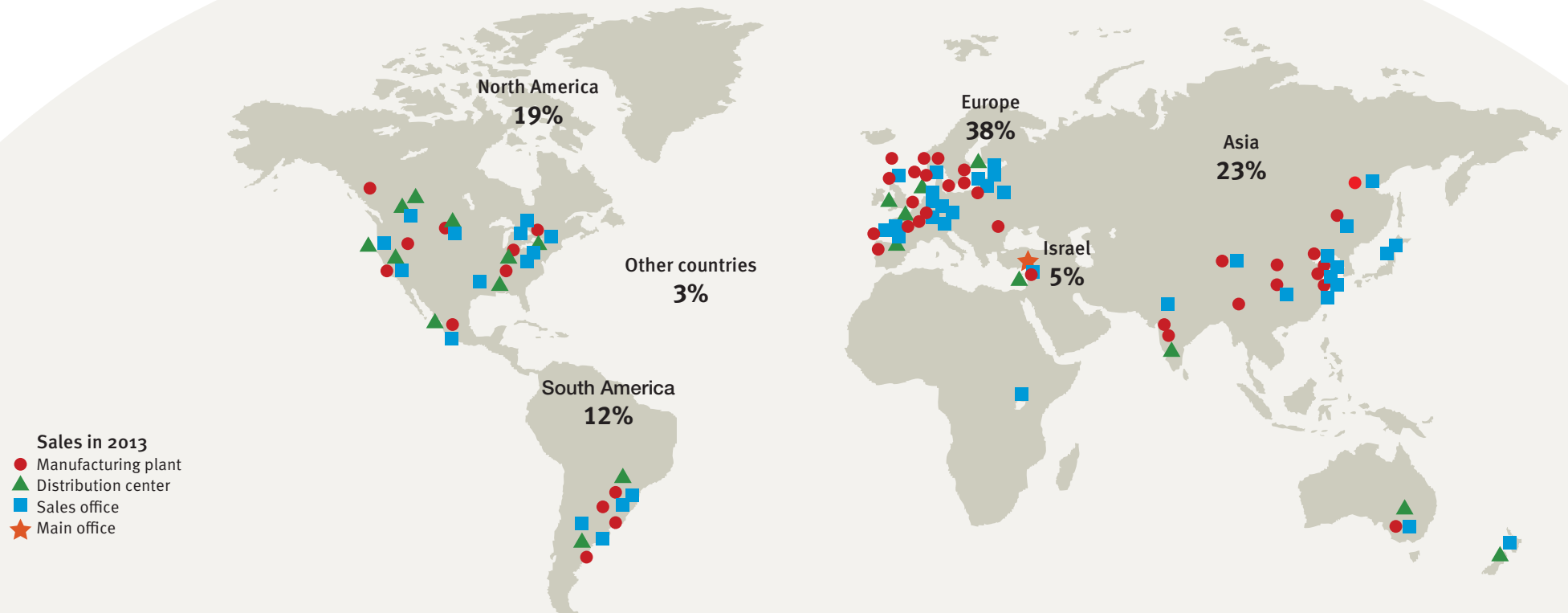
# Global Operations

ICL has established a leading position in international markets for potash, bromine, clean phosphoric acid, specialty phosphates, bromide and phosphate-based flame retardants and fire control chemicals. Potash and phosphates are core components of fertilizers. Bromine is used in a wide range of applications, primarily as a basic ingredient in flame retardants. ICL's products are used primarily in agriculture, food, electronics, oil and gas drilling, water purification and desalination, reduction of mercury emission from power plants, and the detergent, paper, cosmetics, pharmaceutical, automotive, aluminum and other industries. ICL has decades of accumulated experience in most of its businesses. Approximately 5% of ICL's production is sold in Israel. For certain

products, ICL and some ICL subsidiaries have been declared a monopoly in Israel. In 2013, 51% of ICL's annual sales turnover could be attributed to production outside of Israel. Overall, in 2013, ICL sold 5,035 thousand tonnes of potash (internal and external sales), 1,695 thousand tonnes of fertilizers and 879,000 tonnes of phosphate rock. Approximately 11% of the selling cost of ICL products manufactured outside of Israel was attributable to raw materials supplied from Israel.

The following diagram shows the geographic distribution of ICL sales in 2013 and the locations of the Company's main sites:

ICL has established a leading position in international markets for potash, bromine, clean phosphoric acid, specialty phosphates, bromide and phosphate-based flame retardants and fire control chemicals.





# Company Structure and Ownership

ICL, Israel Chemicals Limited was established in 1968 as a government-owned company. The Company's privatization process began in 1992 with a partial issue on the Tel Aviv Stock Exchange (TASE). ICL was sold to Israel Corporation Ltd, which was controlled at that time by the Eisenberg family. In 1999, the Ofer Group acquired the Eisenberg family's shares in Israel Corporation. ICL is a multinational public company whose shares are traded on the TASE. The Company has three operating segments: ICL Fertilizers, ICL Industrial Products and ICL Performance Products, divided on a functional-management basis.

ICL's products are divided among its operating divisions, as of the report period (end of year 2013):

ICL Fertilizers	ICL Industrial Products	ICL Performance Products
<p><b>Potash</b></p> <ul style="list-style-type: none"> <li>Standard, compacted &amp; fine</li> <li>Red and white from 3 sources</li> <li>Salt</li> <li>Polyhalite</li> </ul> <p><b>Phosphates</b></p> <ul style="list-style-type: none"> <li>Phosphate rock</li> <li>Phosphoric acid for agriculture</li> <li>Phosphate fertilizers, compound fertilizers and specialty fertilizers</li> <li>Animal feed additives</li> </ul> <p><b>Fertilizers</b></p> <ul style="list-style-type: none"> <li>Phosphate fertilizers</li> <li>Compound fertilizers</li> <li>Specialty fertilizers</li> <li>Soluble fertilizers</li> <li>Liquid fertilizers</li> <li>Controlled release fertilizers</li> </ul>	<p><b>Flame Retardants</b></p> <ul style="list-style-type: none"> <li>Based on bromine, phosphorus and magnesia</li> </ul> <p><b>Elemental Bromine</b></p> <p><b>Dead Sea Salts</b></p> <p><b>Other chemicals</b></p> <ul style="list-style-type: none"> <li>Organic and inorganic bromine compounds</li> <li>Bromine and chlorine based biocides for water treatment</li> <li>Functional fluids based on phosphorus</li> <li>Magnesia products</li> <li>Inorganic Phosphorus products</li> </ul>	<p><b>Specialty Phosphates</b></p> <ul style="list-style-type: none"> <li>Food grade, technical &amp; electronic grade phosphoric acid</li> <li>Phosphate salts</li> <li>Food additives</li> <li>Water treatment chemicals &amp; services</li> </ul> <p><b>Other products</b></p> <ul style="list-style-type: none"> <li>Based on phosphorus, phosphate, alumina &amp; other chemicals</li> </ul>

Each segment manages a number of companies and production sites that can be grouped together as a logical structure for the purpose of management and evaluation. However, the segments do not serve as legal entities.

Alongside the managerial-segment structure, ICL has established geographically-based organizational headquarters intended

to coordinate between the various production sites operating in the same region, in order to increase efficiency and prevent duplication, while harnessing the inter-segment synergy in the region. This was accomplished without diminishing the overall responsibility of the segments to the companies and business units for which they are responsible.

## Changes in Corporate Business Management

On October 22, 2013, ICL's Board of Directors decided to update its work procedures so as to ensure the continued pursuit of business targets, while strictly complying with norms of excellence and transparency. This decision was made after an in-depth study, assisted by external consultants, of the Board's working format, as it has been conducted for many years, and its suitability for the new corporate strategy and changing international norms of corporate governance. Among other things, ICL's Board of Directors decided to change the work format of the Board of Directors and its committees, as well as the

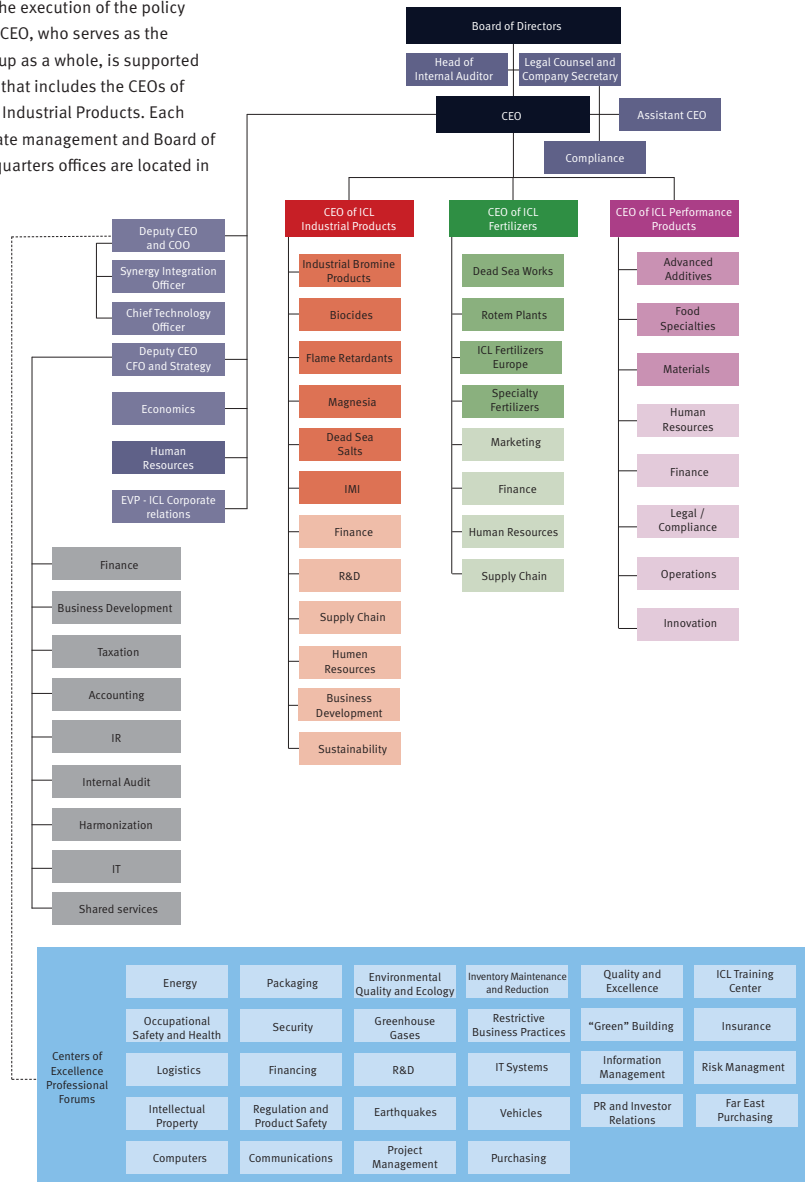
boards of directors and committees of the segments. The overall changes were delineated in a new work procedure for Board of Directors that was adopted on February 11, 2014 (for further details see the section on corporate governance). Concurrently, new managerial forums were established, principally the Global Executive Committee (GEC), which is composed of members of ICL's management, and a joint forum for company management and the management of each of the segments for the conduct of ongoing discussions regarding the segments business activities and financial results.



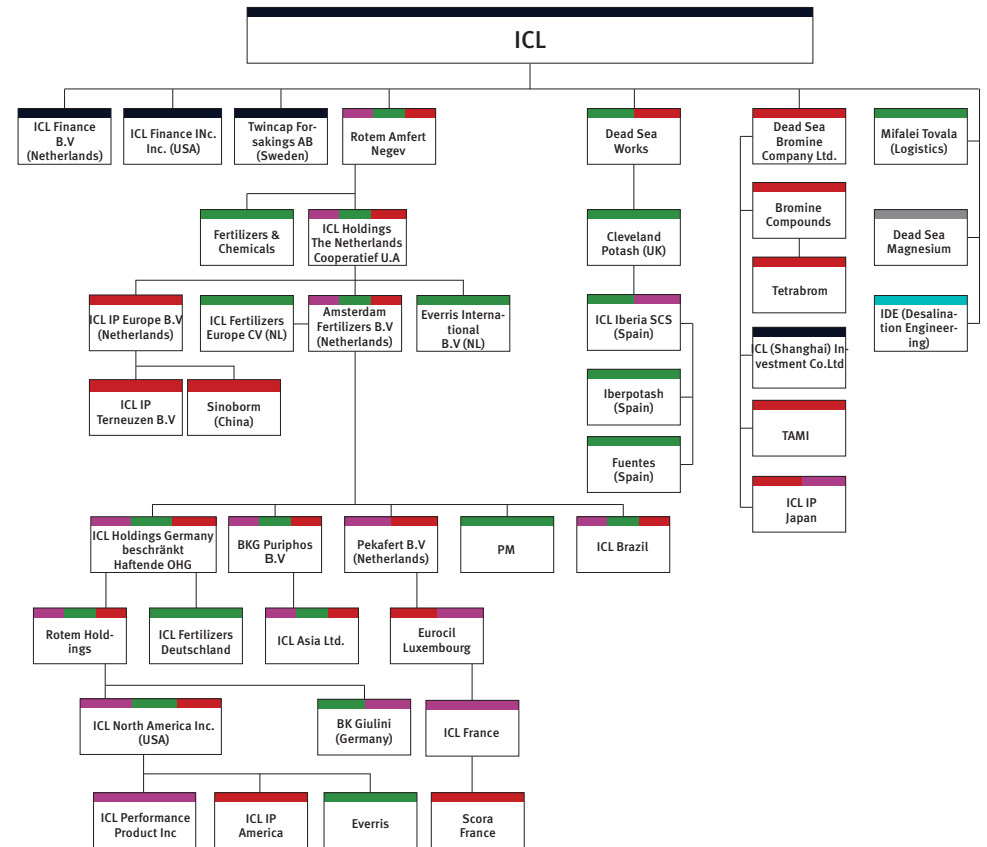


## Organizational Structure

ICL's Board of Directors establishes Company policy and monitors the execution of the policy by management. The CEO, who serves as the "head" of the ICL Group as a whole, is supported by an executive team that includes the CEOs of ICL Fertilizers and ICL Industrial Products. Each segment has a separate management and Board of Directors. ICL's headquarters offices are located in Tel Aviv.



## Structure of ICL's material holdings \*



- ICL Fertilizers
- ICL Industrial Products
- ICL Performance Products
- Others
- Finance and Services

\*For a complete list of companies, see Note 30 to the Financial Statements as of December 31, 2013.



## Material Mergers and Acquisitions in Recent Years

ICL seeks out opportunities for business acquisitions in order to expand and reinforce its core activities through the acquisition of complementary technologies and businesses.

In recent years, ICL has acquired several companies that have enabled it to expand its activities in the areas it has defined as its core businesses, and through which ICL contributes to society: agriculture, food, and engineered materials.

In 2011, ICL completed the acquisition of the specialty fertilizers business unit of Scotts and the Spanish company, Fuentes, which also operates in the specialty fertilizers industry, with the aim of expanding the Company's activity in this field. In December 2011, ICL realized an option to purchase 50% of the shares in Tetrabrom Technologies Ltd., as a result of which it now holds 100% of the company's issued share capital.

In 2011, ICL acquired Cosmocel Quimica, a producer of phosphate salts in Mexico, as part of its efforts to expand the phosphate value chain.

In August 2012, ICL realized its option to purchase 100% of the shares of Agrocallejas, a company in the Fuentes Group.

In early 2013, ICL completed its merger with the Belgian company Nu3 NV, as part of the dissolution of ICL's joint venture with Yara in the Nu3 companies in the Netherlands and Belgium.

In February 2013, a subsidiary in the ICL-PP segment purchased the assets and operations of the Knapsack plant in Germany which produces and markets P255.

In January 2014, ICL completed a transaction to acquire Hagesud

Group, a leading German manufacturer of spice blends and food additives for meat processing. As a result of this acquisition, Hagesud will merge with ICL Food Additives in the ICL-PP segment. The acquisition included all of the company's operational and production sites, its existing business, sophisticated production technologies and warehouses located in Hemmigen, Dortmund and Ottensoos, Germany.

Furthermore, ICL is currently considering expanding its strategic raw material holdings in order to improve its competitive positioning. Since 1998, ICL has invested in acquisitions, mergers and joint projects with a total value of approximately USD 1.8 billion. ICL is interested in continuing to use the Group's technological, operational knowledge and skills to acquire businesses with the potential to help it maximize its competitive advantages, synergy and potential growth.





# ICL's Corporate Responsibility Policy: Guiding Principles

ICL acknowledges its corporate and social responsibility to its shareholders, customers, suppliers, employees, the community, the environment and other stakeholders. Therefore, the Company is committed to managing its business in a way that will lead to sustainable growth and balance the needs of present and future generations, while fulfilling statutory and moral duties. Where there is no legislation, ICL strives to voluntarily adopt accepted and leading standards of industry around the world. ICL places great emphasis on setting periodic quantitative targets, while identifying and measuring the economic, social and environmental impact of its activity. It strives to achieve these objectives in a responsible manner.

ICL's commitment to sustainable development and social responsibility is expressed through its adoption of corporate social responsibility (CSR) principles, and also the Responsible Care Principles stated in the Responsible Care Global Charter of the international chemical industry (for further details, see the section on responsibility for the value chain).

As a public company, ICL works to maximize its competitive business advantage over many competitors without compromising its standards on environmental issues at all of its locations around the world.

The Boards of Directors of ICL and its segments, as well as the Group's management, act to implement the principles of this policy. Therefore, the segments' boards of directors in Israel have appointed committees to review and discuss all areas related to the environment, safety, health and security. These committees are supported by external consultants in relevant fields. In addition, ICL management has established enforcement and monitoring programs to ensure compliance with all of its legal obligations. ICL's Board of Directors appointed Asher Grinbaum, the Company's Deputy CEO and COO, to serve as the corporation's Chief Risk Manager in charge of environmental, safety, occupational health and security issues of the Company. Mr. Grinbaum reports to ICL's CEO and periodically on his behalf to the Board of Directors on activities in these areas.

## Guidelines for Corporate Responsibility

### Environmental Protection

- Strive for leadership in emission reduction and greenhouse gas control
- Ensure environmental management principles for waste, natural resources and energy consumption
- Comply with laws and regulations in all areas of operations
- Minimize environmental impact by implementing best available technology (BAT)
- Strive for conservation and restoration of the landscape and biodiversity in areas of the Company's operations

### Economy

- Develop the organization's business-strategic operations with a view towards preserving the environment and society
- Transparency and reporting of economic and environmental information
- Adopt systems to identify, assess and control risks in the organization and throughout product life (product stewardship)
- Provide the administrative and financial resources required to implement and assimilate a corporate responsibility policy

### Social Involvement

- Encourage community empowerment plans and social and environmental involvement
- Cooperate with authorities and the community in environmental projects
- Maintain a sustainable supply chain
- Encourage ongoing dialogue with all stakeholders

### Work Environment

- Manage production, while maintaining fair employment conditions and terms of adequate health and safety
- Train and develop skills among employees for safety, professionalism, and environmental quality
- Maintain and implement the Code of Ethics as part of the corporate culture
- Increase security in the Company's areas of operation, by implementing national and international laws and regulations, in coordination with local security forces



# Corporate Governance

Corporate governance is a set of processes, practices, policies, laws, institutions and control structures through which a corporation or organization is managed and controlled. Corporate governance defines the relationship between the various risks and the objectives of the organization's corporate governance.

The main interested parties are the shareholders, Board of Directors and management.

Corporate governance is, among other things, a management tool that includes a broad collection of principles and rules that are essential for prudent management of corporations, including aspects of control and supervision, which relate specifically to how the Board of Directors formulates company policy and oversees and manages the functioning of the CEO, including development of the company's strategy and distills his duties in supervising and overseeing the company's management.

The corporate governance approach refers to a range of mechanisms designed to ensure appropriate and fair management of companies for the benefit of all the shareholders. Effective implementation of corporate governance mechanisms may contribute to the development of financial markets in terms of transparency, efficiency and openness to international markets. ICL operates according to advanced corporate governance principles, and accordingly, it has also adopted, and will continue to adopt, as necessary, voluntary rules to ensure maximum transparency towards shareholders and other stakeholders, and an advanced enforcement plan to ensure strict compliance with the law and with its advanced internal regulations.

## Board of Directors and Committees

ICL separates the identity and functions of the Chairman of the Board and the CEO, as well as the functions of the Board of Directors and those of the Company's officers who are not directors. The directors are elected each year by the General Meeting (except external directors, whose term is set by law at three years).

ICL's Board of Directors have resolved that at least three of its directors should have accounting and financial expertise. As of the date of this report, nine out of ICL's 11 Board members have accounting and financial expertise. ICL has not adopted a provision in its articles regarding the minimum number of independent directors. However, in the current reporting year, to the best of the Board's knowledge at the reporting date, 5 of 11 directors are independent directors, as defined by Israel's Companies Law.

In 2013, ICL's Board of Directors convened 20 meetings, and the Boards of Directors of its segments convened 13 meetings. In accordance with ICL's policy, the operations of the Company or its subsidiaries, including operations involving investments that exceed a specified amount, organizational changes, and mergers and acquisitions, require the approval of the Board of Directors.

Each year, ICL's Board of Directors holds detailed discussions regarding the annual budget, annual work plan, five-year plans, approval of periodic reports and annual and quarterly statements. During the year, the Board of Directors meets from time to time with Company management, during which time Management presents reports regarding its operations and material issues. Board members also tour the Company's plants. The Board of Directors convenes once a year without the Company's management, with the participation of the auditor and the internal auditor.

At least once a year, ICL's Board of Directors convenes a designated meeting to discuss the issues of corporate responsibility and sustainability, as well as employee safety, ecology and other subjects. In 2013, this meeting was held in April and included presentations about the Company's policies regarding environmental quality, ecology and safety, as well as the implementation of these policies in a broad selection of its business activities. New board members receive appropriate instruction about ICL and its operations, and all directors receive periodic training about issues in which there are significant changes.

## Board Committees

In its decision of February 11, 2014, the ICL Board of Directors adopted new work procedures for the Board of Directors and its committees ("Board of Directors work procedures"), under which, inter alia, the Board of Directors established four permanent board committees: the Audit and Financial Statements Committee, the Human Resources and Remuneration Committee, the Environment, Safety and Community Relations Committee, as well as the Operations Committee ("the permanent committees"). The Board of Directors work procedures also state that the board may, from time to time, appoint ad hoc committees, for the purpose of advising or making recommendations on general or specific issues ("advisory committees"). Please find below the composition and jurisdiction of the committees, as set forth in the Board of Directors work procedures:

### The Audit and Financial Statements Committee ("Audit and Financial Committee")

The Audit and Financial Statements Committee shall number at least three members, who are appointed by the Board of Directors. All of the external directors will be committee members and they shall be subject to all of the provisions of the Companies Law 5759 -1999 ("Companies Law"), related to the composition and membership of the Audit Committee and the Financial Statements Approval Committee. The Audit and Financial Statements Committee has five members. In 2013, the Audit and Financial Statements Committee held 15 meetings. The following are the main functions and authorities of the Audit and Financial Statements Committee as set forth in the Board of Directors work procedures:

- A. Subject to approval of the General Meeting of the Company, to select and propose the appointment or dismissal of the external auditors of the company; to examine the scope of work of the external auditor and to review and recommend the fees of the external auditor to the Board of Directors and the General Meeting, as appropriate.
- B. To examine and discuss with the management of the company and its auditors key issues related to accounting

matters in the presentation of the financial statements, review and discuss issues related to the accounting policy adopted by the Company and accounting treatment applied in matters material to the company, financial exposure policy, taxation policy, accounting estimates, the internal disclosure and financial reporting controls as well as the suitability of disclosure in the financial statements, and other matters of financial and accounting interest such as valuations, including the assumptions in the estimates on which they are based. The Committee is also authorized to discuss the company's agreements relating to financing, taxation and insurance, and make its recommendations to the Board of Directors regarding the process for approval of the financial statements, as required by law, and to report any problems, among others, related to internal control issues in the Company that might arise during their review of the financial statements.

- C. To select and propose the appointment or dismissal of the Company's internal auditor, to review the Company's internal audit system, and the functioning of the internal auditor, and to improve the internal auditor's periodic work program.
- D. To discuss the Company's risk assessment and risk management policy, including an annual discussion of the company's risk assessment policy in the context of the internal audit.
- E. To ensure the Company's compliance with the Companies and Security Laws, including by monitoring management activities, examining noncompliance results and supervising the implementation of compliance programs of the aforementioned issues, and others relevant to the Company.
- F. To convene a meeting regarding deficiencies and management of the business of the Corporation, at least once a year, to be attended by the internal auditor and external auditors, without requiring the attendance of any of the Corporation's executive offices who are not members of the committee.





## Human Resources and Remuneration Committee (HR and Remuneration)

On November 14, 2012, the ICL Board of Directors appointed a Remuneration Committee in accordance with Amendment 20 of the Companies Law. Within the framework of the Board of Directors work procedures, the Human Resources Committee and the Remuneration Committee were consolidated into a single committee as described below. The HR and Remuneration Committee shall number at least three members who are appointed by the Board of Directors. All of the external directors will be committee members and they shall be subject to all of the provisions of the Companies Law regarding the composition and members of the Remuneration Committee.

In 2013, the Human Resources Committee held five meetings and the Remuneration Committee held eight meetings.

The principal functions of the Human Resources and Remuneration Committee are:

- A. To review and discuss the Company's human resources strategy and the associated risks.
- B. To verify implementation of the Company's program for developing managerial leadership, including the existence and implementation of employee evaluation, and employee leadership development programs within the Company.
- C. To review, in consultation with the Chairman of the Board of Directors, the program for development reserves and managerial continuity for the position of Company CEO.
- D. To recommend a remuneration policy for members of the Board of Directors once every three years, and to recommend an update, from time to time, of the remuneration policy to the Board of Directors and to renew as implementation.
- E. To approve transactions regarding the conditions for an officer's term of service and employment, which require the approval of the Remuneration Committee in accordance with the Companies Law.
- F. To recommend to the Board to determine annual and periodic targets of the senior executives in the company.
- G. To annually review the remuneration given the directors of the Company.

- H. To recommend to the Board granting shares or options to employees under the lateral employee benefits, and shares or stock option plan formulated and approved by the Company's Board of Directors.

## Environmental, Safety and Community Relations Committee

The Committee shall number at least three members, who are appointed by the Board of Directors. The main functions of the committee are:

- A. To review and discuss the Company's environmental and safety programs.
- B. To review and discuss the Company's contribution to the community and the Company's public policy on these issues.

In 2013, discussions were held on the environment, safety and community relations during meetings of ICL's Board of Directors.

## Operations Committee

The Operations Committee numbers at least three members who are appointed by the Board of Directors.

The main functions of the committee are:

- A. To discuss in detail and make recommendations to the Board of Directors in the following areas: strategic projects, capital and debt management, investment policy, investment, mergers and acquisitions, R&D policy and strategy.
- B. To approve investments or merger and acquisition transactions, in accordance with the advance mandate determined for the committee by the Board of Directors.

In 2013, the committee convened two meetings.

## Identifying Candidates for Management Positions

Potential candidates for senior management positions at ICL are reviewed using a professional process. In the first stage, there is an attempt to identify experienced candidates from within

the company or relevant corporate personnel. For additional information, see the description of the Leadership Competency Model, in the section on Work Environment. If suitable persons are not identified, the search is extended beyond the corporation. The process includes receiving recommendations for candidates, formal testing and interviews with the CEO and appropriate officials in ICL.

## Executive Compensation

Executive compensation includes three components: a fixed component of salary and incidentals, variable components of annual bonuses, and equity payments.

### The Salary Component

The salary component for executives is examined by the Board and the remuneration committee according to the following criteria:

1. Promotion of the Company's objectives, its work plan and long term policy.
2. Creation of suitable incentives for executives, taking into account, inter alia, the risk management policy of the company.
3. Firm size and nature of its operations, considering, inter alia, comparisons with a group of similar companies in Israel and abroad.
4. All components of the executive's compensation and the terms of employment.
5. Education, qualifications, expertise, professional experience, duties, responsibilities and achievements of the executive, including an examination of his personal performance and achievements in advancing various management areas for which he is responsible and achievement of Company goals.
6. Relationship between the variable components and the fixed components in the total compensation of the executive.



### The Bonus Component

According to the bonus procedure, which was approved by the Board of Directors and the Remuneration Committee, the bonuses paid to officers employed in the Company (including the CEO) are determined using a formula based on the weighted average of the increase or decrease in the operating and net profit of ICL (or the subsidiary, as relevant) in the previous year, compared to the average for the previous three years (60% of the bonus), personal targets (30%) and personal development targets (10%). The personal targets of senior executives in the organization include, inter alia, targets for reduced consumption, safety, continual improvement of emissions of pollutants into the air and wastewater.

### The Equity Compensation Component

The equity component is granted by the Board of Directors and the Remuneration Committee, in accordance with the evaluation of the executive, his contribution to the Company, performance advancing the Company's various objectives, employment seniority in the Company and the Board's desire to preserve the Company's management team for many years. Equity compensation is designed to strengthen the link between executive compensation and the Company's long-term performance.



Pursuant to Amendment 20 of Israel's Companies Law, the General Meeting of Shareholders of ICL approved the remuneration plan for Company officers in August 2013.

## Procedure for Transactions with Interested Parties

As part of a comprehensive program for compliance with the Securities Law and the Companies Law, the ICL Audit and Financial Statements Committee approved on December 22, 2013, a new procedure for detecting, identifying and approving transactions with executive or controlling shareholders or transactions with other segments in which each of them has a personal interest ("controlling shareholder transactions"). The procedure establishes, inter alia, the provisions and guidelines for detecting, identifying and approving interested party transactions, which include collecting relevant information on the identity of contracting parties, as well as the regulations concerning the method for reporting and disclosing transactions with an interested party.

In addition, as per section 255 of the Companies Law, the Audit Committee approved a procedure for classifying such a transaction as an extraordinary transaction or regular transaction, as well as classifying operations as material or immaterial.

These procedures are intended to add and not to detract from any obligation pursuant to any law regarding the approval of such transactions. For purposes of implementing this procedure, ICL has developed a computerized system that aids in the identification of transactions with interested/related parties that require disclosure and reporting according to this procedure.

Officers and controlling shareholders are required to complete a semi-annual questionnaire to identify and list all the entities in which they have a personal interest and with which a transaction could be considered to be in their personal interest. The list of interested parties from the questionnaires is entered into the IT system and transferred to the ICL Controller, who is responsible for tagging specified suppliers and customers as interested parties. The system issues a real-time alert before making transactions (above a certain sum) with a supplier that is an interested party, enabling ICL to follow the correct procedure for

approving the transaction according to the provisions of the law and ICL policy.

Moreover, ICL does not make financial or other contribution to politicians or to political bodies.

## Feedback and Control Mechanisms

### External Audit

In accordance with the Securities Law, ICL performs a periodic audit of the effectiveness of its internal audits, primarily in regards to financial reporting. In accordance with the law, the Company's management and auditor are required to sign declarations about the effectiveness of these audits.

In addition to these control mechanisms at the management level, the Company has established a field auditing mechanism. As part of the implementation of the ICL Code of Ethics, ICL companies operate "hotlines" through which employees can contact internal auditors to report issues or events they consider to be improper, problematic or deviating from the provisions of the law, procedures or the Code of Ethics.

ICL's hotlines are operated under the auspices of the internal audit system. They are currently operated in all ICL companies in America and Europe, as well as the Asia Pacific region and Israel (about 50%). An ongoing effort is being made to expand the accessibility to the hotline to all ICL sites and companies around the world.

### Internal Enforcement

ICL maintains compliance programs to ensure that Company employees comply with the provisions of the law and the Company's procedures. These programs include antitrust, securities laws, ecology, occupational health and safety, labor law, preventing sexual harassment, the Code of Ethics, trade compliance and a ban on trading with countries and organizations that countries and/or international organizations have classified as hostile elements, anti-bribery and corruption, and anti-money laundering. These programs are intended to

ensure compliance with the laws around the world in which we operate.

The compliance programs are presented on an ongoing basis to ICL managers and employees. In some cases there is periodic assessment by external and internal entities to ensure implementation of the programs. An officer has been appointed to be in charge of each program, and the Boards of Directors of ICL and the segments receive reports regarding the implementation of the programs in all operating segments. On June 4, 2013, attorney Heather Luther was appointed ICL Chief Compliance Officer to oversee enforcement in ICL companies.

### Procedure for Authorized Signatories on the Company's Accounts

ICL has established a procedure for signatory rights and authorization. According to Company policy, two defined authorized signatories are required to bind the Company in any legal action. The authorizations are determined by the level of the signatory's position and according to the financial scope of the transaction. Some authorized signatories have limited signatory rights.

## Compliance with Laws and Regulations

ICL's policy is to comply with all provisions of the law, statutes, instructions, regulations and treaties in all areas of operations.

As a company that operates in the chemical industry, ICL is required to comply with a series of regulations and laws that apply to the entire life cycle of the product, both in the countries where they are manufactured and in the countries where they are sold.

These include laws, whether applicable to a country or other territory, to protect employees and the public, manufacturing regulations, standards for classification, labeling for use and transportation, packaging regulations, supplying material safety data sheets (MSDS), labeling and registration of existing chemicals and chemicals under development in particular countries or territories (for example, the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) Law in



Europe), specific rules and regulations regarding special uses of substances that ICL manufactures (such as food or cosmetics), environmental protection laws relating to manufacture or the use of the product and its environmental impact and laws regarding recycling of products at the end of their useful lives (such as electronic and electrical equipment and plastic, etc.).

In 2008-2012, there was a significant increase in regulatory requirements for environmental issues in Israel. The major laws are based on European legislation and some relate directly to the activities of ICL: Clean Air Law, 5768-2008 ("the Clean Air Law"), Packaging Management Law, 5771-2011 ("the Packaging Law"), and the Environmental Protection Law (Pollutant Release and Transfer Register—Duties of Reporting and Registration Requirements, 5772-2012 ("the PRTR Law"). Further on in this report there are details regarding the efforts ICL is investing in to adapt its operations to new regulations on a regular basis using economically viable, state-of-the-art technologies.

The Packaging Law and the PRTR Law took effect only recently. These focus on demands for more transparency and reporting on industry's impact on the environment. In recent years, ICL has invested voluntary efforts in streamlining its processes for collecting environmental data. As a result, the Company is now better prepared to implement reporting procedures as required by law.

In 2013, the Ministry of Environmental Protection imposed fines totaling NIS 1 million on ICL for not reporting methylene chloride emissions from the Bromine Compounds plant in 2004.





Since then, procedures have been changed and the plant has gone a long way in continuously improving its environmental performance.

Several ICL companies are involved in legal proceedings. The details of these legal proceedings can be found in Note 23c to the Company's Financial Statements as of December 31, 2013.

## Voluntary External Standards of Quality

ICL integrates a broad variety of quality management systems in the operation of its subsidiaries, with the understanding that these systems contribute to improving and streamlining processes and performance and reducing risks. The following management systems are used by ICL: Quality Management - ISO 9001; Environmental Management - ISO 14001; Safety and Health Management - OHSAS 18001; Food Safety Standards for the Food Industry - HACCP, ISO 22000 and FSSC-22000; GMP Good Manufacturing Practices (Food); Good Manufacturing Practices (Pharma – for Active Pharmaceutical Ingredients) and the Standard for Corporate Social Responsibility - SI 10000 (at Bromine Compounds Ltd. and Periclase Dead Sea Ltd.). ICL also assimilates methodologies for operational excellence such as Six Sigma, improvement teams, risk management and learning from experience. All the industrial subsidiaries in Israel are certified under three standards: ISO 9001, ISO 14001, and OHSAS 18001 (except for Mifalei Tovala, which is certified for ISO 9001 and IS 9301 for transportation safety). Most of ICL's companies located outside of Israel are certified by OHSAS 18001 and ISO 14001, as well as by food safety standards according to the type of product. Bromine Compounds recently achieved SI 24001 certification for security and continuity management. This is an Israeli Standard that helps organizations cope with emergencies and exceptional situations. The Company has completed stages A+B of the certification process to date. Most facilities in the USA are currently RC14001 certified and the remainder of the facilities in North America are expected to complete certification in the coming months.

## Membership in Professional Associations

ICL attributes great importance to continuous learning and market leadership. To this end, the Company's employees and managers are active in professional associations in Israel and other countries.

In Israel, ICL is involved in the Manufacturers' Association of Israel and participates in several committees such as risk assessment, hazardous materials, air pollution, wastewater, climate change and environmental management. In addition, representatives from ICL segments take part in public committees, such as committees of the Standards Institute. In Israel, the deputy CEO and External Relations Director of ICL is currently chairman of the Chemical, Pharmaceutical and Environmental Society of the Manufacturers' Association of Israel. When he was appointed in July 2012, he replaced the deputy CEO and COO of ICL who held the position for the previous four years.

Furthermore, the Quality Assurance Manager of ICL Industrial Products' R&D division is Chairman of the Responsible Care forum. A representative of ICL Industrial Products represented the Standards Institute of Israel on the international ISO committee for ISO 26000 Social Responsibility, until the standard was approved. The Human Resources manager of ICL Israel is a member of Labor Committee of the Manufacturers' Association and a member of the Executive Committee of the Association's southern branch. A representative of ICL-IP serves as a representative of the Company on the inter-ministerial committee for the new chemicals law in Israel.

Around the world, ICL representatives take an active part in professional organizations and associations in their fields of business. Mr. Roberto Wurst, Head of the Advanced Additives Business Unit, and Mr. Wolfgang Schneider, Head of R&D, Global Food Specialties, are members of the sub-group "P-Saure Salze" of the German Chemical Industry Association. In Spain, Mr. Vicente Gutierrez, COO of Iberpotash, is Chairman of AENOR (Spanish Standardization Agency) Group "Sustainable Mining."

# Organizational and Business Culture

A good corporate culture is based on the overall values and behavior that characterize the company, including quality and excellence, health and safety, environmental protection, fairness, transparency, compliance with the law, responsibility, mutual respect, trust and honesty. These values, as demonstrated by the Company's organizational culture, are rooted in the Company's core business and facilitate sustainable prosperity and growth. The Company's culture is the foundation on which it operates.

Adoption of values and a Code of Ethics that are compatible with ICL's organizational culture is a key element in realizing the organization's mission and strategies for improving organizational effectiveness and managing change. The organizational culture is assimilated and implemented continuously through personal example, and various mechanisms for explanation, enforcement, training and external and internal explanation, training, assimilation and control, both internal and external.

## Code of Ethics

In August 2011, ICL approved and published a revised global Code of Ethics. From the original English, it has been translated into 17 languages and distributed in all ICL companies around the world. In order to ensure the assimilation and consistent implementation of the values embodied by the Code of Ethics, several companies developed mechanisms including the appointment of enforcement trustees and the establishment of Ethics Committees focused on the realization of an ethical culture consistent with the values stated in the Code of Ethics, by means of setting internal procedures and discussions about ethical dilemmas presented by employees. The Code of Ethics is global and uniform. It was developed and formulated using accepted, modern practices, and replaces several local versions that had previously been adopted by overseas subsidiaries.

The Code of Ethics incorporates core values of the Company and establishes appropriate ethical guidelines for employees of the Company at all levels and positions.

The Code of Ethics also relates to safeguarding the rights of employees and their privacy; proper use and conservation of the Company's assets, maintaining business integrity and honesty, including a ban on offering/receiving bribes and favors; a commitment to the communities in which ICL operates, and more.

The code is instilled in all ICL employees through periodic training, training conducted via computer learning for specific populations, a combination of training and discussion of ethical dilemmas in professional courses, publishing the dilemmas in a bulletin distributed to relevant Company employees so they reach even those who do not have access to computers and using the intra-net as a work tool for all of the companies' ethics committees, semi-annual focus groups, and quarterly meetings on the subject, etc.

The Code of Ethics is the foundation of values upon which the corporate culture is based, and serves as the framework and core of the enforcement programs currently in effect at the Company with respect to securities, restrictive trade practices, safety and health, environmental protection, and creating a safe work environment.

During 2013, more than 1,800 of ICL's employees around the world participated in training sessions on the Code of Ethics and its principles, and/or responded to a questionnaire regarding compliance with the Code of Ethics, and affirmed their commitment to the code. Some of the training was conducted via computer learning and some through frontal instruction, particularly for employees without access to computers. The goal of ICL is to expose all employees to the Code of Ethics because of its great importance to the life of the Company's employees.



**The Code of Ethics is based on six core values and one overarching principle:**

**Business Integrity:** we behave in a straightforward, honest, transparent and fair manner in all of our business activities.

**Responsibility:** We take full responsibility for our actions, performance and fulfillment of our stakeholders' expectations.

**Excellence and continuous improvement:** We constantly strive to be the best. We encourage everyone who works with us – our employees, customers, suppliers and business partners – to excel. In our work, we take care that the service, processes and performance that we provide are of the highest quality.

We are demanding of ourselves and others, and we remain open to constructive criticism and suggestions for improvement.

**Respect for others:** We treat all people with respect and courtesy, value diverse opinions, embrace diversity, and allow people the latitude to express themselves. We are concerned with the welfare of our people and respect their need for life outside of the workplace.

**Commitment to the environment:** Wherever we operate, we conduct our business with respect and care for the local and global environment. We manage risks methodically to encourage sustainable business growth.

We will not rest until we eliminate all cases of environmental damage resulting from our activities. We strive to continuously improve the environmental performance of our products and our operations.

**Commitment to safety:** ICL is committed to protecting the health and safety of all persons taking part in our operations or living in communities where we operate. We will not rest until we eliminate injuries, occupational illnesses and unsafe working conditions.

**The overarching principle is commitment to compliance with the law, regulations, professional guidelines, procedures and enforcement plans, in order to serve the interests of the Company and its employees in the best possible way.**



**Protection of Human Rights**

In all regions and areas of activity, ICL supports human rights as defined in the United Nation's Universal Declaration of Human Rights.

ICL maintains the dignity and rights of the Company's employees, their families, the local communities in which we operate and all persons with whom we come in contact. ICL is committed to preventing violations of human rights, as defined by the laws of each country and site where we operate.

ICL has a relatively low level of exposure to human rights violations. Seven of ICL's mining sites are located in developed countries where there is a low risk of human rights violations.

ICL also has production and logistics operations in China and Brazil. In both countries, ICL operates according to the standards of its commitment to the protection of human rights, as it does everywhere.

In addition, wherever ICL operates, we are in contact with the community and stakeholders to understand the environmental, social and economic effects that our operations have on the local community, and to minimize any adverse effects. ICL believes that our activities contribute to the economy and communities

in which we operate, thereby contributing to the upholding of human rights. In early 2014, ICL issued its Guiding Principals certifying its commitment to the protection of basic human rights of its employees, and expressing its commitment to combating forced employment, child labor and discrimination, and supporting equal rights. For further details please see the section on employment.



**Trade Compliance and the Prevention of Bribery and Corruption**

As an international company, ICL strives to serve as example and leader in its compliance with commercial law. This effort includes measures to ensure compliance with trade regulations and prevent bribery and corruption. ICL has several control mechanisms to minimize regulatory risks and prevent corruption (such as prevention of: money laundering, financing terrorism and providing or receiving bribes). To prevent the financing of terrorism and ensure compliance with international commercial law, ICL implemented a global process, aided by a computerized system, to scan all of the Company's potential transactions in order to check the identity of potential customers and vendors against the sanctions lists of the US, Europe, the UN and others. The system issues warnings and can even block a transaction with entities suspected of being on one of the above lists. All ICL transactions around the world are monitored by this new trade program. In addition, ICL has created a list of "red flags" in order to aid its employees in identifying potential high risks in their transactions so that the risks may be evaluated. Integrity, fairness and prevention of bribery and corruption are central values in ICL's organizational culture. The obligation to refrain from corruption and the ban on giving or accepting bribes is clearly anchored in the Company's Code of Ethics.

In February 2014, the Board of Directors of ICL approved to two new compliance programs: a plan to prevent bribery and corruption; and one to prevent money laundering. As in all other areas of enforcement at ICL, these programs will set a high standard of caution, while adopting the heightened European and American standards for these issues.



# Financial Information

ICL works to maximize its profits over the long term for the benefit of its shareholders, with the utmost regard for other stakeholders such as employees, suppliers, customers and creditors, etc.

As a public company, ICL operates in accordance with several relevant laws, regulations and guidelines, with full transparency from economic, social and environmental perspectives. ICL strives for continuous improvement, while complying with all

provisions of the law. Where there is no legislation, ICL strives to adopt the leading standards accepted in industry around the world. ICL applies a policy of efficient and effective use of resources, while minimizing waste and effluents where possible. ICL believes this policy is consistent with its economic goals and operates a training system and procedures to reinforce its implementation. In addition, ICL strives to use the best available technology and economic measures to comply with regulatory requirements.

The following is a breakdown of ICL's revenues for 2013 by segment:



## Corporate Financial Data:\*

In USD thousands	2010	2011	2012	2013
Revenues	5,691,537	6,868,550	6,471,433	6,271,542
Cost of sales	3,259,461	3,767,962	3,760,235	3,861,572
Operating income	1,346,127	1,878,075	1,553,632	1,101,366
Payment to government (income taxes)	240,449	415,192	220,179	333,794
Dividends paid to shareholders that were declared during the reporting period	1,167,954	961,330	1,019,222	634,388

\*As a result of the initial application of IFRS 11: Joint Arrangements, jointly controlled companies that were previously included using the proportionate consolidation method are presented here based on the equity method of accounting. The standard applies to annual reporting periods commencing January 1, 2013 and is applied retroactively. In accordance with the restated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, and cash flow statement and relevant notes.

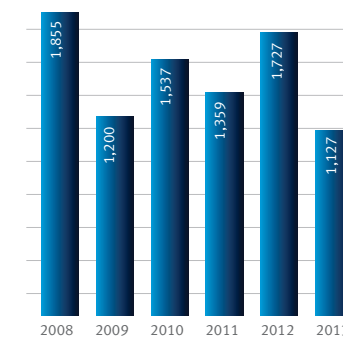
As part of its strategic business goals, ICL constantly strives to improve its cash flow. Consequently, cash flow is a key index in assessing management performance at ICL and its segments. ICL's high cash flow allows the Company to carry out appropriate, ongoing maintenance and expansion of its production facilities, to invest in infrastructure and the environment, to construct new plants, to take advantage of acquisition opportunities and to distribute dividends to its shareholders.

## Corporate Cash Flow from 2008 to 2013

The current cash flow for the reporting period is approximately USD 1,127 million, compared to USD 1,727 million in the parallel period last year. Most of the decrease in operating cash flow results from a drop in profits and a change in working capital primarily due to the increase in trade from the increase in sales in the fourth quarter compared to the same period last year. Cash flow from operating activities, together with the increase in financial liabilities, were the source for funding dividend payments totaling approximately USD 634 million, net of financing investments in fixed assets of USD 827 million and acquisitions totaling about USD 63 million.

## Cash Flow from Operating Activities of the Company - 2008 to 2013

In USD millions





## Dividend Distribution Policy

On March 27, 2007, ICL's Board of Directors decided that the Company would distribute a dividend every quarter totaling up to 70% of the Company's net income for the period. The amount of the dividend paid depends upon several factors, including the size of the profits, the Company's investment plan and financial status, and other considerations.

On May 24, 2010, the Board of Directors revisited the issue of the Company's future dividend policy. In that discussion, the Board reconfirmed the dividend policy it established in 2007. For further details, see the Immediate Report dated May 25, 2010.

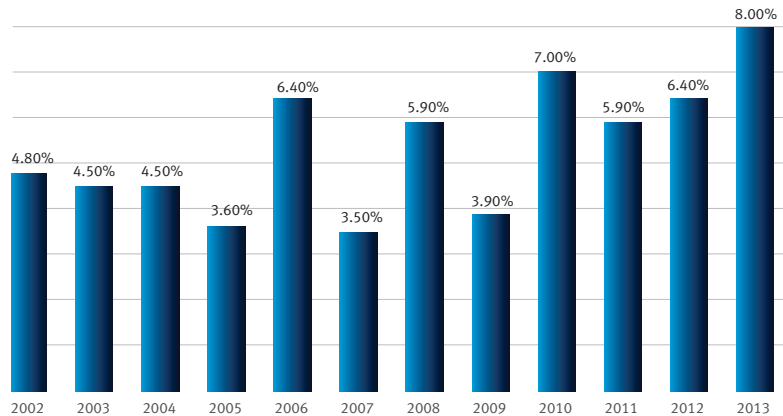
On August 6, 2013, the Board examined the dividend distribution policy, as part of its re-examination of the Company's strategy,

as it relates to different scenarios. Following its examination the Board reconfirmed the dividend distribution policy of paying a quarterly dividend of up to 70% of the net profit of the Company. The actual amount distributed will be subject to the progress of the projects related to the Company's strategic plan and market conditions.

On February 11, 2014, the Board of Directors decided to distribute a one-time dividend of NIS 500 million. The dividend was paid on March 26, 2014. For further details, see the Immediate Report dated February 12, 2014.

## Rates of Dividends to Shareholders since 2002\*

In percentages



\* Dividend yield – the total dividend per share in NIS distributed in respect of profits for the relevant year, divided by the average share price on the stock market in that year.

## Release of Trapped Earnings

In 2012, Amendment 69 and the Temporary Order to the Law for the Encouragement of Capital Investment 5719-1959 ("the Temporary Order" or "the trapped earnings law") was enacted, whereby companies that chose to apply the provisions of the Temporary Order would be entitled to a tax reduction for "unfreezing" tax exempt revenues. Moreover, a Company that chose to pay corporate beneficiary tax would be required to invest up to 50% of its tax savings in an industrial plant, for a period of five years from the time it gave notice. Trapped earnings are

earnings that were not distributed earnings as dividends and remain in the Company, in the framework of the benefits of the Law for the Encouragement of Capital Investment granted to Israeli factories. In November 2013, ICL announced that its Board of Directors decided to apply the Temporary Order and release some of the exempt earnings. As a result, a total of NIS 3.8 billion in tax-exempt earnings were unfrozen. Accordingly, the Company recognized a current tax expenses for the payment of the corporate beneficiary tax in the amount of approximately NIS 377 million.

# ICL's Investments and Expenses Related to Environmental Protection

ICL has adopted a policy of corporate social responsibility and has adjusted its strategy to reflect this policy. ICL believes that implementation of this policy will lead to sustainable operations and development for the benefit of future generations. The guidelines for ICL's investment plan is the creation of environmental and social benefits, including the responsible use of natural resources, adoption of manufacturing processes that require less usage of energy, recycling raw materials from production waste and investment in safe transport. ICL takes steps to reduce, control and manage environmental risks associated with its activities, in cooperation with the authorities and its employees, suppliers and customers. These activities include identifying the environmental effects of various projects, investing in new technologies and complying with legislation relevant to each case. On this basis, ICL establishes criteria for assessing these effects and measurements it requires to meet the requirements and the goals it has established.

ICL invests extensive resources in routine environmental management and in improving its production infrastructure, which has led to a continuous reduction in emissions and increased efficiency in its usage of raw materials and energy.

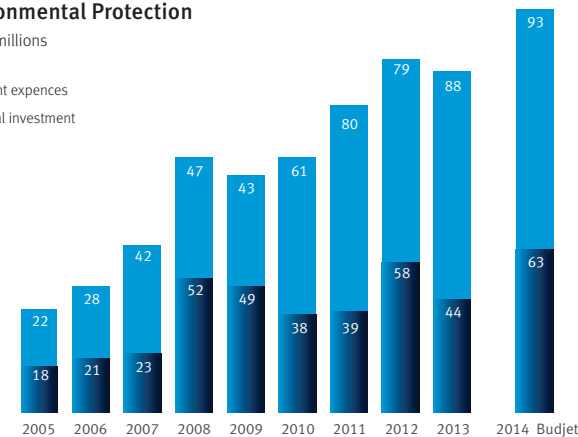
In 2013, ICL spent approximately USD 132 million on environmental quality and environmental protection. Of this amount, the Company expended approximately USD 44 million on fixed assets to prevent environmental damage and approximately USD 88 million on related current expenses.

In 2014, ICL expects to expend USD 156 million in these areas, including USD 63 million on fixed assets to prevent environmental damage and approximately USD 93 million on current expenses for the same purposes. Over the years, ICL has steadily increased its investment in environmental issues, resulting in a dramatic improvement and reduction in the impact of its activities on the environment. Our expectation is that the coming years will not see a reduction in the amount expended on these issues.

## Total Expenses and Investments in Environmental Protection

In USD millions

- Current expenses
- Capital investment



# \$132

**Million**

In 2013, ICL spent approximately USD 132 million on environmental quality and environmental protection.



# Transparency and Dialogue with Stakeholders

Practical, long-term solutions to challenges facing sustainable development are inevitably a product of dialogue with all stakeholders – from employees, suppliers, distributors and customers to governmental and regulatory authorities, academia, neighboring communities, as well as environmental, consumer, social and community organizations. In order to examine areas of interest and balance the various interests of its stakeholders, ICL is careful to maintain a continuous dialogue with its stakeholders through various platforms, at its various areas of activity around the world.

ICL operates on a basic principle of open, sharing and active communication both related to topics of dispute and in the event of mishaps. For ICL, a dialogue with our stakeholders is an important and vital element in the way in which the Company treats both its obligation towards stakeholders and the general public, and the manner in which a company should operate in modern times. Moreover, dialogue with stakeholders is an opportunity for the early identification of the requirements and needs of our large and varied markets, and enables us to define those areas where it is advisable to initiate activity. In addition to strengthening communication and understanding between ICL and its stakeholders, dialogue contributes significantly to risk management in the Company. We aspire to deal with skepticism and cynicism which frequently surface in public discourse regarding industry at large, and the chemical industry, in particular, through transparency and by building trust with customers, social and environmental organizations, policy makers and local community leaders. ICL's policy of transparency and openness affects our production activities and their economic aspects, our products, and the manner of their safe use and safety, risks that must be avoided regarding them, and the influence of our activities on the environment. For this purpose, ICL develops a variety of direct and indirect communication channels that enable a flourishing dialogue that includes the transfer of information and providing answers to questions. These communication channels also include regular and established meetings with stakeholders, the development of online and social media tools, and the use of various other means to make information accessible to the public.

Over the past seven years we have been tracking those stakeholders with whom ICL and its subsidiaries have engaged in significant dialogue. As part of the dialogue with the stakeholders, interactions with various stakeholders were concentrated and defined. In addition, areas of interest to the various groups and communication channels relevant to this dialogue were documented. Six topics that were considered the subject of the most significant public dialogue were: the Dead Sea and the industrial activities there; receiving permits to continue these activities, including mining concessions; preserving the environment and limiting ICL's environmental footprint; transferring fair revenues for the use of natural resources; development and production of a new generation of more environmentally friendly products and following-up on their influence at the completion of their use; and implementation and establishment of openness and transparency by ICL, including the development of communication channels with stakeholders. The chapters dealing with these topics in the current report are a direct response to the interest generated from the various discourse.

Collecting data regarding stakeholders and their areas of interest helps ICL to identify the optimal means of communicating with them, including how often and with what content.

As part of the discourse with stakeholders, ICL initiated a public campaign in early 2014 through television and the Internet which is meant to create a basis for direct dialogue with the Israeli public and provide it with reliable and comprehensive information on ICL's activities. As part of the campaign, informational video clips were broadcast on television, describing several of ICL's products and their vital contribution to the daily life of everyone, in Israel and around the world.

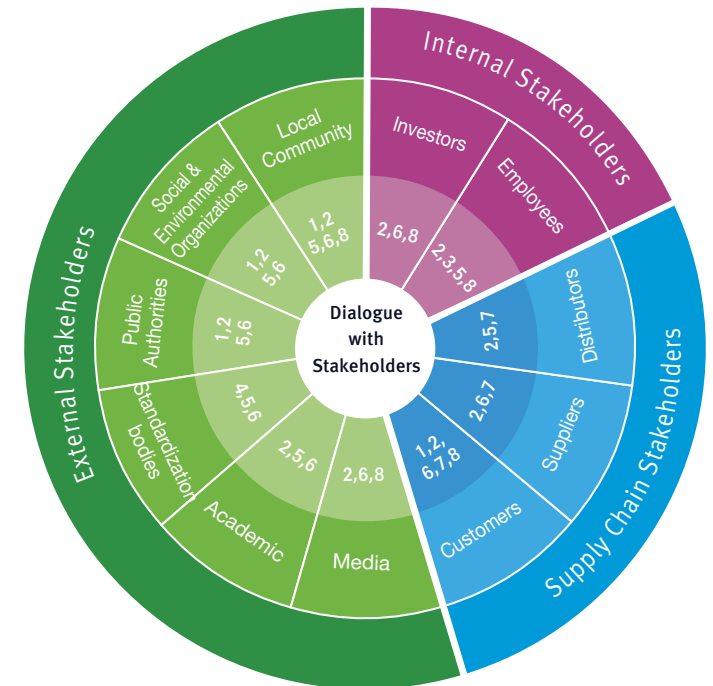
In addition, and in order to respond to issues raised by stakeholders due to the principle of transparency to which ICL is obligated, ICL launched a targeted and accessible website in which the public can obtain information and ask questions about any ICL-related topic. ICL undertakes to respond to every question directly within 48 hours. The address of the website is <http://www.iclanswers.co.il> (in Hebrew).

The diagram below provides a graphic representation of ICL's channels for dialogue with stakeholders, and the understandings that emerge from the process of defining the subjects for dialogue with stakeholders and the analysis of that dialogue. The numbers in the diagram represent the tools available to ICL in its dialogue with stakeholders (see key below). Although many of the topics pertaining to sustainability are global by nature, there are various local approaches to priorities and topics that

interest local stakeholders. Therefore, dialogue is held, first and foremost, on a local and regional level with authorities within the local communities in which we operate. Responses to local issues and challenges are provided on a one-to-one basis according to local requirements, and there is, therefore, no standard solution for responding to all issues, to the duration of dialogue, its intensity or the composition of its participants. The dialogue is adapted to specific local conditions.

## Practical tools for direct dialogue:

1. Joint community forums
2. Visiting company plants
3. Intra-organizational communication
4. Professional unions
5. Social and environmental organizations – Company representation
6. Conventions and events
7. Instructions for end-users and distributors regarding responsible use of products
8. Websites and social media; advertising campaigns on various media





ICL maintains a direct dialogue with its stakeholders via several channels. Among the practical tools for direct dialogue which ICL uses are the Community Advisory Panel (CAP) (see details below); the Voluntary Emission Control Action Program (VECAP) (see details in the chapter on the means of sustainable development); activities within the International Fertilizer Industry Association (IFA); budget for donations and support, programs for employees' voluntary programs, and membership in professional organizations. ICL uses publications and reports

to engage in a dialogue with its stakeholders including: financial reports, Barnea report, corporate responsibility report, report to the Carbon Disclosure Project (CDP), voluntary reports and professional publications that are issued on an ongoing basis.

ICL also informs its employees about its various activities through newsletters of its segments or newspapers of particular subsidiary companies, which are distributed to Company employees.

**According to Maala, ICL is active in seven out of ten points of influence that businesses have on society and the environment in Israel.**

Maala is a professional non-profit umbrella organization which aims to develop standards of corporate responsibility in Israel. Maala boasts a membership of 110 of the largest companies in Israel and publishes annually its company ranking and the Maala Index for the Stock Exchange.

As part of its activities the organization has defined ten centers of influence for business that affect Israeli society and the environment. These points of influence enable businesses to act to maximize their shared social and economic value.



Amongst the ten centers of influence, ICL is active in seven areas, thereby increasing the joint value of it and of Israel society:

1. Developing human capital on a business level: ICL contributes to employment security in the Negev and promotes dialogue between the employer and employees (see chapter on ICL's Influences on the Israeli Economy and the chapter on Fair Employment, respectively).
2. Strengthening the supply chain by integrating small and medium-sized businesses: ICL helps local economic and community development (see discussion in this chapter as part of the CAP Forum and the chapter on ICL's Influence on the Israeli Economy).
3. Corporate governance and fighting corruption and bribery: ICL promotes fair trade, uses advanced systems for preventing corruption and bribery, promotes employee awareness of its Ethical Code and does not contribute to public figures or political organizations (see discussion in the chapter on Corporate Governance and Organizational Culture).
4. Development of technological innovativeness as a competitive advantage: ICL's R&D system promotes and develops advanced systems and technologies, as well as products that increase efficiency levels and have limited effect on the environment. In addition, ICL invests in and promotes cooperation with external bodies for promoting research and innovation (see discussion in the chapter on Means of Sustainable Development).
5. Streamlining and developing business by minimizing environmental impact; diversifying energy sources and integrating the concept of a full life cycle; ICL has integrated streamlining and reducing environmental impact and limiting emissions and energy usage in the core of its strategy. For this purpose, ICL invests hundreds of millions of shekels annually and works to integrate sustainable strategies and environmental responsibility among its employees. Many of its facilities have been converted to use natural gas, and others are undergoing major processes to make their energy usage more efficient. All of ICL's facilities meet regulations and standards of environmental management, and the creation of products takes into account environmental considerations (see the chapter on Means of Sustainable Development and the chapter on Environmental Responsibility).
6. Nurturing future human resources by investing in improving the quality of education: ICL strengthens technological, scientific and environmental education by developing and funding programs that encourage studies in chemistry, science and the environment at schools, colleges and universities, and by providing students of all ages with work experience at its plants and through different projects for preserving biological diversity, by renovating its mines and by establishing information centers to increase public awareness of science and issues of sustainability and protection of the environment (see discussion in the chapter on Preserving Biological Diversity and the chapter on Social Responsibility).
7. Business growth through socio-economic development in the periphery: ICL employs thousands of households in the Negev and contributes to the economy of the region. Thanks to its activities, there is continual improvement in the welfare of Negev residents in all areas of life and increased social mobility of disadvantaged populations in the periphery. ICL's activities among local communities, mainly in the Negev, further help to develop civil society and provide all residents of the region with supportive social and economic tools (see discussion in the chapter on Social Responsibility).



## Sheshinski Committee II

During 2013-2014, ICL was the subject of discussion within the framework of the Sheshinski Committee II, a public committee headed by Prof. Eitan Sheshinski, which was established by Israel's Minister of Finance for the purpose of examining revenues received by the State from private enterprises, including ICL, for the use of the nation's natural resources such as potash and phosphates. According to the Committee's letter of appointment, it was requested, among other activities, to evaluate fiscal policy from a broad perspective, while addressing the implications of existing agreements between the various entities that are active in these areas and the State.

On November 4, 2013, the Company submitted its position in writing to the Committee, and on December 16, 2013, the Company stated its position orally in a hearing in front of the Committee. On May 18, 2014, the Committee published a draft of its conclusions for comment, and on July 17 and July 23, ICL presented its position on the draft conclusions in writing, and its representatives appeared before the members of the Committee, respectively.

ICL stated its position that it believes that the State has already increased its share in the Company's profits substantially in recent years, and that the State's share of its profits are already the highest among all potash producers worldwide. Therefore, ICL claims, there is no justification for a further increase in the amount of revenues that the State receives from ICL.

ICL presented to the Committee the steps which resulted in the increase of the State's portion of the Company's profits:

1. **Amendment to the Law for the Encouragement of Capital Investment:** In 2011 the State excluded mining and excavation activities from the application of the Law for the Encouragement of Capital Investment, thereby increasing the rate of corporate tax rate that ICL pays to 26.5%.
2. **The Agreement for the Salt Harvest and Raising the Royalty Rate:** In 2012, an agreement was signed between the State and ICL according to which ICL would fund the lion's share of the national project to save the Dead Sea hotels whose cost, in accordance with estimates by the Government Company for the Protection of the Dead Sea will cost NIS 7 billion (see details in the chapter on Environmental Issues). In addition, within the framework the same agreement, the rate of royalties payable by ICL to mine potash was doubled from 5% to 10% on sales of potash by ICL that exceed over 1.5 tonnes annually.

3. In 2010, the State filed an arbitration claim against Dead Sea Works Ltd. according to the franchise Dead Sea. At the conclusion of the first stage of the arbitration, the court held that ICL is required to pay royalties on downstream products.

ICL claimed before the Committee that taking those steps into account will result in the State's share of ICL's profits in the coming years reaching around 45% of its profits before taxes on dividends, and more than 50% including taxes on dividends.

ICL regards the attempt to significantly increase the State's revenues to be an economic and social error that is liable to ultimately harm the general public interest and the public interest in the Negev in particular. ICL felt obliged to clearly present before the Sheshinski Committee, as well as all stakeholders, the implications and consequences that are expected to result from these recommendations in a timely manner. A marked increase in State revenues will create an especially high tax environment which will create a disincentive to invest in Israel compared to other places in the world.

ICL also claimed that within the existing legal and legislative situation and in light of agreements signed by the State with the ICL, the State is not entitled to enact unilateral changes to the fiscal arrangement and that changes must be made according to an agreement between the parties. Accordingly, ICL requested that the issue be excluded from the jurisdiction of the Committee.

In addition, the unilateral imposition of additional royalties or increased taxes will constitute a fundamental breach of both the Franchise Agreement and the agreement relating to the salt harvest and raising of royalties, and ICL plans to exercise all of its legal rights in this regard, including by filing a lawsuit within the framework of the arbitration procedure. For more information and further details, see Note 23 to the 2013 Financial Statements.

The Committee will continue its work during 2014 and will publish a final report with its recommendations to the Government of Israel.

## Direct Discourse with Stakeholders

Direct dialogue with stakeholders is conducted through several channels, one of which is the joint Community Advisory Panel (CAP) which includes the participation of representatives of ICL factories, the community and green organizations at ICL's sites around the world. The purpose of these forums is to discuss matters of environmental quality, to develop joint programs for the benefit of the environment and the community, to create a relationship between industry and various stakeholders and

to develop an intelligent and productive dialogue, based on reliable and professional information. ICL plants in Israel and abroad have been active in such joint forums for many years.

During 2013 CAP meetings of Dead Sea Works and Dead Sea Magnesium were held, generally once every two months. Among the topics discussed during the year with local stakeholders were the P-88 pumping station, the salt harvest at Pond No. 5, the sea canal, the new power station, natural gas, the new Clean Air law, continual monitoring of stacks and the wastewater treatment plant. In addition, joint discussions were held on ways to participate in marketing and generating local tourism for communities near the factories to the public visiting Dead Sea Works. Based on this cooperation, joint tours are held of the factories and these communities. During the year, residents were given an extensive update on preparations made by the factories in 2013 to submit a request for an emissions permit according to the Clean Air law by March 2015. Other topics of discussion this year were the law relating to contamination of soil and its significance, recycling by the Company, implications of the PRTR law, the master plan for treating historical areas in ICL's concession area and making them more accessible to visitors, including the areas of the Admon Stream and "Lot's Wife".

Additional issues discussed related to safety, special safety preparations at the factories, advanced rescue teams established at Dead Sea Works and preparedness for extreme scenarios, such as earthquakes. In addition, following a request by residents, a communications channel was set up to provide employment opportunities to residents, in an attempt to encourage the younger generation to return to their local communities.

Bromine Compounds Ltd. held six CAP meetings in 2013, in addition to a tour of the factory, a tour of the R&D unit and a meeting with researchers of corporate responsibility from the Open University. Among others, the following topics were discussed at these forums: reporting on environmental performance, conversion to the use of natural gas, preparations for applying the Clean Air law, new investments in the fields of environmental quality, etc.

ICL's plants in the USA have also been holding CAP meetings for decades. At the plant in Lawrence, for example, six CAP meetings were held in 2013, each one opening with a company update on safety, environment, community and production, and then dealing with a prearranged topic. This year the topics of discussion include a summary of 2012, the Responsible Care program (see details in the chapter on Responsibility in the Value Chain) and troubleshooting techniques.

ICL encourages the general public to visit its sites in Israel and abroad. During 2013 about 33,700 people visited ICL sites in Israel. ICL encourages all stakeholders, professionals and students of nature, the environment, ecology and sustainability to visit ICL's sites in Israel, while offering full transparency in all stages of its production, to promote social, environmental and industrial dialogue, and to create a situation in which industry and environmentalists cooperate fully.

## Ecological Park Established with the Support of Iberpotash in Spain

In 2011 Iberpotash in Spain joined a coalition for preserving an ecological park located near the company's mine. The park is part of a major chain of parks in Europe that aims to preserve the authentic ecological environment of various communities. Iberpotash is part of a local coalition in Catalonia, Spain, that includes the local authority and other stakeholders who invest in geological and ecological environmental preservation. The project includes historical and environmental preservation and activities are undertaken for environmental preservation where the mining and quarrying is conducted. The park is open to the general public, at no charge, throughout the year. In 2012 the park was recognized by UNESCO as an ecological park.



Our daily contact with the community in our companies' areas of activities enables us to receive information directly from the field, to better understand the needs of our community and to find solutions even before problems arise. Transparency helps to create a true and fruitful discourse and enables stakeholders to receive current and reliable information regarding our activities as well as an opportunity to influence them.

**Mr. Danny Chen, Executive Vice President**  
ICL Corporate Relations





# The Influence of ICL's Plants on the Israeli Economy

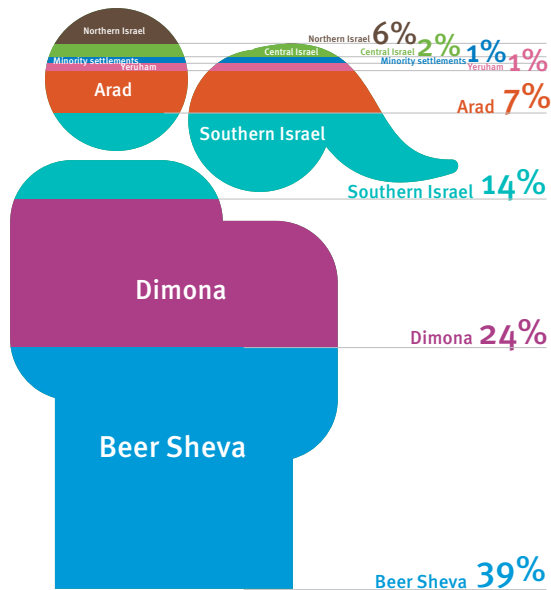
ICL is one of the largest and most dominant companies in Israel and its influence on the Israeli economy is expressed in many aspects: ICL invests NIS 1.5 billion in Israel every year, it is the largest employer in the Negev and responsible for the livelihoods of more than 30,000 families around the country (about 9% of employees in the Negev and 1% of employees in all of Israel), it is Israel's top exporter, 95% of whose sales are

exported to other countries, and it contributes to Israel's balance of payments. As a global company that regards Israel as its home-base, ICL operates out of an obligation to the future of the Israeli economy. Its investments, in addition to its widespread activities, extend the scope of its economic activities throughout Israel and contribute to its growth.

## The Influence of ICL Companies on the Negev

ICL greatly influences the Negev economy and its standard of living. As the entity responsible for the livelihood of 30,000 families, mostly from the Negev, and about one fifth of all economic activities there – in the amount of about NIS 10 billion – ICL is vital for the economic stability of the Negev and its continuous process of growth. ICL's activities and investments in the Negev have a ripple effect on wider circles and influence all communities in the western Negev, in many fields, including medicine, welfare, education and culture.

Distribution of ICL Employees by Area of Residence



In a study conducted by Dr. Mosi Rosenbaum, Dr. Daniel Freeman and Dr. Miki Malul of Ben Gurion University, the scope of ICL's economic influence on the Israeli economy as a whole was examined, as well as on the Beer Sheva area, in particular. The study examined two primary influences: ICL's influence of the Gross Domestic Product (GDP) and on employment. The study was published in June 2012 and was based on data from 2010. Findings demonstrate the key position that ICL holds in the local Israeli economy.

### Direct and Indirect Economic Influences on the Negev

ICL's contribution in the South totals 19% of the GDP in the Beer Sheva region (about 1/5 of all economic activity in the Negev) and 1.5% of the GDP of the entire State of Israel. ICL's contribution to the GDP total NIS 12 billion (\$3.4 billion) a year, of which NIS 10 billion is in the Negev. The study specifies ICL's contribution to the Negev through three levels of influence:

1. **Direct economic impact** – deriving from ICL's economic activity vis-à-vis its various suppliers. ICL's local suppliers provide it with materials, products and services, equipment and raw materials for its activities, and transportation

services, architecture, construction, maintenance, security, catering and consultancies. ICL's widespread economic activities generate additional activities, more enterprises and additional jobs.

2. **Indirect economic impact** – deriving from the economic activity of the suppliers themselves who provide products and services required by ICL. The indirect impact generates additional GDP (for local products) in the economy.
3. **Additional economic impact** – deriving from the purchase of products and services for private use which are made primarily from the salaries paid to both the employees of ICL directly and to employees within the circle of employment generated by its activities. The economic activity created by ICL's direct and indirect employees for their personal use leads, in itself, to the creation of more jobs in all areas of life – from education to health, banking to culture and recreation.





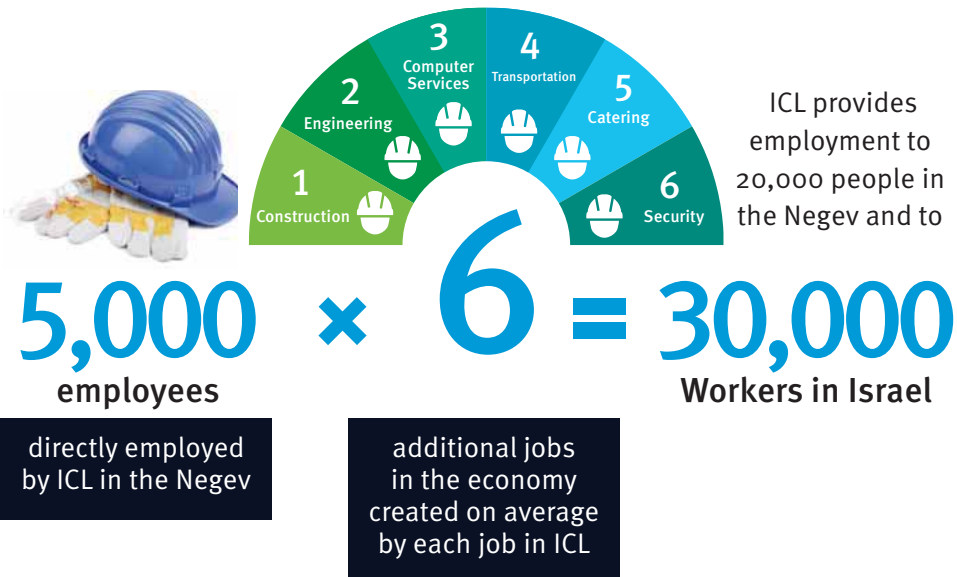


**Influence on Employment in the Negev:**

- ICL's contribution to employment totals 9% of all employment in the Beer Sheva region and about 1% of all employment in Israel.
- ICL's investments and activities affect not only the Company's 5,000 direct employees, but are also responsible for the creation of an additional 20,000 jobs in the Negev, in construction, engineering, architecture, computer services, transportation, catering, security, etc., and, as a result, ICL is responsible for the livelihood of about 30,000 families in Israel. In other words, every job in ICL creates another six jobs in the Israeli economy.

In addition to its influence on the Negev, ICL contributes to the development of tourism at the Dead Sea and helps create thousands of additional jobs. Without ICL's contribution to upholding tourism at the Dead Sea, the southern basin of the Dead Sea would have totally dried up and tourism in the area would have suffered a fatal blow. In addition, we must include ICL's contribution in funding the national Salt Harvest project and in saving the Dead Sea hotels at a cost of NIS 5.5 billion through 2030 (see discussion in the chapter on Environmental Issues and Methods of Solving Problems). The total cost of this project is about NIS 7 billion, of which ICL is funding 80% of the cost.

**ICL is Responsible for 9% of Employment in the South**



**ICL's Influence on State Revenues**

ICL pays the highest rate of State revenues compared to any other country in the world where potash is produced. State revenues are all the payments delivered to the State as a result of company activities, including various taxes, royalties and other amounts that the State receives from company activities. As a result of major investments by ICL over the years, the State's part in ICL's revenues for potash products at the Dead Sea has

jumped from NIS 200 million to NIS 1 billion a year. In 2013 ICL paid the State more than NIS 1 billion in State revenues.

To this amount one must add ICL's participation in funding the national Salt Harvest project for saving the hotels at the Dead Sea at a cost of NIS 5.3 billion until 2030 (see discussion in the chapter on Environmental Issues and Problem Solving Techniques).

**The Influence of ICL's Factories on the Balance of Payments**

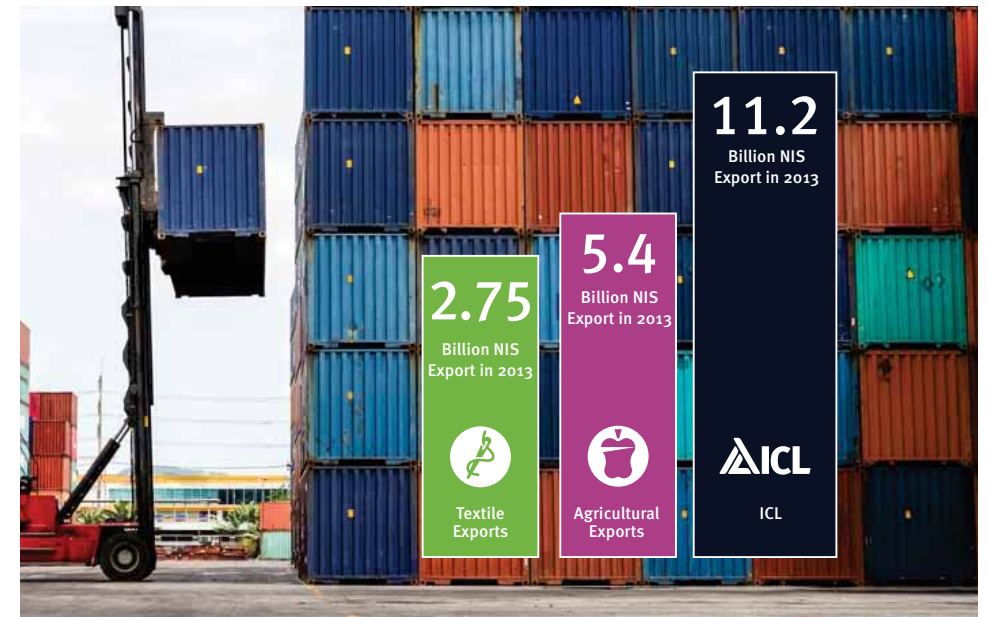
ICL is one of Israel's three largest exporters, responsible for 6% of Israel's exports (excluding diamonds). The export value of Company products, in the amount of NIS 11.2 billion (for 2013), contributes to the State's balance of payments and helps to decrease its trade deficit. ICL's contribution is higher than the total amount of all agricultural and textile exports combined.

of approximately NIS 11.2 billion bring foreign currency into the State's coffers, contributing to Israel's financial stability around the world, and indirectly contributing to the private welfare of Israeli citizens.

In 2013, ICL paid the State of Israel NIS 1.6 billion in state revenues.\*

Reducing the trade deficit is a vital national mission. ICL's exports

**ICL's contribution is higher than the combined amount of all agricultural and textile exports: 11.2 billion NIS**



**The Influence of ICL's Plants on Public Capital**

The public is ICL's largest partner, holding more than 70% of the Company's shares. Most of Israel's citizens hold ICL's shares directly or indirectly, through pension funds, provident funds and other savings and investment channels. As one of the pillars of the Israeli stock exchange, ICL's shares are an

anchor in share portfolios, and trading in its shares is one of the largest in Israel. During the past ten years, every Israeli citizen has shared in Company profits, and the Israeli public has earned tens of billions of shekels from investments in ICL's shares.

\* State revenues in 2013 are comprised of the company tax, franchise fees and royalties for using natural resources, and payments for non-taxable income of international companies.

# Environmental Responsibility

## Answering Essential Human Needs:



Food Security



Human Health



Pollution Prevention



Industrial Materials



Resilience

## ICL's Activity Throughout the Lifecycle:



Raw Materials



Manufacture & Production



Transportation & Logistics



End Markets

- Food
- Agriculture
- Engineered Materials



# Targets and Goals for Sustainability



ICL has developed and implemented a sustainable development policy that mandates responsible usage of natural resources, development of value-added, sustainable products aimed at reducing environmental impact, reduction-at-source of the volume of waste generated by its facilities, safe transportation methodologies and “green” building of its plants and offices.

ICL makes an effort to comply with legal requirements regulating air emissions, and to be one of leading companies in Israel in reducing greenhouse gases. The reduction of emissions from production processes, conversion to the use of natural gas, and the development of new products that contribute to reducing emissions by their users are among the Company’s central goals.

Furthermore, ICL implements a policy of responsible management throughout the life cycle of its products (“Product Stewardship”). ICL’s environmental policy is to be proactive, comply with the most stringent requirements of the law, and voluntarily adopt advanced international environmental management principles.

ICL manufactures products on four continents and markets them to thousands of customers in more than 180 countries, thereby meeting the evolving needs of millions of people around the globe. ICL’s activity covers all stages of the product life cycle: from the production of raw materials through their final use in end markets. Some of the raw materials used in production are chemicals that may be hazardous. The production processes require an investment of energy that is produced by fuel combustion. These processes and some products could potentially cause environmental damage by generating wastewater, emissions into the air and waste.

The current global meta-trend demands a different type of environmental management, transparency and dialogue with stakeholders. ICL’s goal is to meet evolving needs through

innovation and excellence while striving to implement the best available technology (BAT), investing in R&D and evaluating the Company’s critical needs – today and tomorrow.

Therefore, ICL strives to continually develop its activities while maintaining the principle of sustainable development. For ICL, sustainable development means combining long-term success and an economic orientation with environmental protection and social responsibility. As an international chemical company, ICL faces this challenge in all areas of its operations. Combining the principles of corporate responsibility with its existing corporate strategy helps the Company to identify risks as early as possible while taking advantage of new business opportunities.

ICL has undertaken many steps to reduce, control and manage the environmental risks associated with its activities. This requires nurturing an ongoing dialogue with its many stakeholders, including employees, customers, suppliers and authorities.

As a matter of policy, ICL routinely identifies, develops and implements various means for measuring and monitoring the environmental impact of its operations. For this purpose, ICL invests time and resources in monitoring and assessing existing and new needs and problems on a regular basis. The goal is to identify the topics that are most important for society and select the ones most relevant for ICL. This enables ICL to develop solutions that also contribute to addressing the future needs of society. For example, ICL develops products that are used to purify and treat water, to treat the mercury emitted from coal-burning power stations, and to increase the yield of agricultural activities worldwide by manufacturing fertilizers.

ICL also invests significantly in reducing the environmental impact of its own operations, including treatment of wastewater and air emissions (including compliance by all ICL plants in Israel with the Clean Air Law, which requires the use of BAT), energy efficiency and reducing energy use, reducing its carbon footprint, treating waste, responsible use of resources, preservation and supporting the preservation of biological diversity, efficient transport of products, and training of employees, service providers and consumers. ICL companies work in cooperation with the Ministry of Environmental Protection and environmental and social NGOs. The Board of Directors and ICL’s management

have mandated that any activity that deviates from relevant standards, and for which a solution cannot be found to the satisfaction of the authorities, must be closed. ICL requires compliance with binding standards, while striving to use best available technology (BAT) and economic measures, that are technological and economically feasible.

Moreover, the Company promotes full compliance with environmental and occupational safety and health standards in the Group’s plants in Israel and around the world. To comply with the standards, master plans are implemented for reducing emissions created during production including non-point sources. To implement these principles, ICL develops new products, production lines and processes, taking into account their effect on people and the environment throughout the products’ life cycle. Research and development are designed to take into account, to the extent possible, all stages of production, storage, transport, use and disposal at the end of a product’s life. To the extent possible, manufacturing process use environmentally-friendly materials that take into account environmental considerations such as saving energy and water. As a rule, preference is given to products whose production processes create biodegradable waste, along with implementation of a policy for reducing waste quantities. To implement these principles, the Company has developed a sustainability index for developing sustainable products and improving existing products. ICL also conducts risk surveys for the implementation of a process policy to reduce environmental impact.

Additionally, ICL promotes projects to reduce its impact on the environment in order to conserve natural resources, reduce greenhouse gas emissions and save energy.

### These projects include:

1. Transition to the use of natural gas as a source of energy, where possible, and increased energy efficiency at various ICL facilities. During 2013, ICL initiated a company-wide energy efficiency process (for additional details see the section on Energy Usage).
2. Responsible use of natural resources, including reducing water use and re-using process water in production processes, restoring brine to the Dead Sea, responsible use of land resources; restoration of valleys, restoration and preservation of mining and excavation areas, and returning them to the State after activity is completed so that they can be used for the purposes determined by the State, and in compliance with the provisions of the relevant laws.
3. Reducing the amount of waste and increasing return of waste and byproducts to the production processes in order

to maximize the usage of inputs in the production process. This includes sophisticated technologies for recycling including, but not limited to, catalytic recycling, re-using water, recycling and re-using raw materials and wastes, using by-products as well materials for other production processes and proper handling waste.

4. Continual cooperation with manufacturers, suppliers, research institutes, customers and other users for the development and use of products in the safest possible manner, while reducing and preventing damage to users and the environment.
5. Safe transport – selecting responsible transporters and training them, creating an emergency system for responding to transport mishaps, taking care to use safe, standard compliant packaging and to ensure that the means of transport are suitable and standard-compliant. In addition, there is a control system in ports around the world to monitor the transport of Isotanks.
6. Reducing at the point of origin the amount of waste created by ICL companies and increasing the amount of recyclable waste – including paper, carton, wood pallets, beverage bottles, rubber, metal, oils, batteries, printer heads, computer equipment, iron, plastic glass and more.



“Corporate responsibility and sustainability are today a part of every level of daily work at ICL. While environmental considerations are already integrated into the design phase, one produces a product that is effective both economically and environmentally throughout its life cycle - from reduced energy inputs and materials at the production phase, to end-of-life of the product for our customers. Environmental and economic considerations today go hand in hand: when we save energy and materials, we are saving both money and environmental impact.”

**Mr. Asher Grinbaum**

Executive Vice President and Chief Operating Officer (COO)





## Principal Objectives and Achievements in Sustainability

Method	Objective
Setting corporate objectives for sustainability	In 2012 ICL began a comprehensive process to establish long-term corporate objectives, based on advanced international standards relating to air pollution, water and waste policy, energy savings, safety, contribution to the community and more.
Continue promoting business strategy with an emphasis on sustainability	Continued compliance with environmental standards when developing new products, preference for acquisition of companies offering products that need and meet environmental standards; developing new products that contribute to the environment, such as Merquel®, a line of products that prevents mercury emissions into the air; water purification and desalination products.
Responsible management of products throughout their life cycle (Product Stewardship)	ICL companies work closely with their customers to reduce the environmental impact of the use of their products, in the framework of programs like VECAP for fire retardants, and individualized work plans that guide farmers in the proper use of fertilizers, as explained in greater detail below. In 2011, Rotem Amfert Negev and Dead Sea Works were awarded Product Stewardship certification with honors by the International Fertilizer Association (IFA), with Rotem Amfert Negev receiving a grade of 95 and Dead Sea Works receiving a grade of 99. Since 2008, ICL has participated in Responsible Care, a program of the international chemical industry to improve health, safety and the environment. ICL has signed the Responsible Care Global Charter which includes guidelines for the chemical industry's future activities.
Our technological R&D to create innovation in response to evolving needs	ICL invests tremendous resources in R&D for streamlining and improving its activities while reducing and meeting tomorrow's needs while reducing its carbon footprint and use of resources.  In 2012, ICL established a development incubator using the "open innovation" methodology to introduce innovation into all areas of the Company's activity through dialogue with its various stakeholders and partners. In addition, ICL invested more than USD 83 million in R&D during 2013. R&D is conducted at the Company's central research facility, IMI TAMI, as well as within ICL's segments.
Responsible use of natural resources	<ul style="list-style-type: none"> <li>Long-term policy for the utilization of phosphate deposits, including long-term geological surveys, defining long-term mining goals, sustainable mining and comprehensive planning for restoration even before beginning to mine a new area.</li> <li>Continuous streamlining of production processes at the Dead Sea. As a result, ICL has been able to maintain nearly the same level of pumping (net) from the Northern Basin to the Southern Basin for the past 20 years, even as it has increased total potash production (further details below).</li> <li>In full partnership with the Parks and Nature Authority, Rotem Amfert Negev has created a complex, professional restoration process that is implemented during the mining process itself, and is deploying it at all mining sites. The phosphate mining field in Hatezeva B, which has now become a national reserve, was one of the first mines in which simultaneous mining and restoration was put into practice. In this process the mining of phosphate rock is conducted simultaneously with professional, state-of-the-art restoration. The process was carried out over several years under the consultation and guidance of professionals from Israel's Parks and Nature Authority. On January 2, 2013, a ceremony was held to mark the opening of Hatezeva B's "geological pit" and restored recreation areas.</li> </ul>

Method	Objective
Compliance with standards and international certification	All ICL production plants in Israel have attained certification by three main international standards for environment, quality and safety: ISO 14001 (environment), ISO 9001 (quality) and OHSAS 18001 (safety). By 2015, all ICL companies worldwide are expected to have adopted these or equivalent standards. As of December 2013, most of ICL plants around the world were compliant with ISO 14001.
Energy efficiency and transition to natural gas	<ul style="list-style-type: none"> <li>As of 2010, ICL's fuel mix has been based mainly on natural gas, which is a cleaner fuel with a lower environmental impact (other than a slowdown during 2011-2012 due to disruptions in the flow of natural gas from Egypt to Israel.) Most ICL facilities have been converted for natural gas. In April 2013, the supply of natural gas was restored to its full level, when "blue-and-white" Israeli natural gas began flowing from the Tamar reservoir.</li> <li>ICL-wide program for increasing energy efficiency, and significantly reducing the consumption and cost of energy, with the assistance of external international experts. The process started in 2013 in a few plants in Israel, energy saving efforts succeeded in reducing energy expenses by approximately USD 14 million.</li> </ul>
Significant decrease in air pollution	Major investments in projects designed to reduce the emissions of its plants. The Company has a clear policy mandating the closure of any plant that fails to comply with required standards.  Over the years, the Company has achieved a significant reduction in emissions. For example, in the period from 2008 to 2013, emissions of sulfur oxide were reduced by approximately 38% and emissions of nitrous oxide by approximately 82%. Particle emissions have dropped by over 99% since 2005.
Reduce greenhouse gas emissions	As of 2013, ICL's global plants reduced their greenhouse gas emissions by 28% compared to 2008. <ul style="list-style-type: none"> <li>As part of the UN Clean Development Mechanism (CDM) under the Kyoto treaty, two projects have been implemented to reduce the emission of greenhouse gases from production processes.</li> <li>ICL has calculated the carbon footprint of more than 60 of its products.</li> <li>In 2013, ICL reported its greenhouse gas balance to the international Carbon Disclosure Project, achieving a score of 98/100 on the disclosure index, placing it among the top 50 scores worldwide. For its reporting in 2011, ICL merited inclusion in the Carbon Disclosure Leadership Index. ICL also files reports on its greenhouse gas emissions to the voluntary reporting mechanism in Israel.</li> </ul>
Transition to "green building"	ICL carries out all of its building renovations and construction according to green building principles, and has renovated and built a number of green buildings in Israel. In 2012, ICL completed construction of a green office building at DSW and another at Rotem Amfert Negev.

### Sustainability Workshop for ICL Executives

The sustainability workshop for senior executives of ICL companies opened in March 2014. The workshop is led by the Heschel Center for Sustainability. It deals with development trend in the Negev, sustainability and business, analyzing the potential for developing "green" industry in the Negev using innovative models, learning about the issue of energy at ICL and trends towards savings, working with environmental organizations, cooperation with the public and more. At the end of the workshop, an organizational vision will be developed and a document of recommendations for further sustainability activity at ICL will be issued.



# Opportunities and Challenges

Industry has both a positive and negative impact on sustainability. Positive impacts include factors such as contributing to economic growth and satisfying the needs of local communities, while negative impacts include factors such as the use of non-renewable resources and emission of byproducts into the environment. ICL operates proactively to increase the positive impact of its operations on sustainability in general, and the environment in particular, while taking steps to manage and reduce adverse effects. Similarly, various aspects of sustainability have an impact on industry.

Increasing demand and a certain level of regulation can motivate industry to develop and advance, yet the public and regulation can also have an opposite influence on industry. ICL works to promote various processes to reduce the negative impact of sustainability on the Company, through the use of a range of tools that include dialogue with stakeholders, development of markets that contribute to the environment and the economy, and by the early adoption of voluntary standards.



Similarly, there are various levels on which sustainability impacts industry.

## Impact of the Organization on Sustainability:

### Opportunities and Challenges

Opportunities	Challenges
Economic growth engine and creation of employment	Reduce the use of energy sources
Development of advanced products that help deal with climate change	Reduce emissions of byproducts from manufacturing processes
Increase agricultural yield and the amount of food in the world	Reduce the influence of the lowering of the Dead Sea level
Reducing mercury emissions from coal-burning power plants	Intelligent use of limited and perishable resources

## Impact of Sustainability on the Organization:

### Opportunities and Challenges

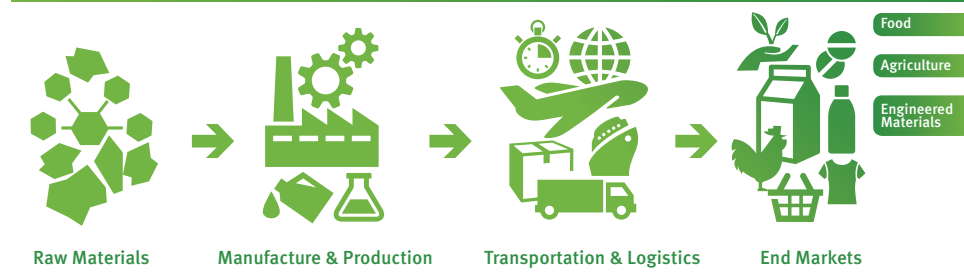
Opportunities	Challenges
Increasing strength in developing markets	Stakeholders' opposition
Increased demand for water treatment and purification	Public opposition to industrial activity
Regulation and legislation	Regulation and legislation
Population growth	Climate change

# Means of Sustainable Development

ICL's activities cover the entire value chain, and it is committed, at every stage, to making an effort to reduce the impact of its activities on the environment, today and for the benefit of future generations.

For this reason, ICL has chosen to adopt as a core of its activities the performance of sustainable development practices, as well as long term planning and management of environmental risks.

## ICL's Activity Throughout the Product Lifecycle:



## Environmental Risk Management and the Precautionary Principle

Based on its ambition to promote sustainable chemical industry, ICL created a structured process to review, identify, manage and reduce environmental risks in its companies, and it operates according to this process. This process is an integral part of ICL's management systems and firmly instilled into ICL's organizational culture.

As part of the strategic planning required to implement sustainable business activities, an organizational risk management structure has been established in ICL companies, including structured programs to promote the issue. In addition, ICL's Ecology Center of Excellence serves as the Company's arm for managing, reducing and controlling environmental risk in ICL companies. Through this structured process for identifying risks and opportunities, ICL applies the precautionary principle to environmental and economic issues.

The Enterprise Risk Management (ERM) system to identify existing and future risks, created by ICL in cooperation with Ernst & Young, includes environmental aspects. The ERM identifies, measures, manages and reduces risks, including assimilation of procedures required to implement the policy. This system relates to strategic, operational, statutory and economic risks in all aspects of the organization's operations, including its impact on the environment, the economy and society at large.

Regarding the environment, ICL's commitment to the principles of the Responsible Care Global Charter (see below in this section) serves to integrate the precautionary principles.



For optimal implementation of the risk management process, ICL's Board of Directors appointed ICL's Deputy CEO and COO, Asher Grinbaum, who also serves as the Company's Chief Risk Manager, to be in charge of the Company's environmental quality, safety, occupational health and security. Mr. Grinbaum reports to ICL's CEO and reports periodically on his behalf to the Board of Directors on activities in these areas.

In addition, taking a precautionary approach to occupational safety, ICL applies proactive safety measures. All ICL companies have implemented safety programs, and the issue is discussed regularly by the Board of Directors. To ensure the safety of its employees, ICL complies with the strictest safety standards, some of which are prescribed by local laws, and others by international and local standards. This activity is expressed through ongoing investment in occupational safety and health as well as in special-purpose projects that aim to prevent accidents, out of constant concern for the Company's employees.

## Responsibility in the Value Chain

### Responsible Care

The Responsible Care program is the global chemical industry's flagship program for chemical management. The program is administered by the International Council for Chemicals Associations (ICCA), in which associations from 55 countries are members, including the Manufacturers Association of Israel. The Responsible Care program strives for continuous improvement in the chemical industry, compliance (and going beyond compliance) with provisions of the law and standards, and the promotion of volunteer initiatives. The objective of implementing these principles, in conjunction with government, the public and other stakeholders, is the creation of public trust in the chemical industry. All ICL segments have adopted the principles of Responsible Care.

In October 2008, ICL's CEO signed a commitment to the principles of the Responsible Care Global Charter of the ICCA. The 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, third-party validation and more.

### Foundation of Responsible Care in ICL



ICL applies the principles of Responsible Care throughout the product life cycle (product stewardship). In this framework, ICL undertakes several on-going activities, including the identification of environmental impacts and health concerns when using raw materials and when developing products; operation of efficient and safe production systems; appropriate package marking that complies with the law and meet consumers' needs; marketing and sales that include training and qualification programs; provision of informative guides to

products and technical support for customers.

ICL supports its customers to maximize their benefit from ICL's products and to minimize adverse environmental and health impacts from their use. Product stewardship is important for the chemical industry as a responsible industry. Potential emissions of chemicals into the environment and their impact on health must be reduced, and products along the value chain must be managed without risks.

## Main aspects of product stewardship throughout the stages of product lifecycle:



### Product Stewardship:

All stages of product life management, from development through the end of the product life cycle

### Product development:

At this stage, health, safety, environmental and regulatory aspects are addressed and considered. An example of implementing health and environmental criteria during product development stage is the Company's Sustainability Index for products under development (see below).

### Raw Materials:

This stage includes:

1. Evaluating suppliers based on quality as well as on health, safety and environmental aspects, and replacing suppliers if the risks are too high.
2. Proper handling of raw materials, including testing quality, appropriate storage, assessment of the environmental and health impact of raw materials and employee training.

### Production:

The guidelines for this stage refer to occupational health programs and preparedness for emergency situations; reduction of environmental emissions; prevention of emissions; waste reduction; water conservation; reduced energy consumption; efficient use of resources; proper handling of empty raw material packaging and defective product packaging; checking product quality, and proper storage before distribution.

### Packaging:

The plan for this stage includes guidelines for packaging and design according to product properties; customized packaging designed according to customers' use to minimize environmental emissions; appropriate packaging and labeling according to regulations; periodic testing of multi-use packaging; a high level of maintenance in packaging and storage rooms; safe loading to prevent environmental and safety incidents.

### Distribution:

The guidelines for this stage include selecting warehouses according to a procedure based on the principles of product stewardship and periodic reviews of compliance; selection of distribution and transportation companies based on safety criteria; training of drivers and assessing distribution methods according to safety risks; emergency procedures; internal reporting and investigation of incidents.

### Marketing and sales:

The guidelines for this stage include registration and licensing of new and existing products; providing customers with information regarding products, relevant regulations and their use; customer training for proper use of products and cooperation with customers on product stewardship (managing health, safety and environmental protection aspects of products).

### Use:

ICL also applies its product stewardship policy to the customer's use of the product, by providing guidelines and training for customers about the efficient and sustainable use of its products. The guidelines for this stage also refer to best management for reduction of environmental emissions. For example, VECAP, which has been adopted by the ICL Industrial Products segment (see below), sets, among others, best practices for the handling of used packaging that contains residues of products. In addition, ICL Fertilizers has instituted a worldwide customer instruction and training program to promote safe and intelligent use of fertilizers.



### End of product life:

This stage addresses the minimization of environmental and health effects at the end of the product life, and to the extent possible, risk assessment. For example, End-of-Life considerations for flame-retardants used in plastics include the possibility of treating or recycling the final product (see additional information in the section on Waste and Byproducts).

In 2009, several ICL companies began using Product Stewardship principles to review specific products. For example, at DSW (in the Fertilizers segment), the process has been implemented with emphasis on granulated potash; at ICL-IP, the process is being implemented for several products; and at Rotem Amfert, the process is being used for several products including white and green phosphoric acids.



## Sustainability Index for Product Development

In accordance with its commitment to sustainable development, and its effort to reduce environmental impact along the value chain, ICL includes environmental and health criteria from the initial product development stage. Because the principle of sustainability is imprinted in the core of ICL's activity, it can improve the environmental performance of its operations starting with the product development stage and the extraction of raw materials, through the end of a product's life. This makes it possible to manufacture products with maximum positive impact and minimum negative impact throughout their life cycle. Environmental and health criteria are included from the developmental stage, together with commercial and operational considerations. All products under development are comprehensively and rigorously tested to specify their physical properties, its efficiency, toxicity to humans and the environment, and more.

To assimilate environmental and health criteria, ICL Industrial Products has developed a Sustainability Index for products under development, with the aim of determining parameters for a sustainable product during the development stage. In accordance with the Index, each product is assessed and graded during the development process according to defined parameters. Based on the grading results, a program for changes in development is prepared.

The parameters selected for the Sustainability Index for products under development include considerations throughout the product life cycle, such as the properties of the material and raw materials, the use of solvents in the synthesis process, and the waste produced in the process. The preferred objective is to develop products with high molecular weight molecules or polymers that are too large to penetrate biological membranes, thereby reducing the potential for the substances to be absorbed into organisms and to accumulate in the food chain. Furthermore, "no go" properties were defined, and the development of any product having any "no go" characteristic is halted and the product is not commercialized.

In the ICL Industrial Products segment, the Sustainability Index is a tool that is used daily during product development. Various parameters of the index are evaluated throughout the product development process. If one of the parameters does not receive the required score, appropriate changes will be made in order to improve the score.

The trend is to introduce the Index in all of the ICL's segments. It should be noted that, product stewardship management is subject to regulation in all regions where ICL operates, and ICL companies closely track relevant regulatory developments.

## Development of Technologies and Products with Limited Environmental Impact

### Delayed-Release Fertilizers - Coated Fertilizers

Phosphorus, nitrogen and potassium are essential elements for fertilizing soil for ornamental or agricultural crops. Most fertilizers are added to the soil prior to the beginning of growth, and are essential for proper development of the plant. In the most common, traditional methods, some elements in the fertilizer are not absorbed by the plants, but rather wash away, evaporate, vaporize or are entrapped in soil, depending on the nature of the soil, fertilizer type and climate. Most nitrogen fertilizer is in the form of urea, and 30%-50% evaporates or washes away without reaching plants. Evaporation increases when the temperature and humidity are higher. The nitrogen lost to evaporation enters the atmosphere and that which is washed away can seep into groundwater.

The percent loss of phosphorus and potassium, two other essential elements found in fertilizers, is less than that of nitrogen, however in sandy soil, it, too, can be washed into groundwater. In response to the agricultural ramifications of fertilizer loss and to possible damage to the environment, ICL has developed a series of Enhanced Efficiency Fertilizers.

Fertilizers in this series were developed with a coating that protects them from the vicissitudes of the environment. Fertilizers are gradually released over time, in a manner that is more effective for the plant. Using delayed-release fertilizers, plants receive the nutrients they need throughout the time they are growing, and output growth rises. When using delayed-release fertilizers, the amount of fertilizers can be reduced by 20%-50% (depending on the crop, soil and climate), while actually improving harvests. This increases the utilization of fertilizers.

ICL's coated fertilizers include three different coating technologies tailored for different crops, growing conditions and even growers.

Because using this type of fertilizer requires adjusting the method of fertilization, agronomists from ICL regularly visit farmers and distributors, and guide them in the proper use of fertilizers.

ICL is currently the industry leader in delayed release fertilizers for plant nurseries and greenhouses, lawns and gardens, and in tropical regions where agriculture is intensive (for crops including vegetables, fruits, bananas and oil palm) and where climatic conditions increase the evaporation of regular fertilizers.

R&D is continuing in order to further improve the technology and reduce prices in order to create better products and incorporate additional materials into delayed release fertilizers, making it possible to increase the number of farmers and growers who regularly use these fertilizers, which are more efficient and more environmentally friendly, while increasing yields.

The Enhanced Efficiency Fertilizers series also includes a fertigation series of soluble fertilizers introduced through the irrigation system. Soluble fertilizers are based on phosphates and potassium chloride. This method also increases the effectiveness of fertilizers because the plant receives nutrients that it needs with every watering, not only with the onset of growth. In this method, the plants are fed regularly and their production increases. ICL agronomists help growers learn how to use water-soluble fertilizers, and even compound custom fertilizers for their specific needs.



## ICL Innovation

### Technological incubator to identify and develop groundbreaking innovative technologies for ICL

In December 2012, ICL Innovation Ltd., a technology incubator, was established to identify and develop new ideas and sophisticated technologies from external sources that are related to ICL's areas of activity ([www.icl-innovation.com](http://www.icl-innovation.com)). The incubator was established to connect ICL to the world of external knowledge in fields related to its operations, in order to bring outside knowledge to ICL using the "open innovation" methodology, and to assimilate this knowledge into ICL's business units. ICL Innovation focuses on the core businesses and end markets in which ICL operates in the areas of fertilizers, food, and engineered materials with the aim of contributing to the growth and development of the Company.

ICL Innovation is wholly financed by ICL without any government or other external support. Its budget for 2014 is NIS 10 million. ICL Innovation Ltd. is registered as a legal entity wholly owned by IMI TAMM, ICL's central research institute. See: <http://www.icl-innovation.com>.

ICL Innovation's activities are focused on discovering and examining new, trailblazing technologies from universities, research institutes, technology incubators, startups and venture capital funds in Israel and around the world.

The subjects on which ICL Innovation focuses are defined by the needs of ICL business units and relate to sustainability and technological developments that benefit the environment and human society such as increasing crop yields, improving the quality, quantity and availability of food and improving living conditions.

During 2013, the first year of ICL Innovation's operation,

approximately 150 applications from outside entities were submitted to the incubator. The projects are subject to a strict process conducted by staff members of the incubator, researchers and business development managers from TAMM (IMI) and ICL companies, who weigh technological, business and environmental considerations as well as a product's potential contribution to humanity and the world's population. In 2013 three projects began and an additional five projects are expected to be added in 2014. The current projects which are expected to be operational in 2014 deal with controlled-release fertilizers, phosphorus-based compounds and increasing cereal crops.

The incubator invests major effort to locate relevant and innovative projects in order to keep ICL at the forefront of worldwide technological innovation. As a result, the incubator operates a worldwide network of scouts whose job it is to identify research projects that are suitable for a defined list of needs of the Company's business units. In addition, ICL Innovation contacts international financial companies and market research companies to locate companies with business potential in the areas of ICL's strategic activities. In addition, the incubator engages outside companies to scan technologies either from internal databases or through the Internet.

Selected projects benefit from ICL's professional oversight, financing, research capabilities and infrastructure from the initial concept stage through implementation, from one of ICL's business units.

For more information see: [www.icl-innovation.com](http://www.icl-innovation.com).

ICL's advantage is in the quality of its technology personnel. We see our technology experts as the key to change. Our technological capabilities allow us to address issues in a systematic manner, for example in agriculture, food security and engineered materials, such as fire safety. Already in the development process of products there is an emphasis on products and technologies that are suitable for protection of the environment and the needs of human society. My mission, among other things, is to develop ICL outwards and to determine which innovations and technologies can be adopted into the core of our work. This must be done through cooperation with organizations, companies and research institutions in various areas around the world.

Mr. Eyal Ginzberg

Senior Vice President & Chief Technology Officer (CTO)

## Voluntary Emissions Control Action Program (VECAP)

As part of ICL's efforts to reduce its environmental impact and improve its environmental performance, ICL is strict about the responsible environmental management of its products and works to reduce their influence at all stages of the value chain, including during their use.

As part of this effort, ICL Industrial Products (ICL-IP) implements the Voluntary Emissions Control Action Program (VECAP), a beyond-compliance program aimed at reducing the environmental emissions associated with flame retardants that goes beyond legal requirements and is part of the responsible management of product life.

ICL-IP works with its customers to reduce the environmental impact of the segment's products at various stages of their use.



VECAP was developed by three major flame retardant manufacturers – ICL-IP, Albemarle and Chemtura. Initially, the purpose of the program was to reduce environmental emissions of flame retardants down the supply chain (i.e. in the use stage). The program was later extended to include the stage of flame retardants' production as well.

ICL has secured commitments from customers to join the program, primarily small and medium-sized enterprises (SMEs) in the plastics and textiles industries. As a result of this program, ICL customers, using flame retardants in the manufacture of their end products, now review their production processes, quantify the loss of material using a mass balance model, diagnose the reason for the loss and the destination of the emissions (into the atmosphere, water or soil), and prepare an improvement plan to prevent environmental emissions in the future. The manufacturers of flame retardants, who are partners in the

program, train their customers in the best available practices while also providing supporting information and professional guidance.

By implementing the following principles, the VECAP program is a leader in reducing environmental emissions:

- Improving the management of chemicals in the value chain beyond compliance.
- Raising awareness among all those involved in the process, from site personnel to company top management
- Implementing best practices according to the program's principles
- Promoting and supporting an open dialogue with all interested parties, including industry, legislators, local communities and customers

Now that experience has accumulated during implementation of the program in production plants and customer sites, and its methodology and environmental benefits have been confirmed, VECAP principles can be applied across the global chemical industry to form the basis for reducing the environmental impact of the industry.

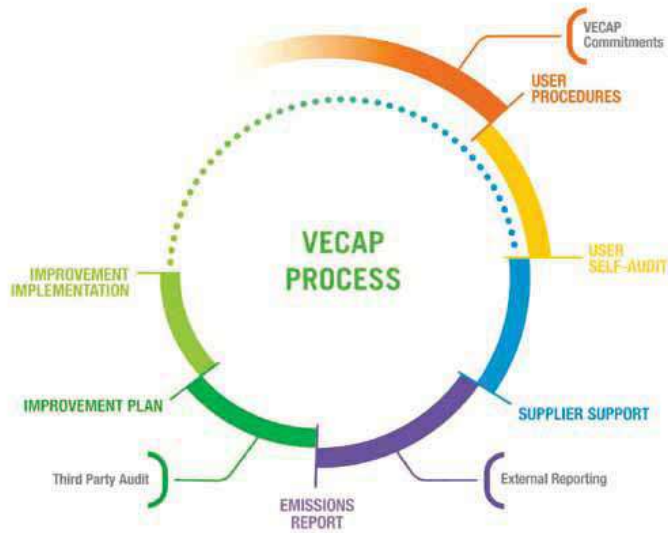
Annual reports are available at <http://www.vecap.info/>

Since 2009, VECAP certification is given by an independent third-party auditor. All brominated flame retardants (BFR) manufacturing plants of the three originators of the program (including ICL-IP plants in Israel, Holland and China) and four sites of BFR users are currently certified.

For several years, the joint program of the three initial partners included customers using three common flame retardants (TBBA, Deca and HBCD) and was focused on Europe and North America. In 2013, the program was extended to include EBP (FR-1410). During this year VECAP coverage for the four common flame retardants included in the program ranged from 89% to 99% of the products' total sales by the three BFR producers.

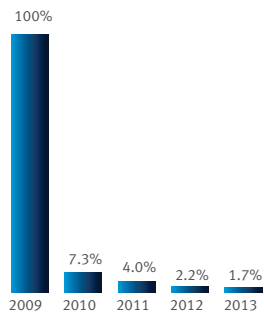
VECAP, as implemented in Europe, has been proven to be a very effective tool for reducing emissions, as is evident from the 98.3% reduction in potential emissions of the 3 common BFRs in 2013, compared to 2009, the year in which reporting began. This significant reduction in emissions results primarily from the implementation of best practices for managing empty packaging of the products by customers of the three BFR manufacturers.





## Results of the joint VECAP in Europe

### Summarized emissions of Deca, HBCD and TBBA Europe



#### 2013 was a successful year for VECAP at ICL:

- Additional increase in global coverage of all brominated flame retardants (BFRs) produced by ICL-IP.
- The main increase in 2013 was in the Asia Pacific region, resulting in a global coverage of more than 60% of all BFRs sold by ICL-IP.
- In North America and Europe, the coverage of all BFRs (by volume) sold by ICL-IP reached 58% and more than 80%, respectively.
- Among many additional products, the new brominated polymer FR-122P was included in the program in the start-up stage of its production in Europe.
- VECAP coverage has been extended to second line customers, such as textile back coaters.
- Moreover, in 2013, a program of training and cooperation with distributors was initiated, in line with the aim of reducing the environmental emissions of ICL-IP products throughout the value chain.
- ICL-IP's total sales volume of BFRs included in the program increased from 40% in 2012 to 61% in 2013.

## Life Cycle Assessment (LCA) – A Case Study at ICL-IP

This year, ICL completed a Life Cycle Assessment (LCA) for two products manufactured by ICL-IP. In the LCA process, the environmental impacts of the product throughout its life cycle are assessed. The life cycle of a product starts at the mining and extraction of raw materials and continues with transportation of the materials to the manufacturing plant, production and packaging, delivery of the product to the customer, usage by the customer, and concludes with the end-of-life fate, i.e. recycling or disposal.

The results of the LCA provide environmental information that may be shared with stakeholders and the identification of actions that may improve the environmental performance of production processes.

A comparative LCA was performed on two television back housings containing flame retardants (FRs) manufactured by ICL-IP. Because the housings are made using different plastic resins, each one contains a different BFR that is compatible to that particular polymer. Both systems provide the same level of flame retardation (Vo, UL-94 standard).

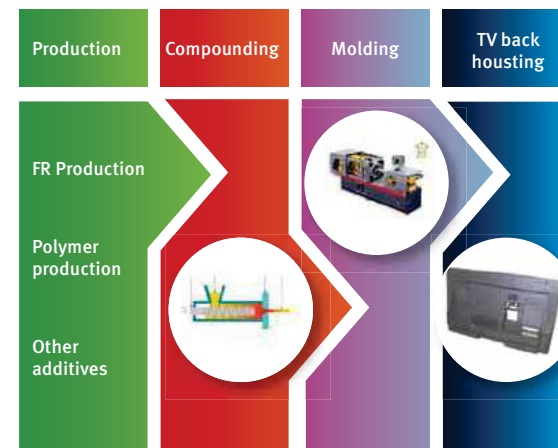
The first step in the life cycle assessment process is the definition of the scope. Because the assembly stages of the two televisions tested are similar, it was determined that the life cycle assessment would be effectuated to the point of the molding of the TV back cover plastic.

The LCA followed the ISO 14040 series guidelines and utilized the GaBi software (PE International) for modeling and assessment. The LCA went through a critical review by an independent third party who concluded that the study conforms to applicable ISO standards.

The comparison was made for 1 kg of each of the following molded plastics:

1. HIPS (high impact polystyrene) flame retarded with FR-245: **HIPS/FR-245**
2. PC/ABS (polycarbonate/acrylonitrile-butadiene-styrene) with BDP as the flame retardant: **PC/ABS/BDP**

## THE STAGES OF LCA



Data (for 2010) was collected for inputs and outputs in the different production stages, such as energy, water, raw materials, packaging, emissions, wastewater etc. The data was gathered by a special dedicated team established for this purpose. Most of the data for the FR production was available at ICL-IP. Data for polymer/resin production, compounding and molding were obtained from the existing databases of GaBi and Ecoinvent.



### Results of the LCA

The results indicate that for most parameters, the TV back cover made of HIPS with the FR-245 flame retardant exhibits better environmental performance than the one made of PC/ABS with the BDP flame retardant. The HIPS/FR-245 outperforms the PC/ABS/BDP on air, water, and global impacts.

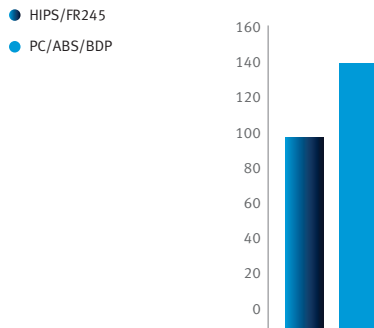
### Comparison of environmental impacts

Impact Category		HIPS/FR245	PC/ABS/BDP
Resources	Abiotic Depletion (kg Sb-Equiv.)	1.45E-02	1.57E-05
	Primary energy from non renewable raw materials (MJ)	108	135
	Primary energy from renewable raw materials (MJ)	3.6	5.1
Air	Acidification Potential (kg SO <sub>2</sub> -Equiv.)	1.80E-02	2.17E-02
	Photochem. Ozone Creation Potential (kg Ethene-Equiv)	1.72E-03	2.34E-03
Toxicity	Ecotoxicity (CTUe)	1.7	1.9
	Humens toxicity, cancer (CTUh)	9.55E-08	9.59E-08
	Humens toxicity, non-canc. (CTUh)	2.17E-06	4.96E-07
Water	Eutrophication Potential (kg Phosphate-Equiv)	5.60E-03	6.58E-03
	Total water use (kg)	1091	1311
Global	Global Warming Potential (GWP 100 years) (kg CO <sub>2</sub> -Equiv)	4.5	7.9
	Ozone Layer Depletion Potential (kg R11-Equiv)	9.80E-07	4.88E-05

\*Values in green indicate lower impact

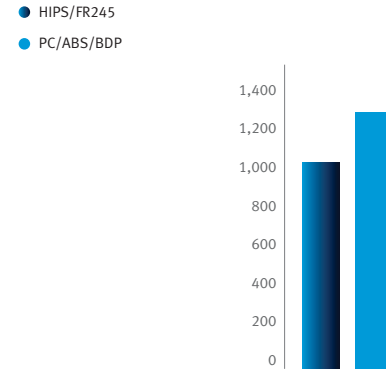
### Resource use (Non-renewable energy – MJ)

#### Primary energy - non renewable (MJ)

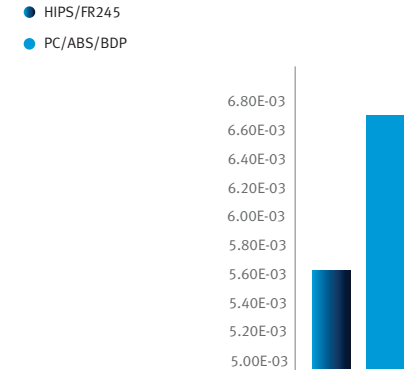


### Water

#### Total water use (kg)

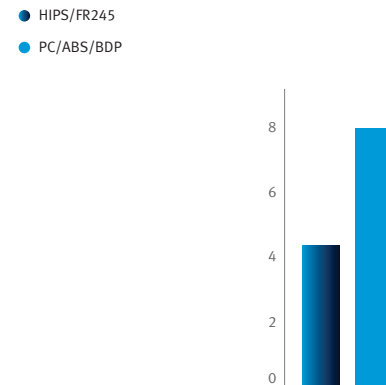


#### Eutrophication Potential (Kg Phosphate-Equiv)

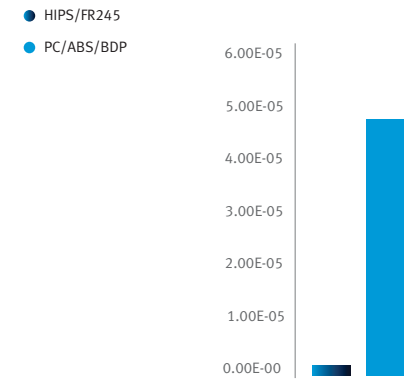


### Global Impacts

#### Global Warming Potential (Kg co2 equiv)



#### Ozone Warming Potential Kg R11-Equiv)



In addition to its ability to compare two systems, the strengths of this methodology and software for evaluating the lifecycle of the product makes it possible to provide data on each stage of the production process for the product and its components, making it possible to identify the categories with the most impact for each stage of production.



### Life Cycle Analysis Process in the Magnesium Plant

For many years, the Magnesium plant has been a member of the executive committee of the International Magnesium Association (IMA) and has an active representative on the steering committee of the IMA's Life Cycle Analysis project. During 2012, the company decided to begin product Life Cycle Analysis under the guidance and supervision of the IMA. The project was completed during 2013.

This analysis examined the environmental consequences associated with several products for the automotive and aviation industries that can be produced using either a magnesium alloy or an aluminum alloy (the major competitor for this type of application). It relates to all stages of product life: production of raw materials, manufacturing the finished product, use and recycling at the end of life.

From the findings, it seems that magnesium is preferred over the total life cycle thanks to the reduced fuel consumption in the use phase, as a result of the product's lower weight. Of the stages in a product's lifecycle, production of the raw material carries significant weight. Therefore, it is important that the process for producing magnesium has a small carbon footprint. A study comparing the various production technologies concluded that the one used at the Sodom plant reduces greenhouse gas emissions by half compared to the processes used by Chinese manufacturers (who are responsible for 80% of world production).

### Solutions and Challenges for Recycling Plastics with Flame Retardants

2.7 million tons of plastics containing flame retardants are discarded globally on an annual basis as waste of electrical and electronic equipment.

In 2013, after three years of work, a project on the recycling of plastic containing flame retardants was completed in Europe. It was led by ICL Industrial Products, a member of the European Flame Retardants Association (EFRA). The project was conducted in collaboration with the value chain, and focused on finding solutions for the plastics contained in flat TV screens (Flat Panel Display, FPD), in order to enhance the understanding of the applicability of plastic recycling. The project is the result of cooperation with the manufacturers of plastic and televisions, universities and recycling companies. The project is another step toward finding solutions and understanding of the field of plastic recycling, also in context of the need to prepare for the update of the European Directive for Waste of Electrical and Electronic Equipment (WEEE) treatment, which becomes effective in 2014.



Plastic recycling is still considered an evolving industry. This is apparent from the current situation in Europe where only 12% of plastic waste from electrical and electronic equipment is recycled. This figure is primarily explained by the difficulty in sorting plastic, which requires distinguishing between the different polymer types, a significant challenge especially for black plastics. In addition, due to the relatively small volume that reaches recycling plants, the process is still not economical.

Achieving the high recycling targets of 80-85% by 2015 established by Europe has become a major challenge for manufacturers of electronic and electric equipment and for recyclers, particularly since WEEE contains increasing amounts of plastics. In some products, such as televisions, plastics can comprise up to 40% of their total composition.

The project investigated more than 600 TV back covers, identifying the type of plastic and flame retardant used, assessing the quality of the plastics recycled and effects of impurities on the physical properties.

It was found that plastics containing brominated flame retardants used in TV back covers performed better in recycling compared to plastics containing phosphorous based flame retardants (PFRs), but the latter are also recyclable despite being more sensitive to moisture, acids and other contaminants. That is, circular use of plastic containing flame retardants is a viable solution (e.g. the recycled plastic is used in televisions).

Hence the use of recycled plastics containing flame retardants as raw material for electrical and electronic products is applicable and allows more efficient use of the plastic. This research project can be used as a test case that supports recycling by manufacturers.



### Environment Efficiency in Product Processes Improvement Teams

Improvement Teams are a way of increasing efficiency and finding solutions by utilizing the knowledge and experience of people working in the field. Their goal is to resolve problems, faults, deficiencies and bottlenecks in the work environment. Outputs are expressed in financial savings, improved environmental performance and an improved corporate culture.

The work method of Improvement Teams includes:

1. Collecting a pool of issues that require improvement
2. Selecting and defining a topic on which to work
3. Analyzing and investigating the subject
4. Creating solutions and improvements
5. Obtaining the approval of relevant parties
6. Implementing and integrating improvements
7. Monitoring and control

Issues to be addressed by Improvement Teams are selected based on criteria such as importance and significance, the time and resources expected to be required for treatment, and the measurability of the improvement, monitoring potential and control over time.

In 2013, 40 Improvement Teams, involving 250 employees of ICL-IP, completed their work. The results of their efforts have helped to improve environmental performance, ergonomics and energy efficiency. The projects included eliminating emissions and leaks; reducing waste and treating materials upstream; recycling packaging, equipment and materials; identifying alternative materials; improving work practices at plants, and improving housekeeping at facilities. The teams have achieved financial savings of more than USD 5 million.

The Improvement Teams that have completed their work and proven that their work can indeed be implemented in the

field are considered by the Incentives Committee, subject to the following guidelines: compensation according to Incentives Committee procedures, an annual competition to select outstanding teams, and participation in national competitions.

Proposals related to safety and ecology are approved by the Committee on Safety and Ecology and receive incentives at the discretion of the committee.

In addition, during 2013 Community Improvement Teams were formed (see the section on Corporate Responsibility).

### Example of Improvement Team activities at ICL-IP

During the production process at ICL-IP's plant, distillate residues remain and are loaded into barrels. The residue result in blockages and contaminate parallel lines, sometimes leading to an increased amount of wastewater, spillage and emissions from the barrels. The Improvement Team's mission was to reduce the amount of distillate residue and return the remainder to the system, and to create a clean, efficient and controlled discharge process. The Improvement Team conducted a comprehensive analysis of the distillate residue and created a method of returning the raw material to the process, preventing damage from blockages and the transmission of contamination by maintaining a closed system, without emissions.

The work of the Improvement Teams promotes employees' creativity, cross-fertilization, in depth analysis, methodical investigation of various subjects that contribute to employees' feeling of satisfaction, their commitment to the workplace, and the success of the various projects.



## Regulations Regarding the Safe Use of Chemicals – REACH

In 2007, the framework law for Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) came into effect in the European Union. The law gradually replaces 40 directives previously enacted in Europe. Implementation of the law, from 2008 through 2018, is being supervised by the European Chemicals Agency (ECHA). Its purpose is to protect humanity and the environment by managing new and existing chemicals.

Under the provisions of REACH, there are three re-registration deadlines for existing chemicals: 2010, 2013 and 2018, depending on criteria for the sales volumes and toxicity levels of the substances to health and the environment. The complete dossier for all existing substances is prepared and submitted by one company on behalf of all the companies that must register the substance. This company (the “Lead Registrant”) is liable both to other companies in the industry and to the European Chemicals Agency (ECHA). The registration process is defined by law, and companies are required to work according to agreed regulations. The dossier includes a risk assessment report for substances, including uses of, and exposure to, the substance.

Since 2007, ICL has been preparing for REACH within the framework of its Product Regulation and Safety Excellence team, and each segment is working to comply with the requirements of the law as it applies to its product range. In this context, the Company has prepared several licensing dossiers and submitted them to the European authorities. In addition, all the chemicals have been reclassified in compliance with the Classification, Labeling and Packaging (CLP) regulation, which came into effect in Europe in 2010.

Implementation of REACH increases the cost of production and the price of ICL’s raw materials, and requires ICL to bear additional costs related to licensing, control and implementation of a Product Stewardship program for clients. An additional consequence of REACH can be reducing usage of a product/material or the removal of certain products from the European market. Moreover, it will be necessary to invest in research and alternative development for some products and compounds containing those elements that may no longer be used in the European Union. ICL companies are prepared for compliance with the provisions of the law.

All ICL segments submitted registration dossiers for chemicals relevant to their businesses in Europe (production and sales) according to the timetable established by the law.

ICL segments volunteered to be the lead registrant for a large number of materials representing approximately 25% of all ICL submissions in 2010 and 2013 (meaning that ICL is the lead registrant for one-quarter of the materials).

Under the law, ECHA published lists of substances defined as substances of very high concern. These lists include two products manufactured by ICL Industrial Products, including one whose production had already been reduced to a minimum prior to publication. ICL Industrial Products continues to comply with the provisions of the law for these substances while developing substitutes.

## Integrated Industry

The industrial revolution symbolized the advent of a new era, one of economic prosperity, technological development and a modern lifestyle. However, over the past few decades, industry and technology have come to symbolize health and environmental hazards. This change in the perspective of industrial production processes, with a focus on the environment, has resulted in calls for change in various industrial sectors, and for instilling an industrial ecological approach.

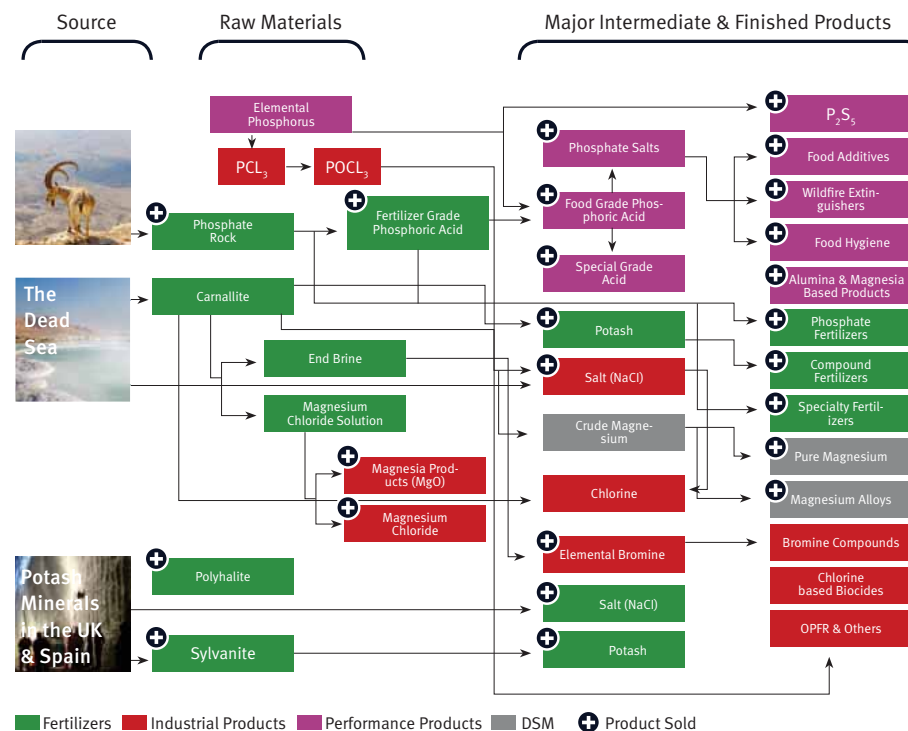
According to this approach, the industrial production process should shift from a linear process, in which resources and capital pass through the production chain and eventually become waste, to a closed process where waste can serve as input for new production processes.

**ICL uses the byproducts and waste produced in one process as raw materials for another. For example:**

1. The Company’s bromine production begins with using bromine produced from the brine created as a byproduct of potash production. This brine has a higher bromine concentration than the water in the Dead Sea.
2. The Company produces magnesia from solutions rich in magnesium chloride that are produced as a byproduct of the potash production process at Sodom.
3. A byproduct created by the magnesium production process is collected and sent to the Rotem Amfert Negev plant, where it is used as raw material.
4. ICL Fertilizers uses sylvanite, a byproduct of magnesium alloy production, to produce potash.
5. ICL Industrial Products uses the chlorine emitted in the production of magnesium alloys to produce bromine.



## Integrated Processes at ICL





# Use of Raw Materials and Sustainable Management of Natural Resources

## Raw Materials used by ICL

ICL's broad and varied operations cover the entire lifecycle of its products, from the initial production of raw materials, through manufacture of the final product. The raw materials used by ICL are potash, bromine, magnesium, phosphorus, salt and phosphate. Potash and salt are produced from the Dead Sea, and from potash and salt mines located in Spain and England. Bromine and magnesium are also produced from the Dead Sea, while the source of phosphate for producing phosphorus is the phosphate rock mined from the Negev. These raw materials are used as ingredients in products and materials used in many ways and on a daily basis in fertilizers, food ingredients and additives, disinfectants, industrial materials, flame retardants in household and industrial products and others. Mining and production are conducted under concessions and licenses granted by the State of Israel, for which ICL pays royalties to the State, and from the relevant authorities in other countries.

## Sustainable Management of Phosphate Deposits in the Negev

Phosphates and phosphate products are essential for many diverse industries and used in a wide range of everyday products. The phosphates found in the Negev are among the most important and essential in the world, there is no alternative source of this raw material for the fertilizer industry. Phosphate rock is used as the main raw material for the production of acid and fertilizers based on phosphorus.

Most of Israel's phosphate deposits are located in the northeastern region of the Negev Desert. Rotem Amfert mines phosphate rock deposits at three sites in the Negev: the Oron mine, the Zin mine and the Rotem mine. ICL works according to a long-term strategy for managing its mining of phosphate deposits in the Negev. This policy includes: conducting comprehensive geological surveys, examining alternatives for mining, defining long-term goals for mining, sustainable mining that includes comprehensive planning for restoration of the area before beginning to mine a new area. The three leading



professionals involved in this planning include a landscape architect, a mining engineer and an ecologist to ensure that the process is completed optimally. The process includes site tours of the area to be mined together with representatives from the Society for the Preservation of Nature in Israel, Israel Nature and Parks Authority, the Ministry for Environmental Protection and other official agencies, for purposes of control, learning and transparency.

Israel has almost two billion tonnes of phosphate reserves. This resource would be adequate for a long period at current production rates. In light of required permit procedures, quality requirements, depth of the phosphate, adjacent IDF live-fire training grounds and other factors, the proven, reserves available for use are far smaller. ICL is careful to monitor the use of raw materials so that they are available for optimal, long-term use. Moreover it conducts ongoing research and development to find solutions for utilizing reserves in areas where there is already activity. Rotem Amfert Negev is currently working with deposits that are far less rich than those it used in the past. The Company pays the State of Israel royalties for mining phosphates based on a calculation defined in the Mining Ordinance. The method for calculating royalties was revised in February 2010 as part of an agreement that revised the method for the calculating the payment of past royalties and a formula for future royalties.

Rotem Amfert Negev is one of the world's leading producers of phosphate fertilizers. It is careful to ensure a balance in the utilization of existing deposits through responsible planning and control mining.

## Water from the Dead Sea

ICL uses water from the Dead Sea to produce potash, bromine, salts and magnesium chloride through a process of mineral precipitation in ponds located at the southern Dead Sea basin. Dead Sea Works (DSW) pumps water from the northern basin to the southern ponds, where the water is evaporated using the energy provided by the sun. Each year, ICL uses 150-170 million cubic meters (Million m<sup>3</sup>) of water from the Dead Sea to produce potash.

DSW activity is accountable for 9% of the total yearly decline of the northern basin's water level, with the remainder of the decline caused by the diversion of the water from the Jordan River and other industrial water usage (see further information below).

As a result of evaporation, minerals in the water sink to the bottom of the ponds in a specific order: halite (cooking salt) sinks in the first ponds and carnallite, which is used to produce potash and magnesium chloride, sinks in the next ponds. The water pumped from the northern basin is first transferred to pond 5 (the northernmost pond in the southern basin, near the hotels' shores), where most of the halite sinks. As the water moves from pond to pond, concentration increases until the carnallite also begins to sink. Carnallite is "harvested" by barges and sent as slurry to processing plants through a network of floating pipes. Part of the carnallite is used by the magnesium metal plant, and a portion of the brine in the carnallite ponds is used as a raw material by the bromine plants and by Periclase plant at Mishor Rotem. After the carnallite is extracted, the remaining brine is returned to the Dead Sea.

## Sustainable Management of Natural Resources in the Dead Sea

Over the past 20 years, the efficiency of Dead Sea Works' operations has increased greatly. Net pumping of Dead Sea water has changed very little, even as potash production has risen. This improvement has resulted in the reduction of the environmental impact of the Company's potash production. Moreover, with the goal of protecting hotels located at the Dead Sea, the government recently decided to harvest salt (see further information below).

The potash reserves in the Dead Sea are sufficient to supply the needs of future generations for several centuries into the future.

There is currently a dispute between the State of Israel and Dead Sea Works over back-payment of royalties. Arbitration related to this issue is underway, and is close to completion. The decision of the arbitrators will be given at a time of their choosing. Based

on a legal opinion, Dead Sea Works believes that the royalties that it has paid in the past are in compliance with the terms of the concession. (For further information regarding the arbitration and claims of the parties, please refer to Note 23 in the Financial Statements for 2013.)

## Potash Mines in Spain and England

ICL also produces potash from underground mines in Spain and the UK. The production process is carried out by the mining of sylvanite, a compound of potash and salt with varying concentrations of potash. The potash is separated from the salt in production plants located near the mines.

Polysulfate is a mineral used in its natural state as a fertilizer for organic farming. However, it can also be used as a raw material for specialty fertilizers. Polysulfate is a compound of potash, sulfur, calcium and magnesium, minerals that are critical for improving crop yields and agricultural produce. Geological studies conducted by CPL indicate that very large deposits of polysulfate ore – totaling more than one billion tonnes – beneath the potash layer of the Company's mine. In 2012, commercial mining of the product began.





# Environmental Issues and Ways to Solve Them

## Decline of the Level of the Dead Sea

The Dead Sea, which is located on the border of Israel and Jordan, is the lowest area of dry land in the world and among the saltiest bodies of water on earth. Over thousands of years, there have been significant changes to the Dead Sea level, and the southern basin has dried up and flooded a number of times. Since the 1960s, the combination of the construction of Israel's National Water Carrier and other waterworks in the area have accelerated the decrease in the volume of water flowing into the Dead Sea basin. Combined with industrial development of the area this has resulted in a steady drop of the water level that totals approximately one meter per year, leading to its current level of 428 meters below sea level (as of May 2014). As the level of the Dead Sea drops, its surface area shrinks, sinkholes appear and courses of the streams that flow into the sea are deepening (stream erosion). The data in this chapter is based on the Dead Sea policy document produced by the Ministry of Environmental Protection and Jerusalem Institute for Israel Studies (2006), and another document prepared by the Jerusalem Institute for Israel Studies in 2011 entitled "Altering the Water Balance as a Means to Address the Problems of the Dead Sea."

ICL is aware that its pumping of water contributes to the receding water level of the northern basin. At the same time, it is important

to note that the recession's primary cause is the policy of the Jordanian, Syrian and Israeli governments, which use a large portion of the fresh water from the Jordan River for household, agricultural and industrial needs before it flows into the Dead Sea catchment area. Projects such as the National Water Carrier, the diversion of the Yarmouk River, the King Abdullah Canal in Jordan and other projects claim more than 1,400 Million m<sup>3</sup> each year that would otherwise flow into the Dead Sea. However, pumping the water actually allows the existence of the southern basin of the Dead Sea where the hotels are located.

In addition, the amount of rainfall in the Dead Sea catchment basin is declining. As a result of all these factors, the flow of water from the Jordan River to the Dead Sea has ceased almost entirely. In total, instead of about 1,700 Million m<sup>3</sup> per year (the average recorded between 1900-1950), only 300 Million m<sup>3</sup> of water now reach the sea each year (according to the estimate of the Geological Institute). About 650-700 Million m<sup>3</sup> evaporate from the Dead Sea annually. The evaporation operations of the potash plants in Israel and Jordan result in a further depletion of 250-280 Million m<sup>3</sup>, of which 150-170 million m<sup>3</sup> are used by Dead Sea Works.

Jordan's potash plants and Dead Sea Works account for about 250-280 Million m<sup>3</sup> of the negative water balance out of the 1,700 Million m<sup>3</sup> that previously flowed into the sea, and which are now diverted for consumption by all countries in the region. Together, the plants are responsible for 15% of the reduction (250/1,700), with Dead Sea Works itself responsible for 160 Million m<sup>3</sup> per year, or 9%.

In March 2013, the World Bank published the final draft of a feasibility study regarding the quantity of water pumped from the Dead Sea, together with projections regarding future water levels. The report found that feasibility testing of proposed solutions should continue, subject to the agreement and desire of the stakeholders (Israel, Jordan and the Palestinian Authority). The net volume of pumping from the Dead Sea has not changed significantly in recent years. The pumping volume is determined primarily by the area of the Dead Sea ponds. This area, and accordingly, the net pumping volume (total volume pumped less solution returned) of Dead Sea Works has not changed for 20 years and totals 150-170 Million m<sup>3</sup> per year, depending on meteorological conditions. Most of the solution pumped from the sea are returned, either directly (through the siphon located in the ponds) and indirectly (seepage through dikes around the pools), with the exception of the quantity that is lost due to evaporation.

This year, Dead Sea Works completed a vast project budgeted at approximately USD 470 million to strengthen the dikes in the evaporation pool, and as a result, to reduce seepage. As a result of this project, seepage has been reduced significantly, which permits the controlled return of water from the pond to the Dead Sea, while monitoring effectively.

Based on the projections, if steps are not taken to stop the Dead Sea from receding, the level is expected to reach 440 meters below sea level in 2025, and 465 meters below sea level in 2050. According to estimates presented in the policy document of the Dead Sea basin, prepared jointly by the Ministry of Environmental Protection, the Geological Institute in the Ministry of National Infrastructures and Jerusalem Institute for Israel Studies, as the surface of the Dead Sea shrinks, annual evaporation will diminish, until there is a balance between inflowing and outflowing water. Accordingly, the recession will stop within 150 years, and the sea will remain at 550 meters below sea level.

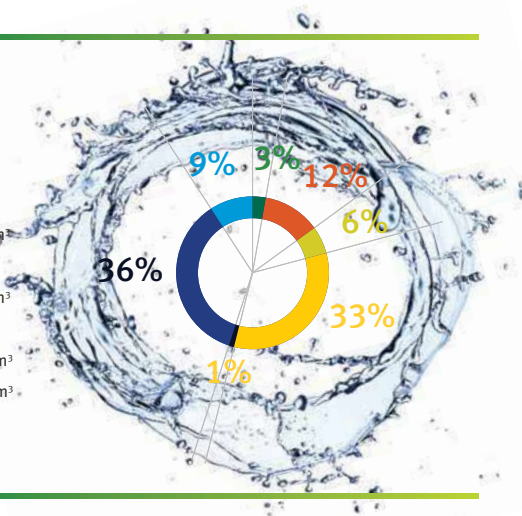
## Sea-to-Sea Canal

The stabilization of the Dead Sea's current water level and surface area requires the an additional 800 million cubic meter flow of water (approximate) to the northern basin per year. In 2003, the Israeli government began examining several alternative scenarios for achieving this flow, including the creation of a canal from the Mediterranean Sea to the Dead Sea, the creation of a canal from the Red Sea to the Dead Sea, and the increase of the flow of fresh water to the Dead Sea by returning a significant amount of the natural flow to the southern portion of the Jordan River. The government also considered the "default" option, in which it was assumed that the current state of affairs would continue unchanged. In 2006, the government published its final Dead Sea Policy document, in which only the default option was analyzed. Earlier, the Jordanian government initiated, together with the Israeli government and the Palestinian Authority, a feasibility study of a Red Sea-Dead Sea canal. This study was conducted by the World Bank which prepared a document whose aim was to define the steps that would have to be undertaken prior to making a decision (TOR – Terms of Reference). The study was supervised by a steering committee consisting of representatives of Jordan, the Palestinian Authority, Israel and the World Bank.

In 2008, two international companies were selected to carry out further feasibility studies, which were completed in 2013. Following this study, the stakeholders decided to implement a project in which, to the best of ICL's knowledge as of the date of this report, approximately 200 Million m<sup>3</sup> of water would be pumped annually, including 120 Million m<sup>3</sup> that would flow, as is, into the Dead Sea. Of the remaining water, 80 Million m<sup>3</sup> will be pumped from the Red Sea and desalinated at a desalination plant in Aqaba. Israel would receive 30-50 Million m<sup>3</sup> of the desalinated water, and the Jordanians, 30 Million m<sup>3</sup>. In addition, the Jordanians will receive 50 Million m<sup>3</sup> of fresh water from the Sea of Galilee while the Palestinians receive 30 Million m<sup>3</sup> from the Sea of Galilee. The brine from the desalination plant would flow into the Dead Sea, based on conclusions drawn by the World Bank's experts, who found that allowing up to 400 Million m<sup>3</sup> into the Dead Sea would not have a significant effect on it.

**1,657** million cubic meters of water are diverted from the Dead Sea each year, including:

<span style="color: green;">■</span> Palestinian Authority:	3% drinking water, 45 Million m <sup>3</sup>
<span style="color: orange;">■</span> Syria:	12% drinking water, 200 Million m <sup>3</sup>
<span style="color: yellow;">■</span> Jordan:	6% potash plants, 100 Million m <sup>3</sup>
<span style="color: gold;">■</span> Jordan:	33% drinking water, 560 Million m <sup>3</sup>
<span style="color: black;">■</span> Lebanon:	1% drinking water, 20 Million m <sup>3</sup>
<span style="color: blue;">■</span> Israel:	36% drinking water, 600 Million m <sup>3</sup>
<span style="color: cyan;">■</span> Israel:	9% Dead Sea Works, 150 Million m <sup>3</sup>



\* Based on data provided by the Office for Environmental Protection and the Jerusalem Institute of Research, 2006



A dredge will crush the salt and pump it as slurry.



The slurry will flow in a floating pipe to a drainage area near the Pond 5 dike.



In the drainage area, the salt will dry and the solution will precipitate in the pond.



The dry salt will be loaded onto a conveyor that will transport it to the Dead Sea.



The barges will return the salt to the sea.

## Rise in the Water Level in Pond 5 and the Permanent Solution – Salt Recovery Project

The minerals of the Dead Sea are extracted at the Sodom site of Dead Sea Works by solar evaporation, in which salt sinks to the bottom of Pond 5. Pond 5 is the main pond. The salt sinks and creates a 20 cm layer on the pond bed every year. Production of raw materials requires a constant balance of solutions in the pond. To date, the pond beds have risen by 8 meters. In the early 1970s the construction of hotels on the shore of the pond began, even though all of the parties involved, including the entrepreneurs, were aware that these hotels would require protection and, indeed, most of the hotels signed documents in which they confirmed their knowledge of the rising water level and that they had taken this into consideration during planning and construction, and would take responsibility for protecting themselves from the rising water level.

The ponds enable the existence of the Ein Bokek and Hamei Zohar hotels on the Dead Sea shores, since without the artificial intervention, the hotels would not have a “sea” for their beaches. However, a rise of the water level of the pond above a certain level is likely to cause structural damage to the foundations and hotel buildings located near the pond, to the town of Neve Zohar and to other infrastructure installations on the western shoreline of the pond, because the foundations of the buildings are lower than the water level of the ponds.

For several years, temporary solutions have been implemented to address this problem, including construction of protective dikes along the western shore of the pond opposite the hotels and a groundwater drainage system.

### Salt Recovery Project

For several years there have been discussions regarding the preferable solution for protecting the hotels. Of the various solutions, the Government of Israel selected the one known as salt harvesting or salt recovery, which is significantly more expensive than the solutions so far, that were based on raising the perimeter dikes. Most of the cost of financing the project (80%) has been imposed on ICL.

In June 2012, an agreement was signed between DSW and the Israeli government regarding a permanent solution for the rising level of Pond 5, the Salt Recovery Project. The agreement is supported by the Tamar regional council, hotel owners and “green” organizations.

The agreement includes two components: increasing the rate of royalties paid by the Company from 5% to 10% for potash production in excess of 1.5 million tonnes, and financing the salt recovery, with costs allocated so that 20% of the project is financed by the State and 80% is financed by Dead Sea Works.

The solution is based on an agreement about the highest water level that the evaporation ponds will be allowed to reach. In order to stop the rise in the water level, it is necessary to transfer



20 million tons of salt per year from Pond 5 to the northern basin. Removal of the salt will stabilize the pond level and secure the future of existing hotels, while also enabling development of new hotels on the pond’s shore.

The salt recovery project will be one of the largest engineering projects undertaken in Israel. According to the estimates used as the basis for DSW’s agreement with the Economics Minister, the project’s infrastructure will cost NIS 2.2 billion, and a further NIS 330 million will be invested each year until the end of DSW’s concession in 2030. The total cost of the project until the end of the concession period will be approximately NIS 7 billion, in line with the estimate by the Government Company for the Protection of the Dead Sea (according to prices prevailing in 2010). The project will directly employ hundreds of employees and will create jobs for more than 1,000 residents of Negev towns, including Arad, Yeruham and Beersheba. The project will be managed by the Meshivim Division, a special organization established for this purpose by Dead Sea Works.

### The Harvesting Process

- The process will begin at the southern basin where dredges will harvest the salt. The salt will then be transferred to drainage and loading terminals located on the eastern side of the pond.
- After draining, the salt will be loaded onto a conveyor and transported approximately 30 kilometers to the northern basin of the Dead Sea.
- The salt will be unloaded at a terminal in the northern basin, and loaded onto barges that return it to the sea.
- The project will also include infrastructure facilities, such as an electrical supply system.

### Advantages of the Project

- Recovery of the salt is the most ecologically-sound option available for protecting the hotels. The option selected was even described as successful for preventing environmental threats by the Society for the Protection of Nature in its Fifth Annual Environmental Risk Report published in 2012.
- This is a sustainable solution that allows long-term planning and development of new hotels along the shore of Pond 5.
- In the comprehensive agreement with the State, the rate of royalties paid by ICL will be raised, and a portion of the funds paid to the State will be used for development of the Dead Sea region.
- The project will also benefit Negev residents by creating hundreds of jobs.

### The Salt Harvest Project includes:



**1,000**  
Positions



**2.2**  
NIS Billion



**5.5**  
NIS Billion

Employment for Workers

Investment in Infrastructure

Total Amount



After DSW was instructed to carry out the project, it initiated detailed planning of every aspect of its execution. It has now been decided to accelerate the timetable, with operation of the first barge scheduled to begin in early 2015, a full year earlier than originally scheduled. The establishment of the salt harvesting system will be carried out in stages, in line with advancement of the plan and the salt removal goals. The project will not generate any profits for ICL, but it is important for tourism in the Dead Sea area.

## Sinkholes

The water level of the Dead Sea (northern basin) drops 1.0-1.3 meters per year. This drop is accompanied by a decrease in the surface area of the sea, as well as side effects that include the development of sinkholes and the deepening of the courses of the streams that flow to the Dead Sea (stream erosion). Sinkholes are created by penetration of underground fresh water to areas where the sea has receded. The water dissolves the salt layer and the surface collapses into the void that is created. Sinkholes can reach a depth of 20 meters, with a diameter of 25 meters. Sinkholes began to appear in the 1970s on the western bank of the Dead Sea, from Ein Gedi southwards. In the 1990s, the phenomenon spread north of Ein Gedi. In the past decade, thousands of new sinkholes have appeared along the Dead Sea shore, mainly on the western side. Their distribution along the shore is not uniform, and they are concentrated at about 40 sites. The sinkholes represent a danger to infrastructure in the area, and generate uncertainty that is itself an obstacle to development. It should be noted that the area around Dead Sea Works' evaporation ponds is the area with the least number of sinkholes due to the stable level of the southern basin. This is one of the primary reasons that the southern basin was selected as the location for developing the region's hotels.

The appearance of sinkholes, which is primarily attributable to the decreasing water level of the Dead Sea, is spreading throughout the Dead Sea region. Most of the sinkholes are in the vicinity of the northern basin, where ICL Fertilizers does not have significant activities. When sinkholes are discovered in the area of the plants, ICL Fertilizers fills them and makes an effort to monitor their development.

## Barir Field

Phosphate reserves required for the production of basic products by the Company are expected to be exhausted in approximately 10 years. The Barir Field is a site for mining phosphates (part of Zohar South) that covers a small area (approximately 13 square kilometers) in the Arad valley. According to the approved regional plan of the State of Israel, as well as the National Master Plan, the area containing the Barir Field has been designated for mining and quarrying. The phosphate reserves are estimated to be approximately 65 million tonnes, which can be extracted for use by Rotem for production over a period of 25 years.

The bureaucratic processes required for ICL to obtain a mining permit for the Barir Field have continued for more than two decades, which is forcing the Company to examine other mining options outside of Israel. This would have a detrimental effect on the local economy, local production and employment for the residents of the Negev specifically, but also for Israel as a whole.

The Barir Field mining site is in a region with low landscape sensitivity and is relatively close to the Mishor Rotem processing plants. Phosphate yield per square kilometer would be the highest in the Negev. Moreover, the project has ecological advantages: large quantities of phosphates can be extracted while disturbing only a relatively small area. In addition, ICL undertook that it would conduct environmental monitoring before and during mining, in accordance with the Ministry of Environment and the Ministry of Health.

ICL conducted an environmental impact survey for mining the Barir region as was required by the law, and the report was examined during the course of three years and approved by experts of the Ministry of Environmental Protection. Other government ministries also expressed support for granting the mining permit including the Prime Minister's Office, the Ministry of Energy and Infrastructure, the Ministry of Interior and the Ministry of Finance.

Even though experts at the Ministry of Health determined that "For the purpose of making a professional recommendation regarding the damage to public health that might occur as a result of phosphate mining activities at the Barir Field, it is not sufficient to rely on theoretical models, but rather it is necessary

to take measurements in the field and to analyze the results." However, this decision was changed due to the opposition of some Arad residents and Bedouins residing in the region for fear of potential environmental and health risks that they claim the mining will cause.

After professional experts found the alternatives proposed by the Ministry of Health unsuitable, the ministry appointed an expert to study mining in the area and ICL provided information requested to him.

In April 2014, the international expert submitted his conclusions. He stated that radiation is not an issue and presents absolutely no danger. He further determined that there is a wide range of variable conditions that affect fine dust particles from mining the field, based on distance, mining periods, and climatic conditions, as well as additional considerations to be considered prior to rendering a final decision. The Ministry of Health decided that it is unable to recommend mining operations at Barir Field and transferred the final decision to other state authorities. As of the report date, the expert report is being studied in depth and there are ongoing preparations so that the field can comply with the conditions he established.

ICL's position is that the health of people currently living near the Zin, Oron and Rotem mining sites is better than the national average despite 60 years of mining that have occurred in the area, a fact that proves that phosphate mining does not result in negative health effects at the mine itself and certainly not at a distance of 8 km.

The Company's commitments as part of the future project:

In addition to the survey results, which indicate that mining will have no impact on local residents, ICL has committed itself to:

- A trial period of one year prior to making a final decision regarding mining of the entire field.
- The mine manager will accept responsibility on the level of a "personal command."
- Halt mining during exceptional meteorological conditions.
- The possibility that the Eastern Negev Environmental Unit (located in Arad) can halt mining during severe meteorological conditions.

- Continual monitoring from the very beginning of mining the field.
- Work according to the strictest standards for mining, including the use of sophisticated technologies to reduce dust from the mining process, and more.

## Reconstruction Method while Mining

The methodology used will be based on the "restoration while mining" method, in which small blocks of the field are mined, and then restored immediately while mining continues elsewhere (see the diagram on page 98). Work will move from one block to another only when mining is completed in the first block and restoration is completed, including the rebuilding of stream beds and original structures and the spreading of topsoil over the reconstructed area to finalize restoration.

For further details see: <http://sdebarir.co.il>.





# Preservation of Biodiversity

Biodiversity is an essential component of human development, because it provides essential biological resources and ecosystem services. Harm to habitats and loss of biodiversity directly threaten the lives of over a billion people, and may indirectly harm the lives of billions more.

Biodiversity is part of the ecosystem, and maintaining it is essential so that it can continue to exist, and so that people can continue to enjoy its “services” such as food and water, flood prevention and the spread of diseases, options for leisure and culture, and the support services system, such as nutrients cycle, which maintain the conditions for life on Earth.

The expansion of the loss of biodiversity in nature as a result of human activity has increased public concern about the impact of the mining industry on biodiversity. However, as yields from fields increase, less farmland is needed, which can help to preserve open spaces that are the foundation for the conservation of biodiversity around the world.

ICL operates seven mining sites in three countries: Israel, the UK and Spain. Until recently, environmental issues of all sorts,

including biodiversity, were regarded as risks inherent in a mining company’s “license to operate.” However, today ICL operates on the basis of an understanding that proper management of environmental issues and the issue of biodiversity are an opportunity to reinforce ICL’s business values, through building good relationships with our stakeholders, better understanding of the evolving ecosystem services market, and achieving our goal of becoming a thriving company that operates according to sustainable development principles.

ICL recognizes the need to consider environmental factors when using the land and managing its operations, particularly in ecologically sensitive areas and areas with unique cultural value. Further, ICL recognizes that biodiversity conservation and management are important business and social issues. As a result, ICL is committed to ongoing consideration of the impact of its activities on biodiversity when making decisions. ICL views itself as a leader in sustainability, in general, and in the preservation of biodiversity in particular, and regards biodiversity preservation as an opportunity to create value for its business.



For several years, ICL’s environmental management system has included measures intended to conserve biodiversity. ICL conducts extensive activities related to biodiversity conservation on five different levels: biodiversity conservation measures at the project planning stage; biodiversity conservation measures during operation; preservation and restoration upon completion of operations; activities at the product use stage; and general restoration activities designed to mitigate ICL’s impact on biodiversity.

Recently, ICL began the process of developing principles for biodiversity management, with the aim of addressing stakeholders’ demands.

### The process includes the steps listed below:

1. An international benchmark survey to evaluate the position of biodiversity conservation organizations, including the Ministry of Environmental Protection, the Nature Protection Society and the Nature and Parks Authority.
2. An internal survey of its major sites, where 80% of the Company’s mining activities are located, to evaluate the Company’s existing biodiversity awareness and how the management of its sites in Israel and large sites abroad are managed.
3. Participation by managers in biodiversity training and presentation of biodiversity considerations at the ICL’s Forum of Excellence in Ecology
4. Preparation of guidelines for biodiversity management at ICL.
5. Establishment of a Biodiversity Center of Excellence.

For benchmark purposes, ICL conducted a biodiversity management survey in accordance with biodiversity conservation principles developed by the International Council for Mining and Metals (ICMM).

As part of the work performed by the Biodiversity Center of Excellence, a decision was made in 2013 to focus the center’s activities on mine restoration. The restoration of barren areas is more challenging than restoring a forested area where it is possible to cover the ground by replanting. In addition, it requires significant activity because of the very large areas affected. ICL has accumulated experience in restoration work methods that make it possible to achieve high-quality results by international standards (for further information see below).

Currently, ICL is examining the feasibility of conducting biological research prior to the restoration work in the Zin region, which was selected because it contains a variety of terrain including stream beds, rocky slopes, mined areas and restored areas. This variety will facilitate ICL’s examination of biodiversity (flora and fauna) in an area that has been mined and that is adjacent to one that has been restored.



### Key Issues for Inclusion in ICL’s Biodiversity Management Principles

1. Refer to all stages of ICL’s activities from planning, mining and production through use and end of product life.
2. Responsible use of land under ICL management.
3. Identify biodiversity values that affect ICL’s activities.
4. Prepare a biodiversity survey at the planning stage for all new projects at ICL.
5. Identify and implement solutions and technological means for biodiversity conservation.
6. Prepare a best practices manual for biodiversity management at the corporate level.
7. Commit to preserving indigenous and endangered species.
8. Cooperate with stakeholders and develop local and strategic partnerships to promote the issue.
9. Allocate resources and knowledge to build organizational capacity and processes to implement biodiversity policy.
10. Effective control of the Company’s implementation of the policy.
11. Track developments, monitor biodiversity performance, and strive to develop effective parameters in the next few years.



## Preservation of Biodiversity and Restoration of Mining Sites

Many ICL companies mine raw materials from the ground, some from open pit mines, and others underground, depending on the depth at which the raw material is found. Mining is conducted only where the Company has a mining concession, and in accordance with plans. An effort is made to conserve and restore most of the terrain and ecological systems surrounding the mining areas, giving preference to those areas that have been impacted or have been designated for impact.

As a result of this policy, ICL mining plans for surface mines include restoration plans from the outset. In order to streamline the restoration process it is now common to “restore while mining.” The most sophisticated engineering software available is used for planning mining and restoration which includes simulations of each stage.

### Restoration of Phosphate Mines

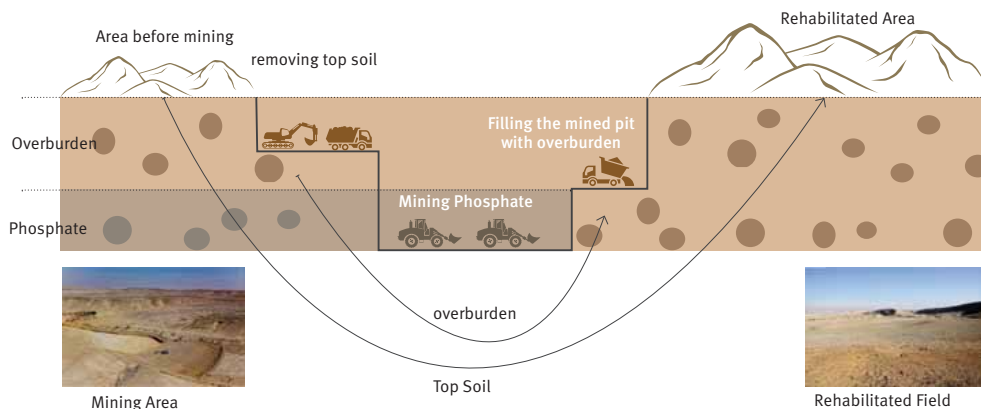
Rotem Amfert Negev mines phosphates and produces acids for use in agriculture, food, pharmaceuticals, and phosphate-based fertilizers. It operates open mines in the Zim, Oron and Rotem areas.

### The History of Mine Restoration

Specific restoration after mining - Restoration created by design

Over the past four decades there has been a significant change and improvement in the perception of phosphate mining restoration. Until 2000, the restoration of mines was localized and mainly included landscaping and restoration efforts. Regional, post-mining restoration began in 2000. The restored areas were designed for hiking and educational tours. A structured restoration process began in 2010. The planning stage for mining included the restoration process, which was conducted while mining was still in progress (not after completion), so that the area is restored as soon as mining is completed. The planning and restoration is undertaken by a dedicated restoration department of the Company, in full coordination with the Israel Nature and Parks Authority. The process involves an engineer, architect, a testing team and an ecologist. This procedure enables the return of the ecosystem’s functioning as quickly as possible.

In this restoration method, the particular area, or “block”, disturbed is small and disturbed only briefly, because each block is restored as surface mining progresses from one block to another (See diagram describing restoration during mining below).



Phosphate rock is found at a depth of several dozen meters below the surface. Above it is a layer of soil called “overburden” of variable thickness, and above that, topsoil. In all new mining areas, Rotem Amfert, an ICL company, is careful to remove the topsoil when mining and to store it separately. The overburden layer is then removed from the specific mined block’s surface and placed in another block in which mining has been completed. The block is then designed topographically and covered with the original topsoil that was put aside, and the surface is shaped according to the original topography to slow runoff, create microclimate conditions for the local flora and fauna, and “open” the surface for growth.

### Guidelines for Restoration during Mining

- Delimitating the smallest possible mining area: Planning the spread of the pit, the area bare of overburden (the layer that contains no phosphate rock) and minimal access routes to the site, while avoiding, as much as possible, breaching areas with high landscape sensitivity.
- Reducing the volume of disturbed area at any given time: by dividing the mining area into small mining blocks, planning the direction in which mining progresses and removing as much overburden as possible to adjacent mined areas.
- Reconstructing the original topography, to the extent possible: activities that were prescribed in the mining planning stage. Topography reconstruction performed during and after mining includes recreating flow channels.
- Reconstructing the original ground texture as much as possible by removing, storing and returning topsoil.
- Recovery of habitats and biodiversity in the area.

### Full Restoration during Mining at Hatzeva South, Gov Field and Hatzeva B Mines of Rotem Amfert

The Hatzeva South, Gov Field and Hatzeva B sites were restored after mining was completed. The restoration plan for the Zin site includes a landscape restoration component that goes beyond the legal requirements of the law.

During 2012, mining and restoration of the Hatzeva B field in the Zin mine was completed. This field lies within a nature reserve and a military firing zone. Therefore, special work permits were required. One condition was high-quality restoration after mining. Hatzeva field was mined for ten years, through late June 2012, as planned. During and after mining, large-scale restoration works were carried out to recreate the surface. Upon completion of filling the pits with overburden, mine restoration specialists from the Company’s raw materials division began intensive work, under the close supervision of a landscape architect. Original surface details were restored, as was the original drainage system, and the restoration was carefully blended into the untouched, natural areas on the margins of the field. Then, the surface was covered with a layer of topsoil which had been stored in a separate pile. Finally, the cover layer was “blurred”. The result is a complete restoration of the landscape, which won the approval of the Israel Nature and Parks Authority, which supervised the work. The area looks natural, in shades of gray and brown that integrate well with the environment.

### Conservation of flora and fauna in the Boulby mine, CPL, UK

Cleveland Potash Ltd. (CPL) operates an underground potash mine in Boulby, England, near the North York Moors National Park. CPL strives to minimize its impact on the environment and is working with organizations such as Industry Wildlife Conservation Association (INCA), the Tees Valley Wildlife Trusts and local authorities, to ensure that the industry and the environment will continue to flourish together. Mining at the mine is conducted a kilometer below the surface, allowing conservation of flora and fauna in the area.

### Planning for Reducing the Impact on Alluvial Material, DSW

Dead Sea Works is aware of the environmental and ecological sensitivity of the alluvial fans that serve as a broad mining base for building materials (wadi material) for its dikes, and is searching for ways to avoid mining new alluvial fans, either by mining in disturbed areas or by environmental restoration during mining. Examples of projects of this type are the Ein Gedi date plantation project and the master plan for the Nahal Heimar estuary. In addition, the Salt Recovery Project, described above, will make it possible to reduce the need for wadi construction material required in the tens of millions of tonnes.

### Planting the Ein Gedi Date Plantation

Kibbutz Ein Gedi agreed with the Nature and Parks Authority to replace a date plantation in an area north of Nahal Zeelim that was critically damaged by sinkholes. Dead Sea Works was asked to evaluate the amount of wadi material in the plantation prior to the planting. Once it was determined that the area offered high potential for mining wadi material, Dead Sea Works reached an agreement with Kibbutz Ein Gedi whereby it will compensate it for postponing its planting the plantation for several years in order to allow Dead Sea Works to mine the wadi material. This agreement is supported by all parties, including the Nature and National Parks Authority, Tamar Regional Council, Ministry of Agriculture and Rural Development, Commissioner of Mines and the Israel Lands Administration. The arrangement allows mining of wadi material in an area that will, in any event, be disturbed in the future. The wadi material to be mined from the date plantation site will be used as the main raw material for protecting the hotels. The arrangement includes an agreement with the Dead Sea Protection Government Company for use of the material, and an agreement between Dead Sea Protection Government Company and the Israel Lands Administration, that was approved by the Government of Israel.



## Rehabilitation of Mining Areas after Mining is Completed

### Master Plan for the Nahal Heimar Estuary, South of the Dead Sea

Nahal Heimar is one of the largest streams in the Judean desert. The stream has interesting geological formations and a large variety of animals and plants, some of which are rare.

Extensive earthworks were performed in the alluvial fan of Nahal Heimar (Nahal Lot and Nahal Pratzim), including damming and collecting flood water, regulating and diverting streams, construction of protective dikes and mining operations. There is also an infrastructure system that serves Dead Sea Works drilling and pumping stations.

Notwithstanding the significant changes and extent of the works (existing and planned) in the Nahal Heimar estuary, there is high potential for nurturing nature and landscape values and for a system of trails.

When evaluating restoration options for reversing past damage and the option to expand mining, DSW initiated with the Nature and National Parks Authority a comprehensive master plan for the entire area that references a range of planning considerations.

The planning and reference area is bordered by Route 31 on the north, Route 90 on the east, and Mount Sodom in the south and southeast. The reference area for landscape and ecology is broader and includes areas with more distant impact.

The planning stages included the review, description and analysis of the existing situation, definition of goals, creation of planning alternatives and selection and development of the preferred option.

The plan included several options for each component (mining, regulation, drainage and development).

The option selected, out of the three possibilities that were evaluated, is limited mining in disturbed areas north of the approved plan, in the stream and south of the plan up to the border of the hiking path. The advantage of this option is that it results in reduced damage to sensitive habitats and the continued functioning of the ecological corridor.

For restoration, integrated restoration was chosen (also out of three options), which includes a variety of possibilities, including restoration of some of the damaged areas to the original habitat, to the extent possible, and restoration of other areas to a wet habitat.

Of the development alternatives that were proposed, the option of minimum development was selected, which allows exposure

to hikers with minimum damage and disruption of the habitat. The proposed management method for the development plan is supervised by the Israel Nature and Parks Authority.

This master plan has been translated into a detailed plan and submitted to the Local Planning Committee. The plan calls for it to be adopted as a statutory plan that will allow mining activity parallel to regulation and restoration of the entire region.

The schedule calls for approval of the plan during 2016.

Mining options	Restoration options	Development options
<b>Minimal mining:</b> Utilization of unused mining resources in wild areas, the nahal area and approved areas	<b>Restoration of the mining areas into a center for growing biblical plants</b>	<b>Minimal development:</b> Development of isolated points along existing trails, including creation of a camping ground and new hiking trails without any buildings. Intended primarily for tourists and small groups.
<b>Limited mining:</b> Restriction of mining in wild areas in the northern portion of approved areas and in the south up to the hiking area	<b>Restoration of the mining areas into a center for growing water-based plants</b>	<b>More significant development of points for vacation/ tourist interest:</b> Building of resources along Nachal Pratzim, the Nava Pools and the southern reservoir.
<b>Maximum mining:</b> Maximization of mining in the western area up to the hiking area	<b>Combined plan:</b> Transformation of as large a portion of the affected regions as possible into a center for growing biblical plants, and the rest into a center for growing water-based plants	<b>Development of a tourist center:</b> Development of a regional tourist center focused on the reservoir, Nava pools and other points of interest.

### Master Plan for Open Spaces at Sodom, Dead Sea Works

The southern area of Dead Sea Works' onshore concession extends from Masada in the north, to Metzok Ha'atakim in the west, to Kikar Sodom and south of the Arava junction in the south and to the Dead Sea to the east. This block covers 36,000 hectares and is located within the Judean Desert near the Dead Sea, extending to the industrial ponds in the southern basin.

The area has unique scenic, geological, and historical qualities. Over the years, some of these unique areas were disturbed by Dead Sea Works quarrying, mining and drilling activities (all carried out according to its existing concession) and by other activities unrelated to Dead Sea Works.

Three years ago, Dead Sea Works, in cooperation with the Tamar Regional Council and the Nature and Parks Authority, initiated a master plan for restoration, conservation and development of open spaces at Sodom, based on the principles of sustainable planning. The plan is based on three components of sustainability:

**Environmental:** a policy to restore past damage and rearrange the disturbed areas

**Societal:** preparation and development of open spaces for the benefit of the general public

**Economic:** the initiation and advancement of the plan by Dead Sea Works

#### The plan has three stages:

- Preparation of a master plan for open spaces in the southern concession of Dead Sea Works. DSW will outline the conservation, restoration and development policies that will guide its activities related to the region for several decades (until 2030).
- Initial planning of project dossiers prior to detailed planning.
- Promotion of a pilot for immediate planning, including project dossiers on the operative planning level.

To date, initial planning has been completed and detailed planning of project dossiers is progressing. The plan is to implement the projects in the area around Mount Sodom so that the Sodom work camp, which will be converted into a visitor's center, is the central hub for the system of trails in the area.

The site, located south of the Dead Sea, was used from 1934 to the early fifties as a work camp for Eretz Yisraeli potash factory workers, and then for Dead Sea Works.

The Potash Company site at Sodom will be rehabilitated and restored as a museum and visitor and information center, and will reflect the way of life and work methods of the geography of the isolated and will convey the powerful vision and determination of the people, who, despite all the limitations, planned, executed and shaped the history of the Dead Sea and Israel in modern times.

The center will include a range of content-based attractions that will provide a diverse visitor experience for a wide range of audiences. The remaining permanent structures at the site will be rehabilitated and restored as will several of the temporary structures which will house original exhibits displaying the lifestyle of the camp.

The reconstructed Potash Company site will provide visitors with an emotional and thoughtful experience that will highlight the importance of the Zionist project. The construction of the visitors center building will be executed in stages and spread over a number of budget years.

### Restoration of Hazards From the Activities of Dead Sea Works in Open Areas Within the Dead Sea Works Concession

The hazards are sites within the open areas of the concession where works disturbed the area, and include mining, collection of wadi material, collection of stone, roads, water drilling and drilling facilities, pipelines, signs and waste. Most of the hazards were created in the 60s and 70s when Pond 5 was created, primarily from work in the open spaces and from collection of boulders used as a foundation for the pond. The collection of boulders begins at Nahal Mishmar north of Dead Sea and extending south to Nahal Peres. Most of the stones were collected in areas west of Route 90.

Rehabilitation activities mean reconstruction and rehabilitation activities in mining areas in which mining has ended and no mining will be resumed. The methodology includes cosmetic treatment for the purpose of integrating the element into the environment - for example: painting pipes, mending fences and pumping stations, blurring unused roads, waste disposal and treatment sites



### Temporary Mining

Dead Sea Works carried out extensive restoration activities in 2010 (see information below regarding the restoration project of Nahal Amaziah and its drilling area) and is advancing further restoration and re-arrangement of mining sites and hazards in cooperation with the Organization for the Rehabilitation of Dead Sea Works Sites headed by the Ministry of the Environment. This restoration includes a list of sites selected after a field survey and in coordination with the Parks and Nature Authority. It is planned for completion by the end of 2014.

### Landscape Rearrangement and Restoration Along the Drilling Axis and Near Nahal Amaziah, South of the Dead Sea

In 2010, Dead Sea Works performed a landscape rearrangement and restoration project along the drilling axis and near Nahal Amaziah, a region located south of the Dead Sea, to eliminate

the ecological, geomorphological, environmental and scenic hazards in the area.

The preliminary project survey and detailed plan were prepared together with the Nature and Parks Authority, and work was performed in full coordination with a supervisor on their behalf.

The restoration project was carried out by a multidisciplinary team that included an ecologist, geomorphologist, landscape architect and environmental planner. The project included removal of hazards, including scraping dust and stone piles; blurring roads constituting a landscape hazard; blurring quarries and excavations; removal of waste; and reducing night lighting around pumping and drilling facilities. Before introducing heavy equipment to blur the roads, the area was scanned on foot to ensure that there were no spiny-tailed lizard burrows. Due to the diminishing open spaces in the Dead Sea area, it is important to restore damaged areas to conserve habitats and endangered animal populations. Restoration has high ecological, environmental, landscape and tourism importance.



### Nahal Ein Bokek Restoration Project

Nahal Bokek flows to Pond 5 through the grounds of the Ein Bokek hotels. An annual average of 300-400 thousand cubic meters of water flows in the stream. The flow is unstable and varies from year to year depending upon the amount of annual rainfall. In recent years, the river water has become salty, damaging the ecosystem in the stream channel. The salinity has now risen from 500-600 mg chlorine per liter to 3,000 or more, and is continuing to increase gradually. The source of the salinity is unclear although Adam Teva V'Din (Man, Nature and Law) and other organizations claim that its source is the industry at Mishor Rotem.

In 2007, Dead Sea Works committed itself, in a court deliberation regarding water, to cooperate with the Water Authority and other relevant parties to restore Nahal Bokek by introducing water with a quality similar to the water that flowed into the stream previously. In cooperation with the Nature and Parks Authority and following discussions with the water courts, this project includes:

- Introducing high quality water to the stream for its restoration, including diverse ecological activity in its environs.
- Diverting the saline water to an aquifer and restoring the aquifer (at a later stage).

Details plans have been made for this project and implementation is planned for 2014.

The model solution for Nahal Bokek is an example of a voluntary agreement between industry and environmentalists.

### Restoration of Former Mining Areas

The historical mining areas in the ICL concession areas cover about 5,000 hectares. Approximately half have been restored to date. Since 2008, as part of the restoration while mining program, restoration has been conducted simultaneously with mining. The plan is to finish the restoration of the historic mining fields during the coming eight years. The current focus is on restoring approximately 500 hectares in the Zin Valley, which is a favored hiking area. Work is being conducted in coordination with the Nature and Parks Authority and Society for the Protection of Nature in Israel. According to the plan, the restoration will include hiking trails, trails for jeeps and observation posts, in order to make the area accessible to hikers.

### Rotem Amfert Negev: Contributing to Strengthening the Bird of Prey Population in the Negev

In 2007, Rotem Amfert Negev began to cooperate with the Israel Nature and Parks Authority by helping to finance a project to increase the population of birds of prey in the Negev. The project began in 2008.

It includes the supply of food for birds of prey, sanitation to reduce the birds' ability to carry pests/predators, monitoring the population of birds of prey, and education and publicity to promote protection of the entire environmental landscape.

The success of the project in southern Israel, where Rotem Amfert Negev is a partner, is clear. According to data from the Nature and Parks Authority, this is the only area in Israel where birds of prey survive and have a sustainable population. During Passover 2014, an "Eagle Day" was held at the Avdat National Park, the result of many years of cooperation between ICL and the Nature and Parks Authority. More than 1,600 visitors participated in a variety of activities including using telescopes to observe the birds at their feeding stations, workshops, training sessions and tours of the ancient city.





## Biodiversity Conservation in the Product Use Stage

Agriculture faces major challenges relating to biodiversity:

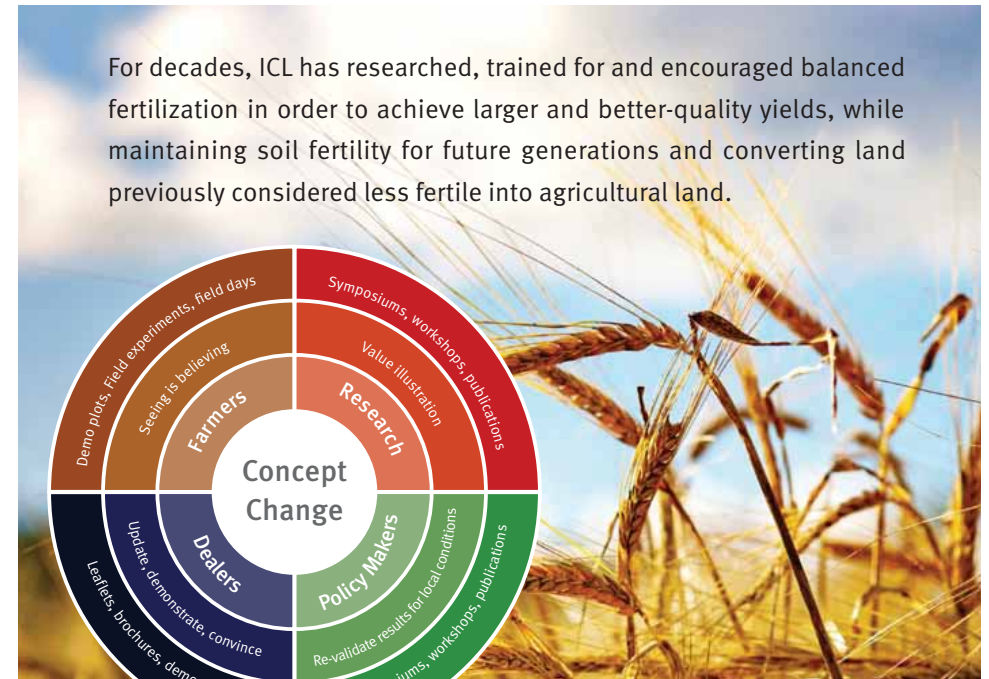
- Conservation of agricultural biodiversity and ecosystem services that are provided by agriculture and which are essential for its existence
- Reduction of the negative impact of agricultural systems and practices on biodiversity
- Reduction of the amount of land under cultivation at the expense of open spaces

The fertilizer industry helps to overcome these challenges by increasing crop yields on existing agricultural land, thereby preventing the conversion of natural habitats to agricultural land. This can also be accomplished by promoting the correct use of fertilizers by teaching and disseminating information about effective and sustainable fertilization methods.

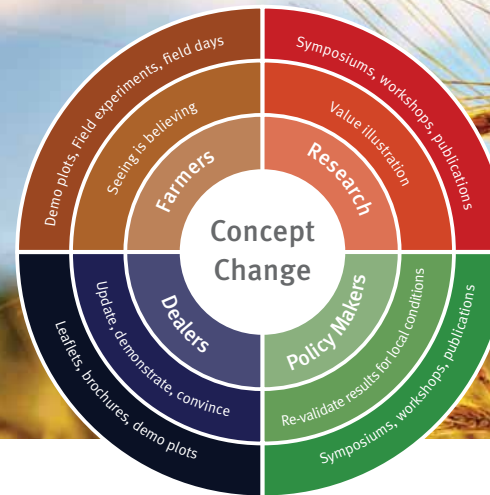
For this purpose, ICL Fertilizers has adopted Fertilizer Best Management Practices (FBMPs), referred to as “4R.”

ICL agronomists work in conjunction with the International Fertilizers Association (IFA) and have been engaged for years in training farmers how to use fertilizers wisely and effectively. The agronomists provide guidance on “Right Fertilizer use at the Right Time, in the Right Place and at the Right Rate” (“4R”).

In addition, Dead Sea Works, in collaboration with the International Potash Institute (IPI), develops and encourages the use of balanced fertilization models to achieve higher yields and better quality, while maintaining soil fertility for future generations and preventing the conversion of natural land to agricultural land.



For decades, ICL has researched, trained for and encouraged balanced fertilization in order to achieve larger and better-quality yields, while maintaining soil fertility for future generations and converting land previously considered less fertile into agricultural land.



Projects led by ICL agronomists operate according to the stages depicted in the diagram.



Potassium (K), nitrogen (N) and phosphorus (P) are the three essential nutrients consumed in large quantities by plants. Potassium fertilizer increases the yield and quality of agricultural produce, improves plant resistance to diseases and pests, increases the plant’s tolerance to drought and cold, and contributes to development of a strong and healthy root system. The uniqueness of potassium is that it increases the efficiency of use of nitrogen and other nutrients. Therefore, the use of potassium results in better utilization of nitrogen fertilizer and prevents it from reaching groundwater or evaporate.

For over a decade, ICL has invested half a million dollars every year to carry out information campaigns by the Company’s agronomists in developing countries such as India, Bangladesh, Sri Lanka, China, the Philippines, Brazil, Mozambique and elsewhere. The goal of the program is to reach isolated and remote villages, and to spread the word about the importance of potassium as fertilizer for agriculture and to reach as many farmers as possible. ICL personnel work with agronomists, researchers and government agencies around the world to provide training services through the IPI.



# Energy Consumption

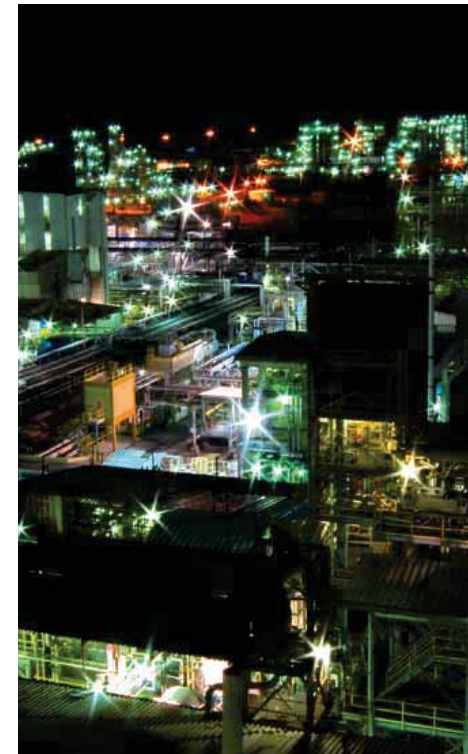
Industrial activity requires energy. There are two types of energy sources: non-renewable energy, which is derived from fossil fuels, and renewable energy sources, such as hydro, sun and wind. Energy from non-renewable resources such as coal, oil and diesel contributes to emissions of both air pollutants and greenhouse gases. However, some non-renewable fuels have a smaller impact on the environment, particularly natural gas.

## Conversion to Natural Gas

In recent years, the Company has begun to use natural gas instead of heavy fuels (fuel oil, diesel and petroleum) to power its production plants in Israel. The process was close to completion in 2013, with approximately 95% of ICL's facilities using natural gas. The economic savings created by the transition is approximately USD 200 million annually. In 2011 and 2012, the supply of natural gas to Israel was severely hampered by regional geopolitical problems and the resulting damage to the gas pipeline from Egypt, as well as a break in the supply from the Yam Tetis gas field. In April 2013, natural gas began flowing steadily and at full capacity from the Tamar reservoir to ICL plants in Israel, allowing the company to take full advantage of the potential savings and increased energy efficiency of the natural gas.

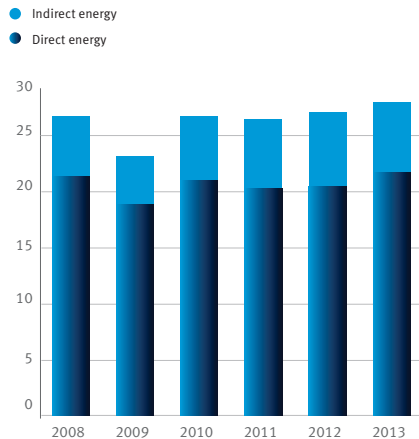
ICL works from a commitment to streamline its energy use, and is conducting several large and small projects to achieve energy savings, including three main, large-scale projects: conversion of drying kilns at its potash plants to use natural gas, installation of a new boiler and a new power plant. In November 2013, three kilns at DSW's Maklif potash plant were converted to use natural gas and run-in so that all combustion systems at Sodom now work on natural gas. Gas turbines were installed as part of the construction of a new power plant, and a new generator was placed next to the existing power station, together with a heat recovery boiler for steam production. The new power plant, which is the largest plant of its kind in the country will have a power generating capacity double that of the existing station and is based on a natural gas turbine. When the project is complete, the production capacity of the energy system at DSW will be approximately 280 MW, representing about 2% of electricity production capacity in Israel. This station is characterized by exceptional energy efficiency and meets stringent standards of environmental protection. As part of the project – valued at hundreds of millions of dollars – additional energy infrastructure

at Sodom will be upgraded and an underground, high pressure gas line will be built. When the project is complete, which is expected by the end of 2015, the two power plants will be brought under a single control system, which will lead to a significant improvement in the capacity, efficiency and economy of the energy system at Sodom.



## Total energy consumption at ICL (direct and indirect)

Millions (GJ)



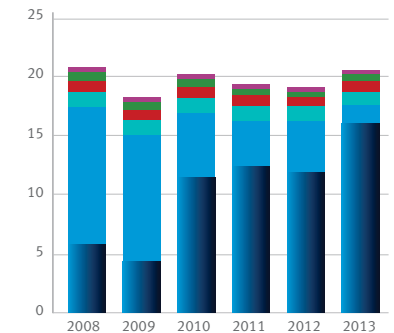
**Direct energy** – energy produced through combustion of fuels at the company's owned facilities.

**Indirect energy** – purchased from external suppliers (usually electricity and steam).

## Direct energy consumption at ICL

Millions (GJ)

- Natural gas
- Mazut
- Oil shale
- Diesel
- Naphtha
- Other



During 2012-13, ICL's overall energy consumption increased by 3.5%, primarily because of an increase in production at major plants and a significant increase in ICL's internal capacity for generating its own electricity. This led to an increase in the direct consumption of energy (from fuel) rather than indirect energy. The Company was less reliant on external electricity in 2013. The electricity from ICL's own electricity generating facilities is preferable, from its perspective, both in terms of cost and environmental consequences.



## Energy Efficiency

ICL invests significant effort to increase the efficiency of its energy consumption and to reduce the amount of energy consumed at its facilities and sites. Energy conservation activities are part of a comprehensive approach to reduce environmental impact. For this purpose, in early 2013, ICL launched a new energy efficiency program, as part of its Ambition Creates Excellence (ACE) initiative, in all ICL companies. In order to help companies with mapping, selecting and promoting the required savings initiatives in the most efficient manner, ICL retained the services of leading international consultants in the field of energy and efficient processes who developed a standardized methodology that can be implemented at all of the Company's sites. This methodology was first tested for effectiveness at two central sites. The results of the pilot indicated that there is room to improve energy efficiency within the organization. The methodology is now being implemented at all ICL sites around the world. The plan is intended to be one of the Company's principal engines of efficiency in the near future and lead to significant financial savings beyond the environmental benefits of reducing fuel and electricity consumption and carbon dioxide emissions.

The main efficiency projects initiated to date include: streamlining and optimizing machinery used in production processes, using the residual heat generated in production plant stacks, greater efficiency in the use of heat, steam and compressed air, and deployment of advanced systems for automatic shutdown of power, light and air-conditioning systems. In addition, ICL works to instill behavioral changes that reduce energy use.

ICL's new energy efficiency plans reduced expenses by approximately USD 14 million overall in 2013. Cumulative energy savings since the Energy Center of Excellence began operating some nine years ago is currently estimated at approximately USD 64 million (not including the savings from the transition to natural gas, see above).



## Using Bromine Compounds to Store Electrical Energy

In recent years, Bromine Compounds has been working on developing a technology for storing electric energy that is based on bromine compounds in electrochemical cells. The development of this technology has been undertaken in cooperation with high-tech electrochemical companies in the U.S., Australia and Europe, for the purpose of creating a way to transfer energy produced by renewable resources, such as wind turbines and solar panels, to national power networks. Furthermore, it would facilitate supplying power to customers connected to the network more efficiently and less expensively, particularly during peak hours, by storing the electricity during low-demand times to ensure an uninterrupted flow from the power plant to the end customer. The technology being developed is on the cutting edge of the international energy industry and will respond to future market needs.

In this context, Bromine Compounds has begun the detailed planning for a project to install an energy storage system in a flame retardants plant in the US. The system will make it possible for the plant to save electricity and serve as a backup in case of a power outage. The system will be able to store 750 kWh. This represents a trailblazing project in the field of industrial manufacturing facilities and will make it possible to demonstrate the technology. It is expected that the system will be installed in late 2014-early 2015. ICL is involved in this project as both a producer and a consumer.



## Independent Power Production Facilities

Throughout the organization, there are a variety of facilities for independent power production. For example, ICL Fertilizers operates a power generating plant in addition to purchasing electricity from the Israel Electric Corporation (IEC). During 2012, it received a permit to construct a new power station at Sodom using natural gas, which is capable of producing approximately 240 MWh for the electrical needs of production facilities at Sodom. The plant is expected to begin operating in mid-2015. Moreover, ICL operates several cogeneration plants at company sites. These plants use excess steam derived from the process of generating electricity as thermal energy and for other industrial uses.

**Sodom:** The Sodom station has a production capacity of 51-54 MWh and generates approximately 260 tons of steam per hour.

**Mishor Rotem:** The sulfuric acid and Pama facilities (which use oil shale as a source of energy) together provide production capacity of 40MWh and 340 tons of steam per hour. The cogeneration power plants have a very high efficiency level, exceeding 85%. It should be noted that the power plants at the sulfuric acid facilities at Mishor Rotem also receive residual heat emitted from the sulfur combustion process.

**Cleveland Potash:** The cogeneration station operated by Cleveland Potash has a production capacity of approximately 5 MWh and produces 12 tons of steam per hour. This plant has been operating for many years, and plans are currently being made to renovate it.



# Reduction of Greenhouse Gases and Addressing Climate Change

Human activity is a major factor responsible for the increase of greenhouse gas (GHG) emissions, particularly carbon dioxide, into the atmosphere. This increase leads to climate changes we are experiencing in recent years. Weather events are becoming more extreme and frequent, and this phenomenon is widely believed to be associated with increasing amounts of carbon dioxide in the atmosphere. For this reason, countries and industries, including ICL, have joined together to control carbon dioxide emissions and reduce their carbon footprint.

- ICL strives to be a leader in the Israeli and global chemical industry in the effort to reduce emissions in general, and especially greenhouse gas emissions. In accordance to this policy, ICL performs a comprehensive annual review of the Company's carbon balance.

The information collection process is complex, and currently including the vast majority of ICL's companies. In 2013, according to annual data collected, the balance of ICL's hothouse gases is:

- 1,758,414 tonnes CO<sub>2</sub>e, Direct emission (Scope 1)
- 1,081,066 tonnes CO<sub>2</sub>e, Indirect emission (Scope 2)
- 154,809 tonnes CO<sub>2</sub>e, Other indirect emissions (Scope 3)

Climate change and increasing awareness present numerous challenges and opportunities for companies such as ICL. One of the significant challenges is the rapid rate of change in existing and potential regulations. Since climate change is a global problem, ICL estimates that regulations relating to greenhouse gases will be expanded and intensified in many countries where it manufactures products, including in Israel, beyond those already in effect.

These changes may include mandatory reporting in Israel and other countries, emissions trading programs and carbon taxes.

ICL believes that it is well prepared to deal with such regulation because of its investments in this area in recent years.

In Israel, the Ministry of Environmental Protection has operated a voluntary reporting mechanism for greenhouse gases since 2009.

This is the fourth year in which ICL is reporting, and it was one of the first companies that volunteered to participate in this reporting mechanism and is contributing to the development of the mechanism experience through continual contact with the authorities and participation in relevant forums. Moreover, the law Pollutant Release and Transfer Register (PRTR) 5772-2012 recently enacted in Israel requires reporting of some greenhouse gas emissions, using a specific methodology outlined in the law (for more details see the section on Environmental Management).

Furthermore, some of ICL's operations in Europe are already subject to restrictions and quotas for the permitted volume of greenhouse gas emissions.

Customer requests regarding the carbon footprint of individual ICL products present both a challenge and an opportunity for the organization. Market demand was one of the factors that led ICL to develop the issue within the organization and to calculate the carbon footprint of more than 60 of its products.

Other challenges and risks facing ICL include the physical effects of climate changes. Climate changes are expected to cause exceptional weather, including both extreme rain events and droughts. These climate changes have the potential to affect the consumption of ICL's products, and especially fertilizers, since

the impact of extreme weather on crops could reduce long-term demand for agricultural fertilizers in areas where drought or flooding destroys crops. On the other hand, other regions may need to achieve higher crop yields from the same area.

Climatic change could also affect ICL's production capabilities. For example, one of ICL's central production facilities at Sodom was damaged by flash floods in 2004 that were the result of extreme rain; the growing frequency and intensity of extreme weather could expose the site to an increasing number of similar events. ICL is taking various steps to deal with future floods, including physical protection and purchasing appropriate insurance.

ICL has various opportunities to engage in activities aimed at mitigating climate change and greenhouse gases by altering its production processes and evaluating its products.

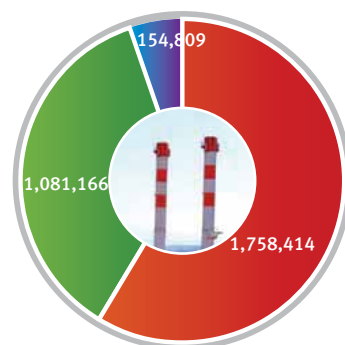
ICL is undertaking significant actions to reduce its carbon footprint and improve its competitive abilities, in all stages of its business activity and in all areas where it is active. These include the strategic transition to the majority use of natural gas, energy efficiency plans, developing sustainable and green products, and reducing the amount of energy needed for product use.

In 2013, ICL's management decided on a new, updated reduction target: achieving a 30% reduction of 2008 emissions levels by 2017. This goal will be achieved combining the reduction engines described in this chapter. However, the target may be updated in the future in the event there is a substantial decrease/increase of production in the main ICL companies.

**Total Emissions by ICL According to Categories (tonnes of CO<sub>2</sub>e)**

- Scope 1 - Direct emissions
- Scope 2 - Indirect emissions from energy consumption
- Scope 3 - Other indirect emissions

(Grand Total) **2,994,388**



Total emissions of GHG by ICL dropped by 6% from 2012 and 2013. The principle reason for the decrease is the renewed supply of natural gas as a replacement for fuel oil and diesel, increased independent power generating capacity at ICL facilities (instead of external electricity which is more intensive in carbon terms), progress on the CDM project to reduce N<sub>2</sub>o emissions from the production of nitric acid at the ICL Fertilizer & Chemicals plant and a decrease in the emissions coefficient for external electricity from the IEC (in this case as well, because of return in gas supplies).





### Clean Development Mechanism (CDM) Projects

CDM is one of the operational processes developed under the Kyoto Protocol for trading greenhouse gas emission allowances. It is administered by the UN and permits the allocation of tradable allowances for projects to reduce greenhouse gas emissions. Under the scheme, surplus emission allowances can be traded via voluntary projects in countries defined as developing countries, such as Israel. Through projects approved by CDM, ICL has generated revenues of approximately USD 14 million. During 2013, ICL did not begin any new CDM projects but it continues to implement several projects already operating in this framework, including reducing greenhouse gases at ICL Fertilizers.

The use of SF6 gas in production processes at Dead Sea Magnesium ceased in 2009.

### Carbon Disclosure Project (CDP)

During 2014, ICL submitted a comprehensive report on its greenhouse gas balance to the international CDP and its corporate strategy regarding climate change for its activities in 2013. This is the fourth consecutive year in which ICL has submitted a report; the mark given the report is due to be published in September 2014.

CDP is an international non-profit organization that represents approximately 655 institutional investors, who own assets valued at approximately USD 78 trillion. It requests, gathers and publishes comprehensive data on greenhouse gases and climate change, from more than 4,000 companies around the world.

For its 2013 report, ICL received a mark of 98 (out of 100) on the CDP Disclosure Index, for the comprehensiveness and quality of its reports. It ranks in the top 50 companies out of more than 4,000 companies who submitted reports. This is the highest mark that any Israeli company has ever received. In 2011, ICL was also included in the Disclosure Leadership Index, testimony to

its status as a leading company in the field of GHG management.

Moreover, ICL received a B grade (on a scale of A-E) on the performance index for all of its reports to date. The performance grade is based on actions taken by the organization to reduce greenhouse gases and respond to climate change. This high grade is indicative of ICL's commitment to reducing GHG emissions and making a contribution to the effort towards controlling climate change.

For additional details on CDP activities see: <https://www.cdproject.net/en-US/Pages/HomePage.aspx>

Moreover, ICL is one of the first companies to report its GHG emissions in Israel to the voluntary reporting mechanism established by the Ministry of Environmental Protection, and is contributing to the development of the mechanism experience through continual contact with the authorities and participation in relevant forums.

### Carbon Footprint of ICL-IP

In recent years, the carbon footprint has been assessed for 42 major manufacturing processes at ICL Industrial Products' manufacturing sites in Israel, Europe, USA and China.

Carbon footprint assessments were performed on a variety of products: flame retardants (18), industrial products (9), biocides (5), magnesia (4) and the remaining intermediate materials used for production processes, including bromine.

SKM, a certified, professional company, oversaw the entire calculation process, according to the PAS 2050 standard.



## Water Consumption

Water is the most widely-consumed resource by humanity and the single most essential foundation of our existence. However, most of the water on earth is not available for human consumption, either because of its salinity (brackish water, salt water and brines), its contamination level, or because it is frozen. Indeed, the amount of water available that is suitable for human use represents less than 1% of the total amount of water on earth. Today, more than one billion people around the world do not have access to safe drinking water. According to some forecasts, this water crisis is expected to intensify, so that by 2025 more than half of the countries in the world may experience shortages of drinking water. The international water crisis is

the result of both the shortage of suitable drinking water and pollution of water sources.

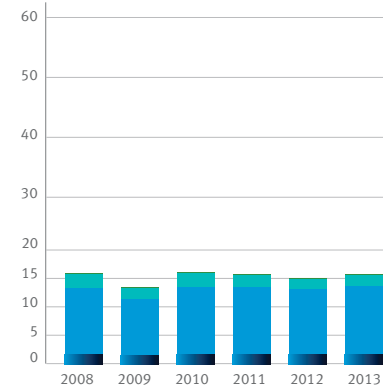
Israel, where ICL conducts a significant part of its operations, is an arid country with a water deficit that has intensified over the years. ICL takes various steps to use this precious resource efficiently and responsibly. In particular, ICL attempts to reduce its use of potable water in production processes and to find ways to use brackish water that is unsuitable for drinking.

In addition, ICL companies in Israel and around the world are taking a variety of the steps to preserve and reuse water.



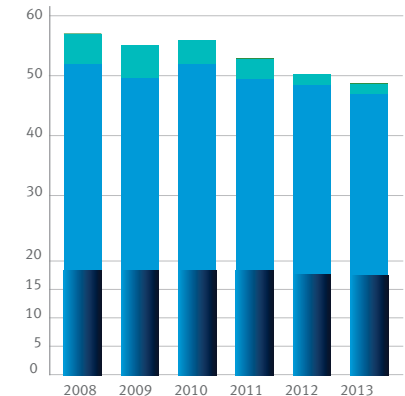
### Fresh Water Tap water and potable well water Millions (cubic meters)

- America
- Israel
- Europe
- Asia



### Non-Fresh Water Brine, brackish water, river water and rainwater Millions (cubic meters)

- America
- Israel
- Europe
- Asia





The increase (4%) in fresh water consumption between 2012 and 2013 derives primarily from correcting problems that related to the supply of water to Rotem Amfert that occurred during 2012. The decrease (6%) in non-fresh water consumption was due primarily to a decrease in the need for brackish well water by Dead Sea Works.

### Desalinization Facility at DSW

In Q4 2013, a desalinization facility with a capacity of 25 cubic meters per hour was dedicated and it now supplies water for drinking and showers, and water for the pure potash plant. DSW does not use any fresh water but rather takes saline water not suitable for drinking and desalinates it for use by employees and the plant.

In addition, DSW reuses water in order to reduce its water consumption. It even reuses the treated water from the wastewater treatment plant for various facilities in the factory, like scrubbers that reduce air pollution. In this way, approximately 210,000 m<sup>3</sup> of water are saved annually.

### Bromine Compounds: Using Sanitary Water in the Cooling Towers

As part of the Bromine Compounds factory's efforts to reduce its use of drinking water, it has been using treated sanitary water in its cooling tower, which serves to reduce the heat of most production processes in the plant, and consumes approximately 600 cubic meters of water daily. Currently, in the natural course of events, approximately 10%-15% of the water used in the cooling tower are recycled, treated water originating in the employee showers and kitchen.

### BKG Water Solutions Expands its involvement in the CARE Project Combating the Drought and Food Crisis on the Somali Peninsula

In 2013, ICL decided to extend its support and social commitment to the Somali Peninsula in northeast Africa, along with the global humanitarian organization CARE, by supplying water purification to the world's largest refugee camp in Dadaab, Kenya. During the summer of 2011, following 60 years of severe drought, hundreds of thousands were forced to abandon their homes in the Somali peninsula. In light of faint chances that the refugees could return to their homeland due to repeated security threats, the need to provide assistance continues. The lives of the refugees in the camp depend on the continued receipt of assistance from the United Nations, the government of Kenya and other international aid organizations. Water is the basis for life and human dignity, and therefore it is only natural for ICL to continue supporting efforts by aid organizations to increase access to water and build water purification systems in the refugee camp as part CARE's WASH (Water, Sanitation, Hygiene) program. The purpose of the program is to provide drinking water and reduce the percentage of water pollution-borne diseases, along with hygiene education that can also lead to a decline in disease. Since August 2011, with the support of BKG, CARE has built reservoirs, toilets in schools, drinking fountains, fences around waste sites, etc. Likewise, there is local training about controlling water quality. BKG's support of the project for another year will allow the continuation and expansion of its activities. We hope that this support will assist in the development and improvement of water supply and sanitation at Dadaab, and will ease the lives of the refugees.

Efforts to save water are not limited to Israel. At ICL production facilities around the world, initiatives are being introduced in order to reduce water consumption, particularly of drinking water.

The Lawrence plant in the United States has successfully reduced its water consumption by 35%-50% (267,000 m<sup>3</sup>) by reusing water within the factory.

In Ireland, Medentech changed its production process for two similar products so there is no need to wash all the equipment when switching between products on the production line. After an in-depth test negated the possibility that there was any influence on the quality of the products, the process was implemented successfully and has enabled the factory to save water.

At Lianyungang, one of ICL's production sites in China, an integrated project was introduced to save water and energy. Innovative equipment and the introduction of new operating procedures has enabled the factory to save 23% of its water consumption, approximately 3100 m<sup>3</sup> annually. Water-saving faucets were installed and water is recycled. This savings in water consumption, combined with employee training, also reduced energy consumption by approximately 2.8% per product.



### IDE Technologies Ltd.

ICL owns 50% of IDE Technologies Ltd. which won the prestigious "Desalination Plant of the Year" 2013's award from the Global Water Awards which honors achievements in the global water industry. IDE is a pioneer and world leader in advanced water solutions, specializing in unique desalination technologies. Due to innovations that steadily reduce costs and increase the output and efficiency of the facilities, IDE is responsible for some of the most efficient and ecological desalination plants in the world.

IDE operates and offers solutions in the following areas: construction and sale of desalination plants, sale of water, operation and maintenance of desalination plants and production and development of industrial evaporators and heat pumps in Israel and other countries. IDE also has range of solutions for industrial wastewater treatment, snow production and cooling.

IDE is a 50% owner of a consortium that constructed and currently operates desalination plants in Ashkelon, Hadera, Israel, and a 51% owner of a project that constructed the world's largest salt water reverse osmosis (SWRO) desalination plant at Soreq, Israel, which began operating in 2013. Notwithstanding the significant progress made in desalination technology over the last decade in Israel and internationally, the desalination process still has considerable energy and environmental costs. However, these solutions are essential in severely water-challenged regions, like Israel. ICL operates its desalination facilities in coordination with governmental authorities and in compliance with relevant regulations. Through its subsidiary IDE, ICL develops its own technologies and follows global developments in the desalination field, making it among

the world's leading companies in the energy efficiency in its desalination processes, in reducing the environmental effects of desalination activities, and improving the health value of the water produced. As part of its environmentally-efficient processes, IDE has developed a product that desalinates seawater without using chemicals in the preliminary stage, and an environmentally-friendly process for cleaning membranes. IDE also uses an energy recycling system to reduce the usage of energy during various desalination stages.

### IDE is a partner in a Major Desalination Project in the US

In December 2012, IDE signed a contract to design, supply equipment and supervise the construction of a new desalination plant in California. Construction began in 2013 and will take approximately three years. This is a trailblazing contract for the desalination industry in the United States, in terms of quality, quantity and innovation. IDE also signed a contract to operate the plant for 30 years. The project in Carlsbad, California, is expected to produce up to 54 million gallons of high quality, fresh water daily beginning in 2016. The contract is an expression of the cutting-edge technology developed by IDE, which is currently being applied in several projects around the world, particularly for the preliminary treatment of water because it uses a small amount of energy and does so very efficiently. The project is designed to help the area relieve its current water shortage. By 2020, 7% of the water in the area will be high-quality, desalinated seawater.



## Treatment of Wastewater

Many industrial processes generate wastewater from both primary production processes and from secondary processes, such as cleaning and washing. This wastewater often contains high concentrations of contaminants that could cause environmental hazards and nuisances.

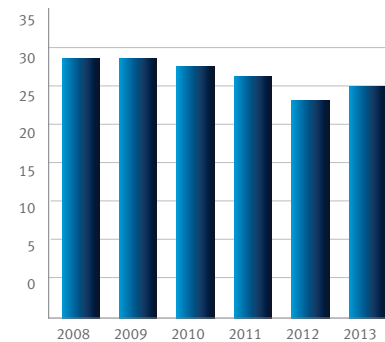
ICL implements projects to reduce its volume of wastewater and to improve its quality. Projects to reduce the amount of wastewater and improve wastewater quality (to the extent possible) are currently in progress at ICL companies around the world:

There was an increase of approximately 6% in the amount of wastewater produced by ICL in 2013, compared to 2012. This increase is primarily the result of wastewater flowing from Cleveland Potash (CPL), which contains mostly clay and salt waste produced by the potash purification process and rainwater that flows from the site. Its amount varies annually primarily depending on the type of clay and the amount of precipitation.

The Bromine Compounds plant is taking steps to reduce the environmental impact of its production processes with the aim of containing the treatment of pollutants emitted in the production process within the boundaries of the plant, so that the cost of treating the pollution is imposed on the plant. One way to address the challenge is by imposing an "ecological tax", an internal tool that includes the cost of wastewater treatment in product pricing.



Wastewater (Cm<sup>3</sup>)



### Developing Solutions for Recovering Raw Materials and Byproducts

For several years, ICL-IP has been developing a variety of processes for upstream treatment to increase recovery of materials and improve the quality of wastewater, while achieving significant financial savings. For example, in 2012 it began a pilot process to treat wastewater from the production of FR-245, in which there are high concentrations of salt and organic materials. The high concentration of salt makes the biological treatment more difficult and requires mixing the wastewater with water and/or other, non-brackish wastewater before beginning the biological process. The process is based on the recovery of tribromophenol (TBP), the raw material from which FR-245 is produced, and streaming treated wastewater that meets the

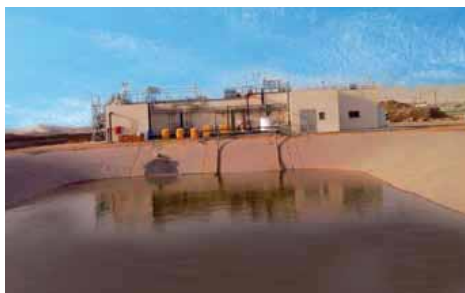


necessary standards without requiring any further biological treatment. As a result of this innovative process, the Company expects a reduction in the amount of wastewater that requires biological treatment, thereby making the biological treatment easier while producing treated wastewater with a lower level of organic material than the current process. Already today, the plants at Neot Hovav are in compliance with the law for treating wastewater and the new process and research are “beyond compliance,” as are all of the accompanying costs.

Moreover, treated wastewater from the sanitary facility is returned and reused in the cooling towers, rather than clean water. (Additional information on this topic may be found in the section on Water Usage).

At the end of 2013, the Bromine Compounds factory completed its transition to treating wastewater in unique evaporation ponds, as part of a program to separate industrial waste in the Neot Hovav Industrial Council, and in order to facilitate more efficient monitoring and treatment.

Since 2001, Rotem Amfert Negev has been implementing a master plan to manage its industrial-acid wastewater. The plan included many changes in wastewater disposal, with the main task being to reduce wastewater upstream, in other words, as close as possible to the source. Following this process, the volume of wastewater produced by the plant was reduced by 89%, from 1.85 Million m<sup>3</sup> per year in 2001 to 215,000 cubic meters in 2013. This project to reduce wastewater also made it possible to save approximately 1,000,000 cubic meters of water from the national water system during each of the last five years. The wastewater management program is ICL-wide and operates on several levels, beginning with treating pipelines, line separation, establishing measurements and control systems, through the reuse of treated wastewater for other purposes on-site.



### Dead Sea Bromine

Dead Sea Bromine, at the Bromine-Chlorine site, developed a method to break down solutions produced as a byproduct of the chlorine facilities. The purpose of the project is to reduce the potential for creating an environmental nuisance. It can be used to convert chemical wastewater into saline solution, saving both inputs and production costs. The pilot was launched in 2011 and expanded in 2012 after improvements and adding control mechanisms. In 2013, the facility began to function fully and is used to neutralize all of the hypochlorite produced by the factory. The advantages of the method is saved inputs used to neutralize wastewater, improved control of wastewater in the chlorine plant, at-source prevention of nuisances from bromine and increased involvement, and awareness of workers..

### Pilot Facility for Filtering Solids at the Magnesium Plant

In an effort to reduce the concentration of particles suspended in wastewater, the magnesium plant is currently operating a pilot facility to filter solids using filtration sack technology, in which coagulants and flocculants connect the suspended particles to each other, forming heavier clusters that settle and can be filtered. This technology is currently in the pilot phase and aims to convert the wastewater to clear water, with a concentration of suspended particles of 20 mg per liter, as required by the permit for discharging into the sea. If the pilot is approved, full-scale operation of the facility will begin in late 2014.

### Reduction of Wastewater Production at SJDC Brazil

The ICL factory in Brazil initiated a dedicated process of reducing its quantities of wastewater. This process included a decrease in water consumption for cleaning operating equipment. In addition, collected rainwater is being specially monitored to reduce the exposure of phosphates, so that clean rainwater can be released into the environment instead of requiring external treatment.



## Air Quality

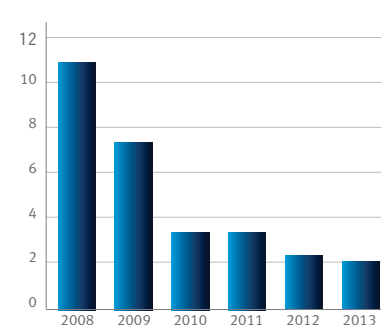
Preserving air quality at production sites is a key goal of ICL's environmental policy. Air pollutants are substances, gases and particles in the air, whether from natural sources or resulting from human activity. Human endeavors, such as generating energy, industrial and agricultural activity and transportation, are responsible for generating the majority of air pollutants.

Common pollutants are nitrogen oxides (NOx), sulfur oxides (SOx), volatile organic compounds (VOC), carbon monoxide (CO), particulate matter (PM) and various heavy metals.

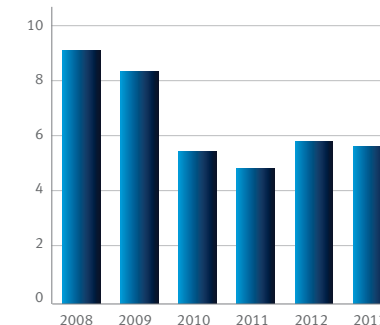
ICL is taking steps to reduce air emissions of various pollutants in different ways, such as implementing innovative technologies and switching to cleaner fuels like natural gas. As a result, since 2008, the Company's SOx emissions have been reduced by 38%; NOx emissions by 82% and PM emissions by 56%. Moreover, PM emissions have been reduced by more than 99% compared to 2005. Much of the continuing decrease in emissions during 2013, compared to 2012 (NOx by 11%; SOx, by 6% and PM by 2%), can be attributed to the restoration of the natural gas supply in April 2013.



**NOx – tonnes per year**  
Thousands

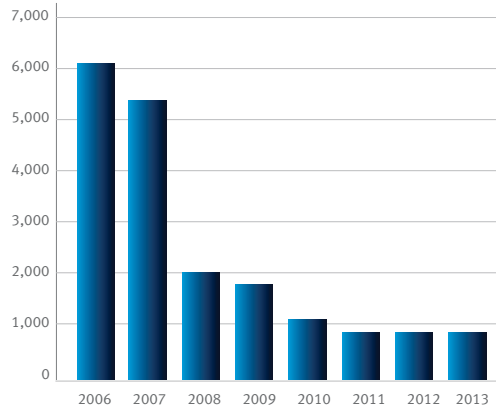


**SOx – tonnes per year**  
Thousands





**PM - tonnes per year**  
Thousands



## Stack and Non-point (“Fugitive”) Emissions

ICL has prepared a comprehensive master plan to control fugitive emissions at all Company sites, with the approval of, and in coordination with, the Ministry of Environmental Protection. The guidelines for these plans are: preventing the emission of particles at the source, as well as gathering and treating the dust created. For details on the steps ICL is taking as part of this plan, see the Corporate Responsibility Report for 2011, page 114.



### Establishment of a central vacuum system and granulation plant at Dead Sea Works

During 2013, ICL established a centralized dust collection system for dust produced at the potash granulation plant. The granulation process compresses, grinds and sifts the material to produce 2-4 mm grains of potash, and creates a large amount of dust. New suction technology has been developed to replace former methods of cleaning through washing and with air pressure. The new suction system is accessible from all parts of the facility and draws the material back into the production process. Its capacity exceeds 1000 kg/hour of material of various sizes. The next stage will be to install the system in other areas of the plant.

This project was approved by the Ministry of Environmental Protection as a project for preventing fugitive dust emissions. The planning and construction costs are estimated to be USD 500,000.

### Clean Air Law

On July 31, 2008, the Clean Air Law 5768-2008 (the “Clean Air Law”) was enacted by Israel’s Knesset for the purpose of regulating and supervising air pollution in Israel. The law took effect in 2011. Pursuant to the law, the Ministry of Environmental Protection instructed ICL plants and all other chemical factories in Israel to submit applications for emissions permits no later than March 31, 2014. The purpose of the law is to improve air quality and to reduce the amount of air pollution, in order to protect health and the quality of life. ICL is working to comply with the Clean Air Law at all of its production sites as required by law, and expects to invest resources to adapt its plants to the law’s requirements.

The metals industry, including Dead Sea Magnesium (DSM), was required to apply for an emission permit no later than March 31, 2011. DSM submitted its application within the required timeframe and received the required permit in December 2013.

As part of preparations, DSM began implementing a series of steps and investments to achieve compliance with the Clean Air Law during 2012. The steps taken included an examination of numerous engineering and technological alternatives available for reducing plant emissions. For example, the Company took steps to replace the filtering system in the granulation plant in order to meet the stringent standards of the law, ordering two sophisticated new systems that should enable the plant to comply with the standard for particle emissions of no larger than 10 mg/ Nm<sup>3</sup>, compared to the current standard of 50 mg/ Nm<sup>3</sup>. This project required a financial investment of NIS 7.5 million and will be completed in two stages, one in early 2015 and the second by July 2016. The ICL-IP plant at Neot Hovav was proactive and submitted its application for an emissions permit in September 2012. During 2013, it received a permit that establishes permitted emission values, and the improvement projects derived from those values. A plan will be developed for upgrading the plant to achieve the required levels. Currently, the investment that will be required cannot be evaluated. The remaining ICL-IP plants have submitted in time and are preparing to receive permits.

The Rotem site in Mishor Rotem generates emissions that require a Chemical Industry Emissions Permit as defined by the Clean Air Act, and the Company is required to submit a request for an emissions permit by March 1, 2014. The Company’s Dead Sea Works plant in Sodom is preparing to file a request according to chapter 1 to the third addition to the law by March 1, 2015.

### Methyl Bromide and the Montreal Protocol

Methyl bromide (CH<sub>3</sub>Br) is a compound of carbon, hydrogen and bromine used mainly in agricultural pesticides. Methyl bromide is used as a pesticide and herbicides are used against insects, nematodes, fungi and parasitic plants, in applications for soil treatment, buildings and stored agricultural produce. Many of these uses do not have alternatives that meet environmental, manufacturing and economic standards. Methyl bromide is considered an ozone-depleting substance when released into the environment. Accordingly, methyl bromide has been included in the list of controlled substances under the Montreal Protocol (Montreal 1987, Copenhagen 1992), and its use in fumigation of soil, crops and goods is being phased out internationally until it is completely terminated in 2015, other than for critical uses where there is no available alternative. ICL’s Industrial Products segment has two methyl bromide production plants. The amount of methyl bromide produced at Bromine Compounds is reported to, and controlled by the Ministry of Environmental Protection. ICL is investing great efforts in developing alternatives for methyl bromide and assessing other existing solutions. For example, it is working to develop materials for specific treatment that combine with other technologies, such as solar disinfection, while continually improving application methods. Its development activities are aimed at increasing the effectiveness of the substances, while minimizing damage to the environment and complying with the licensing requirements of host countries. Over the past decade, ICL has reduced its production of methyl bromide by 60%.



# Transportation and Logistics

ICL aims to reduce its environmental impact throughout the supply chain, including the stage of transporting materials and products.

Therefore, in recent years it has begun by replacing truck transport with trains. Trains have significant advantages over trucking in terms of greenhouse gas emissions and energy consumption. Also, given the scope of transport a company the size of ICL uses, the transition to rail transport also eases road congestion and erosion, while reducing the likelihood of traffic accidents.

The ICL Fertilizers segment has decreased the quantity of material it ships from factories to the port of Ashdod by truck by approximately 120 thousand tons, a savings of about 2,000 trucks a year.

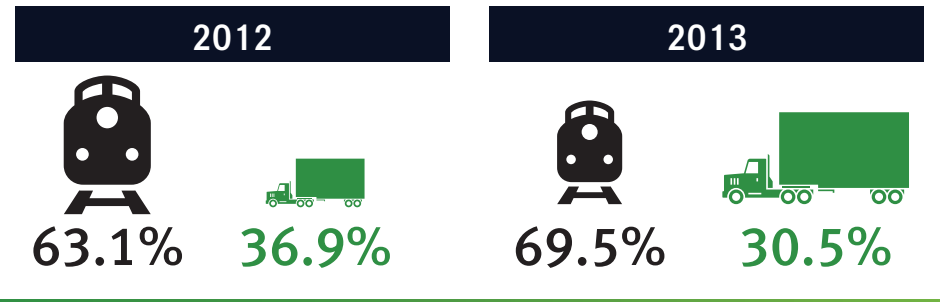
In 2012, 3.12 million tonnes were transported to Ashdod, of which 1.97 million tonnes was delivered by train (63.1%) and 1.15 million tonnes by truck (36.9%). In 2013, 3.37 million tonnes were transported to Ashdod, 2.53 million tonnes by train (69.35%) and 1.02 million tonnes by truck (30.5%).

In 2013 there was an increase in the amount of material transported, but also an improvement in the ratio between truck vs. train transport to Ashdod. If the train/truck ratio had remained the same as 2012 (36.9% transported by truck), there would have been an increase of 210,000 tonnes more in the amount transported by truck, requiring an additional 5,250 trucks on the road.

In 2014, ICL aims to continue increasing rail transport where possible, depending on the functioning of the railroad,



The ICL Fertilizers segment decreased the quantity of material it ships by truck from its factories to the Port of Ashdod by approximately **120 thousand tonnes**, a savings of about **2,000 truckloads** a year.



allocation of train time, strikes and infrastructure work that halts train traffic.

ICL Industrial Products is also part of the trend to reduce transport by truck. In fact, during the past two years, the policy is transport to ports by rail only. Truck transport is carried out only in exceptional cases and with prior approval, usually in the event of malfunctions, infrastructure projects, etc. Regular truck transport is now limited to the nearest railway terminal: the Rotem terminal or the Neot Hovav terminal. Trains enter the port directly and there is no need for additional transport. In addition, the transport of fluids is planned to move from truck

to rail. For this conversion process, ICL has begun to use Isotank tanker trucks for liquids in which containers are enclosed in a frame that meets both ISO standards and current international laws for transporting liquids on land and sea, and so they can be transported by train, as well.

In 2014-2015, about 1,800 containers per year currently being shipped by truck from Neot Hovav to Haifa is planned to be transported by train using Isotanks. Acquiring the necessary equipment began in 2014 and the transition will be completed towards the end of 2014.



**Shipment by train has significant advantages over trucking in terms of greenhouse gas emissions and energy consumption.**

In addition, given the scope of transport by a company the size of ICL, the transition to rail transport also eases road congestion and erosion, and even reduces the likelihood of traffic accidents.



**Potash Conveyor**

The Zefa-Sodom potash conveyor connects factories in the Sodom Valley to Zefa site at Mishor Rotem.

The conveyor was built to overcome differences in height and 30 kilometers of road in the highlands where there are continuous bisecting streams. The conveyor, which became operational in 1987, replaces travel on the winding road from the Sodom Valley to Dimona with its sharp turns, steep inclines, and risk of sudden flooding in winter. With the increase in production capacity, it became necessary to reduce transport costs and optimize the method of transport, and to find a solution to replace hundreds of trucks ponderously making their way up the road to Dimona.

Nature Reserves and Nature Society expressed their total opposition to the project for fear of damaging nature and landscape values because part of the area is a nature reserve.

At the time, the Ministry of Health and the Authority for the Protection of Nature required a commitment that appropriate equipment would be installed to prevent environmental hazards (dust).

During the discussions, ICL undertook to install appropriate equipment to prevent dust pollution. Another possibility was examined to dig a tunnel through the cliffs to reduce damage to the environment. This proposal was shelved for technical reasons and also due to non-viability for landscape values because the tunnel would also leave scars. Moreover, at the advice of a landscape consultant from the Nature Reserves Authority, modifications amounting to USD 1,000,000 were made to preserve the landscape and vegetation. On this basis, environmental organizations withdrew their objections.

By November 1984, all objections to the project had been withdrawn and the parties agreed that the conveyor be built. The detailed plan was approved by the District Planning and Construction Committee and construction began in 1985. In 1987, the conveyor became fully operational.

The length of the conveyor belt is 18 kilometers, with an overall incline of 800 meters. It is built as a single unit with curves and elevations, according to permits and conditions set by authorities for the protection of nature, the environment and

the terrain, taking into account existing fauna, flora and the terrain. In some areas, the height of the conveyor from the ground varies so as not to prevent certain species from crossing from side to side. The propulsion unit of the conveyor is located at Zefa. Steel conveyor rollers supporting special cables with polyurethane tires reduce cable wear and noise. An awning over the entire conveyor protects the potash from rain and wind. At the request of wildlife authorities, its colors blend with the desert landscape. The conveyor tracks, as much as possible, the topography of the terrain, but in places where the terrain does not allow construction, and in coordination with environmental organizations, adjustments were made: for example, a channel was cut in the high mountains, and crosses main roads in subterranean tunnels while deep riverbeds are crossed on bridges.

The control center of the conveyor belt is at Zefa and allows continuous control over its safe and proper operation. Instrumentation detects and warns about the location and nature of problems, and emergency safety switches are located all along the conveyor. There is no fencing along the conveyor belt to allow free passage of animals and people. Potash arriving at Zefa is loaded from train cars directly onto the conveyor, except in exceptional cases, such as malfunctions or planned infrastructure work.

Today, after almost 30 years of activity, the conveyor can be proclaimed a success. Its construction cost approximately USD 36 million; it transports 1.8 million tonnes per year, and it reduces the number of the trucks on the roads by 45,000-60,000 annually.



## The Conveyor: A Timeline

**1987**

Inauguration of the Conveyor

**1984**

Approval by the Planning and Construction Committee and the Ministry of the Interior

**1980**

Testing prior to ICL Management Approval

**1978**

Planning the Conveyor

**1985**

Laying the Cornerstone

**1983**

Approval of the Conveyor

### The Conveyor \ ID

First year of operation: 1987  
 Starting point: Sodom  
 End point: Rotem  
 Length: 8 kilometers  
 Maximum slope angle: 18°  
 Actual amount transported: 1.8 million tonnes per year  
 Trucks saved: 45,000-60,000 per year





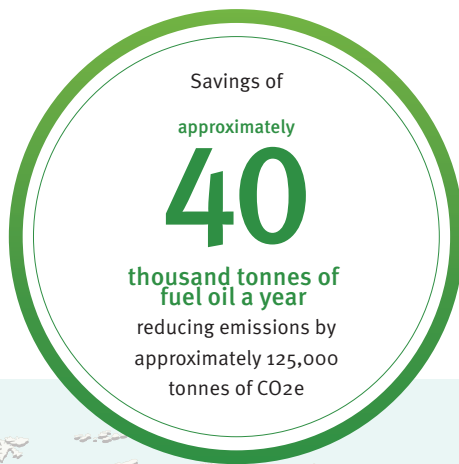
## Maritime Transport

ICL Fertilizers annually exports about 5 million tonnes of dry bulk cargo, and 400 thousand tonnes of liquid bulk cargo. ("Bulk" refers to cargo that is shipped loose rather than being packed before shipping.)

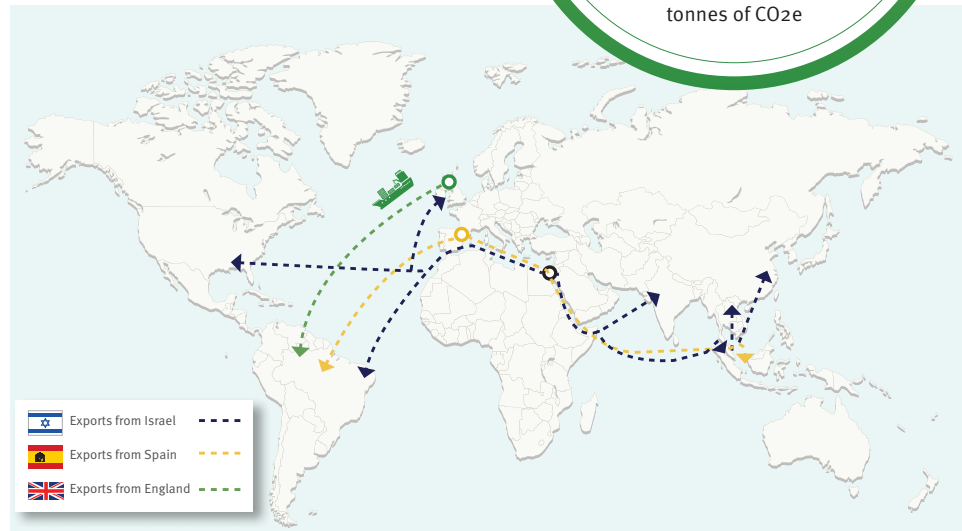
As part of its policy for continued logistical streamlining, for the past three years ICL has transported quantities similar to those shipped a decade ago, but with a savings of 90 shipments a year, thanks to the increased size of shipments that are loaded onto ships. Bulk carriers are an opportunity to increase efficiency, because cargo is shipped on them under lease arrangements in which ICL Fertilizers leases virtually all of the ship, and does not share it with other companies. Therefore, it can make its own choices and decisions about the entire shipment.

The increased carrying capacity of leased ships enables a reduced number of marine shipments, which reduces fuel consumption by about 40 thousand tons of fuel oil a year, in addition to reducing environmental risks for marine transportation. Savings in fuel consumption has resulted in reduced emissions totaling 125,000 tons CO<sub>2</sub>e.

In addition, pursuant to ICL's leasing policy, ships are chartered only if they meet the high level vessel safety classification of the IACS – the International Association of Classification Societies. This classification promotes maritime safety and security in maritime transport and prevention of pollution that may result from sea shipping. As a result of its commitment to lease ships that meet the most stringent standards, ICL ensures that the ships that it uses for transport are maintained, monitored and properly documented and that staff are competent and experienced in accordance with the highest international shipping standards.



## The main shipping lanes of ICL Fertilizers



## Treatment of Waste and Byproducts

Disposal and transport of solid waste are activities that lead to a waste of natural resources, land and raw materials while polluting the environment. Several methods can be employed to reduce solid waste, including reduction at source, reuse, recycling, using waste to produce energy and landfill. Typical industrial waste includes residues of raw materials, interim materials or products that have been spoiled, damaged or rejected. It sometimes includes hazardous waste.

ICL attributes great importance to this issue and invests significant resources to identify ways to reduce the volume of its waste, and to reuse and recycle its existing waste. ICL plants reuse waste and byproducts. Byproducts are used as raw materials in other integrated Company plants. For example, ICL produces bromine from the byproducts of the evaporation ponds used to produce potash; bromine production utilizes chlorine, a byproduct from the manufacture of magnesium.

In Israel, a densely populated country, the issue of waste is particularly serious. Each year, nearly five million tons of solid waste is produced in Israel, and this volume increases by 5%

annually, even as the areas allocated for landfill are decreasing. Over 80% of non-hazardous waste in Israel is transferred to landfills.

The target for the near future is to accurately quantify the Company's waste volume, reduce overall waste, and expand the amount of waste that the Company recycles.

Currently, some waste is recycled at ICL plants in Israel and abroad. Materials such as wooden pallets, cardboard, paper, plastics and metal are collected and transferred for recycling. Waste recycling has improved in ICL plants around the world, and the amount of non-hazardous waste that is buried decreases every year.

In 2013, there was a significant decrease in non-hazardous waste from ICL plants in Israel, partially because of the savings efforts described above and, due to a significant decline in construction waste. Because most construction waste is buried, the percentage of waste recycling at ICL increased in 2013 compared to the previous year.

Quantities and Methods of Waste Treatment at Production Sites in Israel

	2012	2013
Removal of hazardous waste (in tonnes)	15,059	17,177
Total non-hazardous solid waste (in tonnes), including construction waste for relevant segments.	61,268	48,171
Solid waste sent for burial	56%	38%
Percentage of solid waste that was reuse recycled or recovered (for energy)	41%	56%



## Recycling Byproduct From the Sulfur Filtration Process as Road Infrastructure

As part of the general trend at ICL to find uses for by-products of processes in order to reduce the amount of its waste output from its industrial processes and to transfer it to landfills or treat it, Rotem Amfert is using a byproduct from sulfur filter cake as a basis for concrete.

The current solution for sulfur filter cake (a by-product of the filtering process sulfur) is solidification and transfer to landfills. Rotem Amfert examined the possibility of creating concrete from this byproduct that, by mixing it with oil shale ash (currently sold as a raw material). After obtaining a building permit and a certificate from the Ministry of Environmental Protection, it built a small internal road with this product which is currently being monitored. Sulfur cake is created at rate of 5000 tons per year. If the road meets requirements, cement from this combination of sulfur cake and oil shale ash could be used for infrastructure at the site: roads, concrete blocks, barriers, blocks to mark paths, etc., and will be completely recycled.

### Community Recycling Project with Summit Foundation at Bromine Compounds

Bromine Compounds has a unique collaboration with the Summit Institute Foundation, which promotes the rehabilitation of young people with mental illness. In its operations, the organization operates a protected plant that employs young people in rehabilitative employment. Bromine Compounds regularly contributes wooden crates in which factory equipment arrives to the carpentry shop of the sheltered workshop, where they are used as raw material. Before the holidays, Bromine Compounds purchased gifts for employees from the same shop.

Thus, the used wooden crates are not only discarded but transferred for a new use and then re-purchased again in a new form.



### Wood Recycling at Sodom

An Improvement Team recently discovered an economical and environmentally-friendly solution for wood waste that was previously transported to landfills. Dead Sea Works accumulates wood waste from different sources. At some point, wood pallets become waste that is buried at a licensed site. The Improvement Team, in collaboration with the contractor that supplies the salts factory with wood pallets, found a recycling solution: After unloading new wooden pallets, wood waste from prior shipments is loaded onto the trucks and transported by the construction contractor for recycling and reuse. This solution, which reduces the volume of waste land at DSW, saves freight costs, landfill fees and levies. A credit is received on the deposit for this wood waste.

## Closed loop footwear materials

The Rhenoflex division of the BK Giulini production plant is currently investing a significant portion of its human and economic resources in recycling materials and in environmentally-friendly materials and processes.

The division has recently begun a project to recycle and for closed-loop reuse of materials, in conjunction with one of its customers, a major American sports brand.

As part of this project, scraps of fabric and foam are collected from the shoe factory. These remnants undergo a rigorous screening process and are then shredded or ground. The material is processed by mixing with polymers, and formed into thermoplastic sheets which are used to make reinforcements for lace holes and rigid material used to stabilize heels, which grips the foot and protects it while in motion.

Since the project's launch in 2009, the company's staff has invested time, creative thinking and efforts to improve the process and its products. One of the deliverables received official confirmation from the client at the beginning of 2014, and a second product is currently undergoing testing.



The following diagram depicts the closed circle of the materials:

The material collected in shoe factories is filtered to remove residue from other materials, shredded, treated, and after processing with polymers, made into thermoplastic sheets from which the final products are manufactured.





# Environmental Management

## Reporting according to the Pollutant Release and Transfer Register Law

As part of an international trend and following Israel's membership in the OECD, the Ministry of Environmental Protection (Israel) is promoting legislation that will increase the level of transparency required of Israeli industries regarding emissions of pollutants and waste into the environment. In 2012, the Environmental Protection Law (Pollutant Release and Transfer Registry: Duties of Reporting and Registration Requirements, 5772-2012 ("the PRTR Law") went into effect.

The purpose of this law is to increase the transparency of environmental information in Israel, to encourage factories to reduce emissions and the transportation of pollutants and waste through the environment, in addition to creating a tool of that supports decision-making, research and determining sustainable policy.

The law requires annual reporting to the Ministry of Environmental Protection of inputs, including water and energy, and environmental emissions. It defines 114 pollutants emissions of which into the air, water sources, ground or released as wastewater are to be reported. In addition, all types of waste and how they are handled must be reported.

The mechanism used for this purpose is known as the Pollutant Release and Transfer Register (PRTR), which was adopted in Israel as required by the OECD. The information gathered by companies is transmitted to the Ministry of Environmental Protection, which makes it available to the public on a special website: <http://www.sviva.gov.il/PRTRIsrael/Pages/default.aspx>

The law applies to hundreds of industrial plants that are obligated to report, including ICL's sites in Israel, which joins the European plants which have reported according to this standard for several years. Since 2006, ICL has publically reported, in its CSR reports, the main emissions of pollutants

from its plants under the relevant legislation relevant to the site. The reporting standard in Israel required ICL to invest hundreds of hours to collect data according to the reporting requirements of the Ministry of Environmental Protection. ICL invested enormous efforts in meeting the schedules defined by law and submitted the reports as required.



## Internal Green Plant Certification

As part of instilling a green approach and sustainable policy, ICL decided to gradually certify all the Company's sites and plants using an internal process. Although the Standards Institute of Israel does not grant green certification for production plants, ICL has voluntarily elected to apply the green standard to its all of its production plants using an "ICL Green Plant Standard."

The ICL Green Plant Standard is based on parameters that extend beyond compliance, such as activities to conserve non-renewable resources (such as water, fuels and paper), waste recycling and management, establishing green areas, encouraging employees to find green solutions and green building. The process for implementing this green standard requires a material change in the perception, values and behavior of Company employees and of the Company as a whole.

As of the report date, all ICL plants in Israel have been certified according to this standard. The plants in Terneuzen, in China, the plants manufacturing phosphate-based products in the US and Germany as well as the Clearon factory have also been certified as green plants.

### Course for Ecology Trustees at DSW

The year, DSW held a course for "Ecology Trustees," in which 26 DSW employees participated. Graduates of the course are meant to act as monitors for environmental quality issues at the plant. The course covered environmental laws and regulations in Israel and around the world that obligate the plant, the environmental impact of gases and dust emissions and how to monitor them, proper storage of hazardous materials and enforcement of laws and regulations in society. In addition, the course participants learned about the environmental impact of daily human activities at home and in the workplace, and acquired knowledge about key concepts regarding the environment, such as the carbon footprint.

## Green Building

ICL maintains an advanced green construction policy based on a Company decision that any new building or significant renovation project must comply with green building principles. The Company has established a binding procedure for evaluating green building standards for each new building and renovation based on the Israeli Green Building Standard, IS 5281, and is in complete compliance with the following principles of green construction:

- **Energy conservation:** shape and location of building, energy-efficient air-conditioning systems, energy-saving light fixtures, building controls, use of natural lighting, thermal insulation and double-glazed windows.
- **Water conservation:** water-saving landscaping, dual-flush toilets, collection and use of rainwater for irrigation.
- **Waste:** separation of waste and recycling areas.
- **Air quality:** ventilation systems and emission identification equipment.
- **Radiation treatment.**

At the CPL plant, a new building will be constructed in which at least 10% of the energy used will come from renewable sources, as required by the local authorities in England.



### New Building at DSW Completed – an Outstanding Green Building

In July 2013, work was completed on a new laboratory building for the R&D department at Sodom. Approximately USD 9 million was invested in the project's design and construction. It is a three-story building with a total area of approximately 2,200 m<sup>2</sup> that was designed according to the principles of "green planning" including excellent insulation of walls, very efficient cooling systems and solar water heating. A substantial savings of energy and water were achieved through energy-saving lighting and utilization of natural light, separation of wastewater using מי-מיני water for gardening, and planting local vegetation suitable for the region. The project received a sustainability certification according to Israeli standard SI5281: Green Buildings, accumulated a very large number of points, and was declared an "Outstanding Green Building."



### Environmental Safety

ICL companies employ a system for comprehensive hazardous materials management based on a dedicated ERP system that deals with emergencies, as well as on safety and access control management systems.

#### The ERP system is used to:

- Control hazardous material inventories at Company sites according to quantities allowed by their poisons permit.
- Prevent deviation from permissible quantities when ordering, receiving or transferring hazardous materials within the Company by blocking such actions.
- Produce applications for renewing poisons permits and revisions of permits in existing databases.
- Facilitate immediate access to material safety data sheets (MSDS) for hazardous materials in the system.

Some of the companies also use a computerized system to control shipments of hazardous materials, performing all the checks required to ensure that materials are shipped only when all approvals have been received and validated.

For example, ICL Industrial Products operates computerized systems to approve shipments. All materials, quality, packaging and country of destination are approved by a qualified professional, thus ensuring that each shipment meets the legal requirements of the destination country. Moreover, the label (or labels) is adapted for each shipment, and packaging and shipping documents are prepared according to the label. The system can also be customized for a specific customer, if required. The process is implemented globally at each site. At Rotem Amfert Negev, if non-compliance with permits and licenses of the transport company or customer is discovered, a shipment will be stopped at the exit.

### Environmentally Preferable Purchasing

As part of ICL's sustainability policy, ICL companies have adopted a green purchasing policy. The Green Purchasing Committee of the Purchasing Center of Excellence evaluates new green products to replace products that have greater impact on the environment. The Executive Steering Committee discusses the recommendations of the Green Purchasing Committee and approves the introduction of green products in the companies.

The green purchasing policy is used for a variety of products, including office equipment and materials, lighting, vehicles, packaging materials, and production equipment and facilities.

#### Criteria for green products:

- Preference for products with green standard certification.
- Preference for products with a high energy efficiency.
- Approval of products according to recognized standard certification (Israeli standard or certification from a recognized international organization).
- Preference for products/materials that can be reused or disposed ecologically.
- Priority to producers who have an environmental management system.
- Preference for products manufactured by companies to act according to ethical standards.

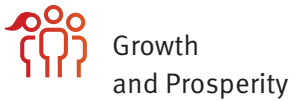


## Chapter 3:

# Work Environment

ICL's employees are the source of the Company's strength. Therefore, ICL does its utmost to create a supportive, comfortable and safe workplace for its employees. The chemical industry requires skilled, high-quality human resources, and therefore channeling extensive resources into developing the skills and strengths of its employees is a key element of the Company's business strategy. The Company's corporate culture, which is instilled in all employees, defines both team and personal goals to ensure that all employees understand their roles in the organization and the way in which they can contribute to its success.

### Answering Essential Human Needs:



### ICL's Activity Throughout the Lifecycle:



Raw Materials



Manufacture & Production



Transportation & Logistics



End Markets

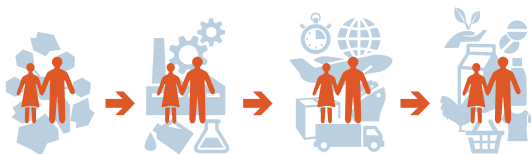
Food

Agriculture

Engineered Materials



# ICL Employees



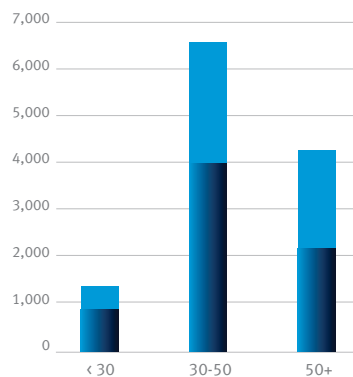
## Geographic Breakdown of Employees

	2012	2013
Israel	5,198	5,238
Germany	1,267	1,317
Spain	1,215	1,205
Britain	1,062	1,156
Netherlands	450	462
U.S.	1,080	1,121
China	606	621
France	350	351
Brazil	96	132
Others	552	549
<b>Total employees</b>	<b>11,876</b>	<b>12,152</b>



Distribution by Age

- Israel
- Abroad



## Global Leadership Competency Model

ICL regularly and methodically invests in the development of managers and employees, in training programs, enrichment and in guidance for the Company's personnel.

A central axis in ICL's organizational development during 2013 included the use of a global, uniform Leadership Competency Model. This competency model was developed in order to serve as the infrastructure for long-term organizational development programs and as a substantive tool for developing human resources. The program deals with the processes for hiring and orientation of managers, as well as in the methodical mapping of the training and development needs of employees and managers.

The core Competency Model defines, in concrete terms, the main characteristics required of executives in order to successfully promote the business success of the Company around the world. It expresses the basic values of its business activity and the way in which the organization expects its leaders to behave.

Development of the Competency Model followed a structured, disciplined process that was guided and defined by senior leaders of ICL around the globe.

The Competency Model will eventually be used as the foundation for assessing and developing leadership capabilities, to evaluate leadership performance, in addition to financial results, and to guide how ICL hires and promotes leadership talent in the future.

During 2013, ICL assessed the individual abilities of all senior executives for purposes of personal and organizational development based on the Leadership Competency Model. A feedback process was based on these assessments for personal development plans for senior executives and for the team development of senior management. In addition, elements of the model were incorporated into the absorption and assessment of executives as well as the assessment and feedback of employees. Assimilation of the competency model will be an ongoing process. The goal is to tailor the model to other central managerial processes, such as periodic assessment and feedback, managerial development at all levels and planning managerial reserves.

## Women in ICL

At the end of 2013, ICL employed 1,835 women (737 in Israel, 1089 abroad), representing 14% and 16% of all ICL employees, respectively. The percentage of women in managerial positions in ICL Israel was 19% in 2013.

## Minorities in ICL

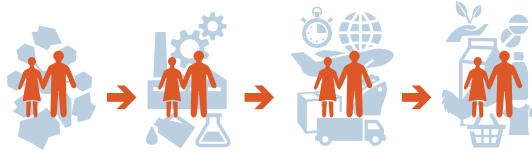
At the end of 2013, ICL employed 364 members of minority groups (149 in Israel, 214 abroad), representing 3% of all ICL employees in Israel and abroad.

## Employees with special needs

DSW is a partner in a project employing people with special needs as part of its contribution to the community and ICL's involvement in society. Thanks to the close teamwork and daily contact between managers, NGOs and the human resources department, these workers benefit from optimal integration in appropriate departments. In February 2013, their families were invited to tour Sodom and see the work environment where they are employed, meet with the direct supervisors and become directly acquainted with factories and DSW in general.



# Fair Employment



ICL's Code of Ethics defines rules for appropriate conduct for the Company and its employees, including respect for others, equal opportunity, prevention of discrimination and respect for the rights of employees according to the law and labor agreements. ICL attributes great importance to fair working conditions for all of its employees, including sub-contract employees who are not considered Company employees but are employed on Company premises. All sub-contract employees receive information about ICL's Code of Ethics and are expected to respect it. The Company does not employ workers from contractors who are not committed to upholding human rights and fair employment criteria.

In 2012, ICL began to implement the first stages of a labor law enforcement plan. The objective of the plan is to ensure that all of its operating activities are performed in compliance with labor laws through training, refreshment courses, audits by labor attorneys, documentation and control. To help assure the rights of contract employees, the Company invests in periodic monitoring by an external auditor to ensure that work is performed according to the law and the Company's regulations. (For information on compliance with the Goldschmidt Report in 2013, see below).

During 2013, an employee filed a discrimination suit against an ICL company in Europe. The case was examined and settled by agreement between the parties.

The Company does not employ youths under the age of 17 at any of its locations (except from special programs, see the Social Responsibility section), and does not employ persons under the age of 21 at production sites. No risk of forced labor has been identified in any of the Company's sites. Any defects discovered are remedied immediately.

Nor is there any concern that the right to organize will not be honored by any ICL company.

In early 2014, ICL issued its Guiding Principles certifying its commitment to protect the basic human rights of our employees, emphasizing our position against forced labor, child labor, discrimination and ensuring equal rights. The ICL

Guiding Principles includes the following subjects: the right to organize; prevention of forced employment; prevention of child labor; encouraging equal opportunities; and prohibition against discrimination and harassment of any type based on religion, race, ethnicity, nationality, gender, sexual orientation, age or disability; fair salary and labor conditions, as required by law or beyond compliance; legal employment; and maintaining a healthy and safe work environment, along with our commitment to comply with antitrust, anti-bribery and corruption and trade laws around the world.

## Labor Agreements and Temporary Workers

ICL employees in Israel are employed either under collective labor agreements or personal agreements for ICL executives. Collective labor agreements are signed for a defined period and renewed periodically. By law, if no new collective agreement is signed, the terms of the agreement are extended for another year or indefinitely, as the case may be, unless one party informs the other that the agreement is canceled. Senior employees in positions of special trust and members of management are employed under personal agreements. These agreements are for an indefinite period and can be terminated, after giving notice of a specified number of months in accordance with the agreements and the law. In Israel, 90% of the Company's employees are employed under collective agreements.

Local employees of ICL companies abroad are employed according to the employment conditions practiced in the country where employed. Most of ICL employees overseas, particularly in Germany, Holland, England and Spain, are employed under collective agreements.

There is very limited seasonal employment at ICL and it is based on business needs, primarily to reinforce the manufacturing workforce, when, for instance, there is a need to rapidly increase production of products to extinguish forest fires or when employees must be replaced during summer holidays. A small



number of employees at ICL sites in Israel are employed through employment agencies for short periods of up to nine months, in accordance with the law.

In addition, the Group has agreements with subcontractors in Israel for outsourcing special services which are not within the Company's core business and for areas of expertise such as security, packing, maintenance, catering and cleaning, etc. Of ICL Israel's several thousand employees, 269 are agency employees who are defined as temporary employees.

Other outsourced workers at ICL are not reported, as they are hired on a project basis or to provide a unique or professional service in their field of expertise that is not part of ICL's core business. According to a resolution of ICL's Board of Directors and its subsidiaries in Israel from October 2004, agencies employing workers at ICL plants in Israel are required to pay salaries according to terms that are beyond those required by the law. According to the resolution, the agency employers are required to pay a salary which is at least 5% higher than the minimum wage stipulated by law, as well as pension and severance fund contribution, convalescent pay, appropriate uniforms and holiday gifts. Such wages and benefits are reviewed by an external auditor for all Group companies and is monitored in accordance with the requirements of the Goldschmidt Report enforcement program (for details, see below).

On July 11, 2013, a collective labor agreement was signed with the organization of cleaning companies in Israel regulating the salary and pay conditions of employees of these companies. The agreement applies to all employers in the cleaning and maintenance branch in Israel who are members of the organization.

## Report on Implementation of the Goldschmidt Report for 2013

In 2006, ICL's management team adopted the Goldschmidt report recommendations fully in respect to contractors' employees who work in ICL plants in Israel. Since 2006, ICL has

made tremendous efforts to implement these recommendations in its ongoing operations in all the Company's sites around Israel. As part of these efforts during 2011 ICL established a Goldschmidt Report Sub-Center of Excellence for the protection of the rights, employment conditions and social benefits of contractors' employees at Company sites.

The process consists of examining contractors' compliance with the threshold conditions laid out in the Goldschmidt Report which is an inseparable part of conditions stipulated in the contract at all companies. In addition to internal controls – the requirement for the contractor's auditor to check the employment conditions of a random sample of employees and submit a semi-annual report – ICL decided to have an external auditor take a random sample and conduct an independent audit of employment conditions. The audit is conducted in accordance with standard auditing procedures in order to achieve a reasonable degree of confidence that the data presented does not contain any substantive errors. The audit also included sample examination of supporting evidence, figures and documents.

The audit is intended to ascertain that contracting companies are in compliance with the laws of the State and the recommendations of the Goldschmidt Report, including payment of sick pay, vacation pay, and are in compliance with the Law of Work and Rest Hours.

During 2013, application of the Law for the Enhanced Enforcement of the Labor Laws ("Enforcement Law"), which came into effect in June 2012, began for the purpose of streamlining and making more efficient the enforcement of labor laws. The law, which deals only with contractors providing guard, catering and cleaning services, includes the enforcement mechanisms that ICL uses as part of its Goldschmidt Report enforcement vis-à-vis contractors. The law provides legal support and reinforcement for Goldschmidt enforcement by making it possible to impose financial sanctions on contractors in these fields, who do not meet the criteria. According to this law, a certified auditor must verify that the contractor is in compliance with the Law for the Enhanced Enforcement of the Labor Laws.



### During 2013:

- The Goldschmidt Report Sub-Center of Excellence is now the ICL focal point for all issues related to the Goldschmidt Report and its implementation.
- There is a uniform procedure for implementing and enforcing the Goldschmidt Report in ICL in order to achieve maximum enforcement when working with contractors.
- A uniform, ongoing enforcement mechanism to ensure that the recommendations of the Goldschmidt Report are enforced over the long-term.
- Dissemination of uniform guidelines for all ICL companies.
- Implementation of a “toolbox” to create a uniform process at all ICL companies, including all the tools required to maintain the process and to work with contractors, such as updates of “supply conditions” and “warning letters” to contractors.
- Transparency between companies in order to receive real-time information.
- Effected updating and distribution of labor law enforcement procedures for contractors in areas relevant to the signatories of the report.
- A uniform contractors’ file was implemented for all of ICL, which is the basic infrastructure for establishment of the review process.
- Documented monitoring of medical checkups for contract employees.

### Enforcement Plan for Law for the Enhanced Enforcement of the Labor Laws and the Goldschmidt Report

- Review process with contractors working for ICL who are subject to the Enforcement Law (cleaning, catering and guarding contractors).
- Cleaning, guarding and catering contractors signed the appendices to the agreement.
- As part of the Goldschmidt appendix, each service-providing contractor who signs the appendix is audited separately. The audit findings are transferred to the contractor and the company’s supervisor for the Goldschmidt report. It includes details about the nature of the deficiencies, the names of the employees, the amounts of the deficiencies found and a request to correct the deficiencies within a reasonable time.
- As part of the procedure, there are tours of ICL companies to examine the physical conditions in which contract employees work.

## Organizational Changes

Organizational changes in ICL companies are implemented with the consent of the workers’ union. In all cases, activities related to human resources are addressed in accordance with local legislation in each area of operation.

### Employee Churn Rate

ICL is proud to be a leading company in employment stability. Most ICL employees work for the Company for many years, and in many cases, for decades. ICL offers its employees excellent employment conditions, as well as professional and promotional tracks. Therefore, the churn rate of ICL employees is low compared to other sectors of the economy in general, and to industry, in particular. Even when business declines, ICL makes an effort to protect its employees’ rights and to keep them on the payroll.

During 2013, no employees were dismissed.

Despite this, early in 2014, as part of the Company’s mobilization to streamline operations as a result of the global economic situation of the potash industry which has suffered from a significant drop in potash prices and a freeze in purchases, 118 employees elected early retirement with preferred conditions.

The churn rate of ICL employees in 2013 was 5% of ICL’s workforce.

### Preparing Employees for Retirement:

ICL invests efforts to help employees prepare for retirement. Some ICL companies hold a 6-14 day retirement preparation course covering various aspects of the transition from working life to retirement. The course includes lectures and workshops on a range of issues relevant to the new pensioner such as:

- Psychological aspects of retirement, the effect of retirement on family and marriage, and lectures by a family therapist about relationships and intimacy following retirement.
- A lecture by an attorney about family property arrangements, including wills and estates.
- Lectures on health, including proper nutrition and exercise, leisure and volunteering in the community.
- A lecture on managing family economics, including income tax and National Insurance rights.

The frequency of the retirement workshops is determined by need, or when early retirement plans are implemented. Some of the meetings are also attended by retirees’ spouses.

# Employee Empowerment

## Employee Training and Qualification

An ICL Learning Center operates in Israel to coordinate training and qualification of employees and managers. The center is engaged in several key areas: developing issues and organizational solutions for subjects common to ICL companies, training and management development, professional courses, professional conferences, seminars and more. The center’s management team consists of representatives from the segments.

The Learning Center and other units hold periodic training including in those related to areas in which ICL has internal compliance programs, including restrictive practices, securities, safety, ecology, prevention of sexual harassment and ethics.

Other activities aimed at raising the professional level of ICL personnel include hiring professionals in different fields, conducting preliminary screenings and training courses (for operating and maintenance positions), and preparation of job descriptions (for operating, maintenance, safety, security, ecology and project personnel), etc.

In 2013, ICL companies continued ICL-wide programs for the development of senior managers in Israel. Approximately 170 senior managers participated in the 11 cycles of this program. Concurrently, companies are also holding team development programs for segment-level managers up to mid-management levels.

In ICL companies in North America, the average amount of training per employee is 61 hours per year.

In ICL companies in Israel, the average amount of training per employee in previous years has been approximately 38 hours per employee per year.

### Executive Forum – CEO Talks

In 2013, an Executive Forum began to operate. Once a quarter, the Company’s CEO addresses the forum by Internet. The forum members, approximately 350 managers on various levels, hear a review of the Company’s situation directly from the CEO. Participants are invited to ask questions online. This method encourages a culture of internal communications and gives another dimension to the relationship between manager and employees, and provides managers with an opportunity to meet each other and expand their knowledge about the Company beyond their own operating environment.

## Women’s Empowerment at ICL

ICL works to promote women in the organization. For this purpose, a Women’s Forum was established in 2011 to empower women, with the aim of building and reinforcing the role of women in the Company’s executive management, establishing lateral relationships between women executives in the Forum, providing women with tools for empowerment and personal and management development, exposure to the Company’s executive management and mentors, and influencing the organizational culture.

The Forum functioned for two years, during which it met bi-monthly. Participants in the Forum were required to make a commitment to the process, attend all meetings and take an active part in at least one project initiated by the Forum. The program was managed by a Steering Committee and its members.

### The Forum focused on three types of activities:

1. Empowering and training Forum members: addressing personal management dilemmas in the Forum, formulating personal management horizons, personal empowerment of women managers in ICL companies, exposure to managers in the organization, exposure to processes and topics on the ICL corporate level, and learning methods and models of management.
2. Promoting action at ICL: establishing a portal for **leading women managers**, an **academic empowerment program** in the organization, a **mentoring program** for new women managers in the organization, “**roaming meetings**” in companies and exposure of the Forum in training and other forums in the companies.
3. Contribution to the community: formulation of a “social statement” by the Forum which emphasizes issues related to excellence, utilizing the unique managerial and professional skills of women in the Forum for the benefit of the community, identifying target populations/issues to promote social excellence and integration of the Forum’s participants in the target field.





# Safety and Health

Industrial production in general and the chemical industry in particular requires handling hazardous materials and processes involving high pressures and temperatures that require taking special precautionary measures. Some ICL products, raw materials and production processes represent a high risk to anyone who deviates from the required, professional safety standards or the use of all mandatory means of safety.

To ensure the safety of workers and others in its plants, ICL is required to comply with strict occupational safety and health standards which are prescribed by local laws as well as by international and local standards. ICL invests extensive resources in training, mentoring and safety measures aimed at improving occupational safety and health and preventing accidents, out of constant concern for its employees, contractors and others at its sites.

ICL is pursuing a goal of zero accidents. From a multi-year perspective, this goal is expressed as a constant striving for improvement and excellence in safety at all sites in order to reduce the number of accidents and “near misses” to an absolute minimum and improve the level of safety at work.

In order to achieve this target, ICL is taking the following steps:

- Implementation of focused processes directed towards the goal of zero accidents, including a **Task-oriented Safety program** and a **Safety on your Mind program**.
- Continued implementation of the **Operative Risk Management** methodology for managing and preventing safety risks.
- Comprehensive safety training and certification control system for employees, service providers and contract employees.
- Conducting testing and environmental and hygiene monitoring of occupational work areas as required by regulations and even beyond the law in order to ensure the health of employees.
- **Occupational hazard risk survey** to prevent employees from being exposed to dangerous materials and processes in plants. In 2013, the Company performed extensive work with the EY consulting firm to define risk factors and measurable ways for further improvement.
- **Periodic medical checkups for employees and operation of a system for occupational medicine** and preventative medicine inside the plants, in cooperation with hospitals and experts in these fields.

- Inter-company activities to **assimilate safety awareness and disseminate lessons learned**, feedback and encourage plans and ideas.
- Development of a **computerized control system for safety and occupational health management** in the companies, with emphasis on training all employees, broken down by profession.
- Development of trained, skilled and well-equipped **emergency group in plants**, to provide a reasonable response to industrial emergencies and natural disasters.
- Update **risk surveys** of all events that may harm the Company if they were to occur, with the assistance of external consultants, in conjunction with safety management regulations which will take effect in August 2014 in Israel.
- Pursuing coordinating activities (harmonization) of safety management processes between all of ICL companies.
- Formulation of a “safety at home” program (outside of work hours) that will operate globally at ICL by the end of 2014.

Safety and health issues are included as part of the Company's employment contracts. These agreements include provisions such as mandatory medical examinations prior to employment and performing medical examinations periodically according to age and position. Work regulations include a range of instructions for issues including hygiene, as well as comprehensive disciplinary regulations in the event of safety violations.

ICL's safety committees include both management and employee representatives (equally represented). Each committee is responsible for defining and implementing safety instructions, such as the mandatory use of personal protection equipment, periodic checkups for employees, fines for safety violations, etc.

Many managers of ICL plants in Israel undergo a certification course for work safety established by the Ministry of the Economy.

In addition, improvement teams operate at plants to develop and implement advanced and original ideas to improve safety. Contests with prizes for safety achievements are held annually.

## Safety Leadership Project

ICL's safety leadership project is a project of mutual learning, based on the understanding that ensuring safety is a function of a proper management culture.

In a pilot project at DSW managers were assigned to units other than their own where they conducted interviews, conducted tests and observed operations to study the various aspects of management, including safety. At the conclusion of this phase, the ‘embedded’ managers met with the existing managers of the units, and discussed their assessments with them. Six months later, another meeting was held in which both managers examined the changes made in the period following the previous mirroring session. Managers were cooperative and the process was successful.

ICL has Forum of Excellence for Global Corporate Safety which includes safety personnel from ICL companies located in Israel and around the world. The Forum discusses ICL guidelines and policies and showcases events and activities held at various ICL companies.



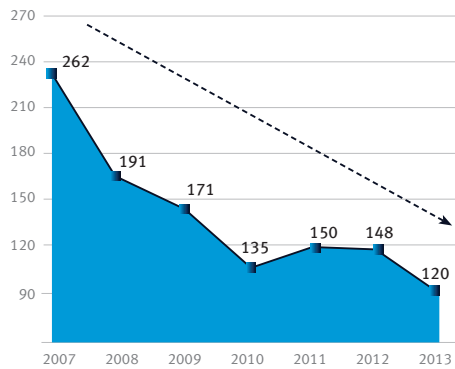


Safety and occupational health enforcement plans are implemented in all segments in addition to regular internal and external audits to confirm compliance with the law and ICL instructions. Analysis of accidents and “near misses” are conducted at all ICL companies.

Various activities in safety, analysis of accidents and near misses, and control of employees and contract workers, are reflected in the steady decline in the main safety indices: work accidents and absenteeism. The following graphs present data for accidents and absences in 2007-2013:



Total work accidents (company + agency) 2007-2013

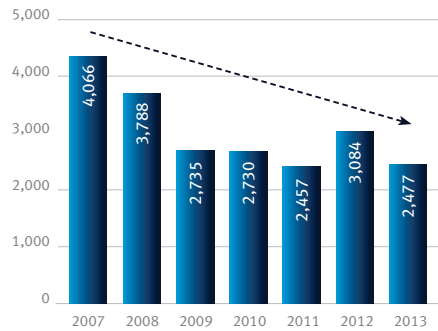


In 2013, two fatal accidents occurred at the Iberpotash factory in Spain. In January, an employee was killed when a railroad car derailed.

In December, two employees lost their lives while working on equipment maintenance in an underground mine, when the roof collapsed on them.



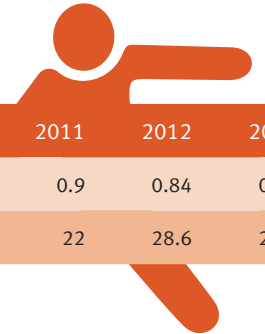
Total days missed (company employees only) 2007-2013



Investigative authorities in Spain (the Mines Administration, the Works Supervisor and the police) have been cooperating with, and have the full support of management, Iberpotash intends to identify the causes of the unfortunate accidents and to draw conclusions lest similar events occur.

The following table shows comparative accident figures for ICL 2008-2013

	2008	2009	2010	2011	2012	2013
Rate of work accidents (IR)	1.4	1.3	1.1	0.9	0.84	0.83
Rate of lost workdays (SI)	41	28	31	22	28.6	23.3



### Safety at Home

In addition to working to improve safety in the work environment, ICL has promoted employee safety beyond work hours. During 2013, a “Safety at Home” program was planned to reduce dangerous accidents outside of the work environment. A Steering Committee was established with broad geographical representation (Europe, US, Asia (China) and Israel) and surveys were conducted among employees in order to map the subjects deserving of attention. It was found that fire, gas and electricity were the first subjects of interest. Employees were also instructed to download a local first-aid application to their cellphones. The application offers users tools for dealing with situation that might arise. In the next stage, various means will be used for transmitting information to employees about the subjects that emerged from the survey.

Moreover, as part of the effort to improve safety in employees’ homes, informational materials and family games to raise awareness and provide tools to minimize hazards in and around the house were distributed in ICL plants. For example, Bromine Compounds employees in Israel received a family card game on safety at home, and the company’s employees in St. Louis in the US received pamphlets about how to identify “black ice” and to react to avoid accidents when invisible ice accumulates on roads.

### Commendations in the Area of Safety and Health for 2013

In 2013, ICL placed second in an occupational safety award in Germany, for its program to reduce stress in the workplace. ICL competed in the category of procedural solutions in large companies, as part of Europe’s largest exhibition in the field of occupational health, “A+A”, held in Dusseldorf. This prize confirms that ICL is on track, and encouraged the Company to continue its efforts with full vigor, as it has done until now.

Additionally, ICL Jiangyn China was designated an Outstanding Company in occupational health and safety by the Ministry of Safety in Jiangyn.

In 2014, an ICL company, CPL, placed first in an annual competition for Rescue Teams. Competitors included teams from all mines in Ireland and England.

### Learning off-road driving skills at DSW

This year DSW held a training course for 340 drivers who drive on unpaved roads. Offering this course was among the recommendations resulting from a comprehensive survey conducted about vehicular accidents. The course included theoretical and practical training that gave drivers the tools and knowledge to deal with the obstacles posed by the driving off-road, as part of plan to reduce accidents.



## Employee Health

Over the past three years, ICL has implemented a health program to improve employee performance and health (reduction of risk factors for heart disease and others, and reduction of sick days), and to increase job satisfaction. The program includes three components:

1. **On the personal level:** individual guidance to encourage activities, fitness and nutrition.
2. **On the work environment level:** raising awareness of an active lifestyle and healthy diet.
3. **On the service conditions level:** improving catering and adapting the service to a healthy diet.

ICL is committed to its employees' health as well as the health of its contractors' employees working in the Company's plants in Israel. This commitment is part of the Company's efforts to implement the Goldschmidt report, which is discussed in the section on Fair Employment.

### Special Medical Assistance Fund for Employees

The Medical Relief Fund is intended to help employees with medical issues after they have exhausted all other options for assistance (HMO insurance and work insurance of various types). Employees who transfer a nominal amount every month to the fund are entitled to assistance, if necessary. The Fund's committee is composed of a representative of management, a representative of the Workers' Council and five representatives of the public. The fund provides assistance of various sizes, ranging from participation in the costs of medication to participation in transplant surgery abroad. The Audit Committee of the Workers' Council audits its conduct. The Committee consults with leading professionals to stay updated and adjust the fund's activities to meet changing needs.



## Security

ICL plants contain hazardous materials and valuable equipment so the Company invests significant effort and resources to maintain the security of its operating sites, neighboring communities and plant employees. The security policy of ICL companies is based on implementing strict Israeli and international laws and regulations. Security operations are conducted in full cooperation with local security forces in the Company's areas of operation. In 2008, ICL began expanding the security systems at its plants in Israel. Security issues are examined routinely as part of the Company's periodic internal controls around the world.

Recently, ICL completed a series of security projects at its plants in Israel, including establishment of a three-level security network at each plant, with an outer ring of physical security including a fence, an electronic security ring including sensors, and an inner ring of security management including control rooms, as well as operating procedures for dealing with evolving threats.

### In 2013, several steps were taken to make significant improvements in the security of ICL plants:

- Level of training and competency of officials in security has been improved and meets strict regulations.
- A uniform standard was established for all of ICL which meets and exceed relevant standards.
- Improved measures/technological security systems (peripheral cameras, motion detectors, radar, entry control for transporters, etc.).
- Improved security control centers for factories, some of which operate 24/7.
- Control procedures and security checks at the entrance to the Company's facilities.
- Arranged full cooperation between security and regulatory systems on all relevant security issues.
- Global Excellence Center (Israel, Europe, America and the Far East) advises, coordinates and distributes information to all ICL companies worldwide.



## Responding to Information Security and Cyber Threats

In response to the steady increase in the number and severity of security and cyber threats, the Company has taken many steps in recent years. ICL is implementing a program to protect its IT systems which includes separation of information networks from computerized process networks, physical protection of computer rooms and terminals, and employee training. IT security personnel have been appointed, an integrated policy for addressing the issue has been formulated and work plans prepared in the segments on this basis, in addition to performance of risk surveys in all plants in Israel and several plants in other countries, etc.

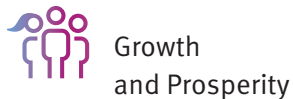
These activities are managed and controlled by several ICL Centers of Excellence, especially the IT Center of Excellence, but also by the Computer Processing Center of Excellence and the Security Center of Excellence. In 2013, 6,800 ICL employees received training to deal with IT security threats. Special educational software will be launched in Hebrew and English in 2014. Quantitative goals were established for implementing a multi-year work plan to advance this subject and to adapt the Company's operations to the many threats it faces.

## Chapter 4:

# Social Responsibility

At ICL, we believe that the foundation for our ability to develop our business and succeed is, first and foremost, the society and community in which we work. Our society and community includes the talented people that we employ, the consumers who buy our products, the residents of the region around our plants, the residents of the State of Israel and other countries in which we have been granted concessions for the use of natural resources, and the young minds who are developing the technologies of the future, which enable us to remain a leading industrial innovator. Our contribution to, and involvement in the community grows out of this concept and is an attempt to return to the community a portion of what we have received. In 2001, ICL's Board of Directors formulated a strategic policy for involvement and investment in society and the community. In accordance with this policy, ICL approves an annual budget for its contribution to the community. Each investment or contribution is examined by the Contribution Committee of the Board of Directors and work teams in which ICL partners with other companies in the Israel Corporation Group that promote shared community projects.

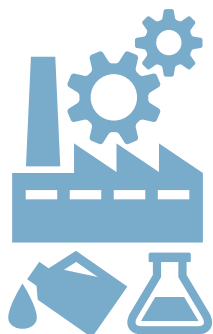
### Answering Essential Human Needs:



### ICL's Activity Throughout the Lifecycle:



Raw Materials



Manufacture & Production



Transportation & Logistics



End Markets

- Food
- Agriculture
- Engineered Materials



During 2014, ICL plans to broaden and deepen its involvement in the community by increasing its budget for this activity. In addition to supporting activities in Israel, ICL will increase its activities in the community abroad, with the establishment of a special fund. In accordance with the One ICL concept, the community activities of the segments and the subsidiaries will be consolidated and integrated into ICL-wide, cross-segment activities that will be subdivided into geographic areas and coordinated by regional managers.

ICL's contributions in 2013 totaled approximately NIS 20 million, not including the many hours that employees devoted to volunteer activities, some of which were during their work time. ICL focuses its community involvement in development areas in the Negev, including Dimona, Yeruham, Arad, Beersheba, and Bedouin communities, as well as in the north of Israel, in Kiryat Ata, Haifa and Isfiya. These are the areas where most of the Company's

employees live, and their welfare and the welfare of their communities is very important to ICL.

The focal points of ICL's community activities are children and adolescents with disabilities, women and children at-risk, needy populations with special medical needs, as well as in education for excellence in chemistry, computer science, Junior Achievement and promoting students' familiarity with industry. This chapter presents a partial review of the programs and initiatives in which ICL and its employee 'partners' contribute money, cash equivalents or volunteer hours.

## Flagship projects

### Afternoon Club Project

The Afternoon Club Project is operated by municipalities throughout Israel in cooperation with the Ministry of Welfare and Ministry of Education, who also contribute to their funding. The project includes providing financial support needed to develop and maintain the clubs, together with volunteer staffing by ICL employees and retirees, whose close and active participation brings educational content and values to the children.

Each of ICL's main companies has adopted a town in the Negev or the north with each individual plant or department adopting a specific club in the town. The connection is based on a warm personal relationship: employees serve as mentors, friends and leaders. The clubs are a therapeutic framework that provides children with a model for an organized home and well-functioning family. The children, ages 6-13, which are enrolled in the program are considered at-risk children whose parents have difficulty caring for them during the day for reasons that include difficult financial circumstances, violence, neglect, and dysfunction. They are referred to the clubs by the Ministry of Welfare and municipalities.

In 2013, ICL employees and managers adopted approximately 60 clubs located near their factories (in Yeruham, Beersheba, Dimona, Arad, Kiryat Ata and Haifa). The clubs adopted by ICL also have programs for adolescents. Within this framework, ICL also adopted the Beersheba branch of Yated: Association for Children with Down Syndrome, and homes for adolescent girls in distress in Beersheba, Dimona, Arad, the Bedouin sector in the Negev and Isfiya.

The direct financial support to the Afternoon Clubs in 2013 totaled approximately NIS 2.5 million. Thousands of volunteer hours were donated by employees, retirees and their families in their spare time. Contributions to the Afternoon Clubs included volunteer time, building repairs, physical work, landscaping, and equipping the Clubs with computers, necessary kitchen appliances, games and books, as well as enrichment activities, trips and activities during holidays and vacations.

### Empowering Bedouin Communities in the Negev

In 2013, ICL continued increasing its support and activities in the Bedouin communities of the Negev, including the establishment of a clubhouse in Rahat that works to empower adolescents and students. In 2013, ICL's contribution to activities in the Bedouin sector totaled approximately NIS 1.5 million. Mifalei Tovala is the lead company in these activities and many other ICL companies participate as well. To advance the volunteer activities, ICL is assisted by several professional organizations to whom it provides financial support, including: Sustainable Development for the Negev, Beit Issie Shapiro, Liali Association for the welfare of children at risk, the Information and Counseling Center for Higher Education, the Mother and Child Health Station in Rahat, the Nature and Parks Authority and others.

Examples of projects carried out under the program include the following:

#### Welfare

- Operation of clubhouses for children from families with special needs. The clubhouses serve as a warm environment that provides homework assistance, enrichment, extra help, social activities and computer skills.
- Provision of individual therapy for children with developmental challenges, speech therapy and physical therapy.
- Support of the Children-at-Risk project to meet the needs of children from families in distress, including psychosocial intervention.
- Support of an occupational rehabilitation center for people with emotional disabilities.
- Provision of educational services for children with special needs in their natural environment.
- Operation of and assistance in kindergartens.



## Employment and Higher Education

- Encouragement of a business environment providing equal employment opportunities for college graduates from Bedouin society, based on their training and skills.
- Operation of a job placement center that connects employers to applicants, including a preparation and support process for applicants, workshops and an assessment center for screening and promoting applicants.
- Training center for career and business skills.
- Encouragement and support of young people as they continue to higher education and select a profession.
- Operation of two education and consultation information centers to increase accessibility to academic education, system-wide support in coping with barriers in the community and academic requirements.
- Support of seminars, tours of educational institutions, assistance and guidance in preparatory courses, psychometric courses and English classes.

## Enrichment, Classes and Trips

- Diverse enrichment activities, such as sports, music, arts and crafts and games.
- Trips and activities, ecological summer camps, parties, children's birthday celebrations and more.
- Classes in dental hygiene and proper nutrition.
- Operation of the Chen Program to improve the attitudes of children and teenagers towards people with disabilities and developmental disabilities.
- Creation of social infrastructure for activities and work within the community.
- Identification and assimilation of children within enrichment programs through the Weizmann Institute of Science.

## Conservation of Nature and the Environment

- Long-term process to change environmental management through education, municipalities and neighborhood and community activities.
- Conservation of biodiversity, landscapes and ecology through the education system in the Bedouin settlements.
- Training of Authority employees, support for ISO-14000 certification.
- Joint project with Eshel Hanassi to offer practical educational experience for students in Bedouin society, linking environment, economy and agriculture.
- Development of local young leadership and raising awareness of the need to maintain values to protect nature while pursuing their heritage and lifestyle (e.g. shepherding, dispersing waste and using all-terrain vehicles).

Another example of support provided by ICL for Bedouin settlements is the adoption of the Bedouin Desert Reconnaissance Battalion by Mifalei Tovala. Most soldiers in the reconnaissance battalion that monitors the borders with Gaza and Egypt are Bedouin from the Negev. The Company contributes resources to equip the battalion's special school, including the installation of Internet infrastructure.

## Support of Health and Welfare

### Contribution to Alut: The Israel Society for Autistic Children

As in previous years, in 2013 ICL's Board of Directors approved a financial contribution to Alut, as a continuation of ICL's support of Kfar Hairusim in Beersheba and Alut House for adolescents in Beersheba. ICL's total contribution to Alut during 2005-2013 is expected to reach NIS 11 million.

## Contribution to Soroka Medical Center

For the last decade, ICL has made annual donations to Soroka Medical Center, which has been allocated to construction, development, purchasing and equipment for several of the hospital's departments.

## Employing Employees' Children in the Community

During summer vacation, the children of employees assist in various tasks in hospitals, nursing homes, clubs, and community activities, in cooperation with the municipalities, and are paid by ICL companies.

## Donations to Aid Organizations

ICL supports a variety of welfare organizations in the south of Israel with financial and cash-equivalent donations. Among other things, ICL donated funds for a Torah scroll, for bone marrow transplants, and helping at-risk students with disabilities with various activities. Beneficiaries include the Hayim Association for the support of children with cancer and their families, Al Sam in Beersheba, the Nitzan organization for children with learning disabilities, Bat Dor dance company for children in Beersheba, the Arad branch of the Cancer Association, the Yad Sarah organization in Beersheba, the road safety association, an aid fund for new immigrants in the Negev and other associations and activities in towns and communities of ICL's employees in the Negev. ICL employees also volunteer in the Israel Police and, as part of Olim Yachad, ICL managers assist college students of Ethiopian descent.

## Adoption of Military Units

ICL companies, together with the Association for the Wellbeing of Israel's Soldiers, adopts several IDF units and bases, organizes joint activities and contributes to the wellbeing of soldiers. ICL has recently joined the Adopt a Soldier project, through which ICL Fertilizers has adopted the Desert Reconnaissance Battalion, and ICL-IP, has adopted the Rimon Battalion of the Givati Brigade. These segments have committed



to an annual donation of NIS 100,000 for three consecutive years, in addition to joint activities. They also plan to absorb officers and soldiers for higher education and employment at ICL.

## Lone Soldiers

The Lone Soldier Center in Memory of Michael Levin opened a branch in Beersheba. The organization was founded by former lone soldiers to help the lone soldiers of today. Its goal is to support and accompany these young people throughout the process: before enlistment, during military service and when discharged into civilian life. ICL adopted the center in Beersheba, and contributes equipment, such as furniture, TV, sound system and kitchen equipment. Also, employees of ICL south were asked to host lone soldiers on weekends and for holiday and Shabbat meals which won a large positive response from ICL employees.

## Contribution of Food Parcels

ICL companies re-allocated the budget formerly used for holiday gifts (traditionally distributed to employees at the Jewish New Year and Passover) to purchase hundreds of food parcels and gift vouchers for needy families in the Negev development towns and candy packages for children with cancer who are hospitalized at Soroka Medical Center in Beersheba or who are undergoing daily treatment at a Soroka outpatient clinic (in conjunction with the Hayim Association).



## Activities on Behalf of Women

ICL supports activities for the benefit of women, particularly at the Beersheba branches of Inbal and Maslan. In August 2008, a contribution of NIS 2 million over five years was approved for Maslan and Inbal, in equal parts. Inbal is a support center for child victims of sexual abuse. Maslan supports battered women and sexually-abused women during the psychological and sociological rehabilitation processes.

## Contribution to Community Environmental Initiatives

ICL participates in initiatives for the purpose of promoting a culture of environmental protection and encourages its employees to volunteer in this area. In 2012-13, ICL participated in:

- Initiate clean-up of roads in the Arava Desert from the Dead Sea Works plant to Eilat.
- Refreshment stations on the eve of holidays and during the Sukkot and Passover holidays on the Arava road.
- Maintenance of roads within nature reserves and scenic areas in the Negev desert.
- Establishment of feeding stations for birds of prey, in cooperation with the Nature and Parks Authority to increase the number of birds of prey in Israel.
- Assistance to hikers in areas near plants.
- Support for regional cultural events, including walks, bicycle rides especially of associations for people with disabilities, hikes, cultural activities etc.

## Restoration of Fallen Soldiers Park

At the joint initiative of Bromine Compounds and the City of Beersheba, Yad Labanim, JNF, Kivunim and the Ramot neighborhood committee in Beersheba, a project was undertaken to preserve and cultivate the Park in Memory of Fallen Soldiers from Beersheba and Southern Israel. The beginning of the project was marked with a dignified planting ceremony at the foot of the Negev Brigade Monument, at which certificates were distributed in honor of the planting, which is a symbol of continuity, the flourishing of the Negev and offering hope to future generations while contributing to the environment.

## Active Community Improvement Teams

In order to participate in social change, improvement teams from ICL-IP, in cooperation with Tze'ela, assist organizations and NGOs dealing with social problems using improvement teams which are a management tool from the business sector. The idea behind the improvement teams is to break down complex problems into several small problems and having a dedicated team handle each problem, in a structured, simple way.

As part of the collaboration, active employees with experience working on improvement teams serve as mentors/group moderators for the betterment of society. For one year, they accompany improvement teams from community centers, who work on diverse subjects to improve the quality of life in Israel.

In this way, ICL shares its personnel's professional knowledge by guiding and leading groups working for social improvement, thereby helping to improve the quality of life in various communities.

## Support of Education and Science

### Employment of High School Students and Cooperation with Vocational Schools

ICL encourages vocational studies among high school students in collaboration with industrial schools that operate under the auspices of the Ministry of Industry and Trade. ICL employs 11th- and 12th-grade students from four schools in the Negev. Each week, the students study in school for four days and work for two days at the plants, mainly in the maintenance and electricity departments and warehouses. At school, the students study vocational tracks and earn certificates in electricity, welding, mechanics, automotive and machining. Each student in the project is assigned a Company employee who serves as a mentor for school subjects and for practical vocational training related to their studies, and who also provides tools for helping the student adjust to adult life, including taking responsibility, instilling a work ethic, accepting authority and social integration.

ICL employees and managers are proud that most of these students serve in the army after graduating from high school, and some return to ICL companies after their army service to work

in the area they began learning in high school. The Company believes that this program is very important, contributes to the community significantly, and also helps to build a pool of future employees for the Company. In addition, as part of its collaboration with vocational high schools, ICL purchases goods worth hundreds of thousands of shekels annually from the factory at Zur High School in Arad, employees cooperate with students from ORT Arad by working on geography projects and providing tours of the Company. In addition, ICL contributed to the establishment of an Earth Sciences Laboratory at the ORT Arad High School.

### "We Have Chemistry" - Encouragement of Chemistry Studies in Collaboration with the Weizmann Institute

For many years, chemistry was a popular subject that attracted many students and young people. However with the development of the Internet world and other professions, interest in chemistry has gradually declined, leading the Company to expect a shortage of chemistry and science teachers. This is clearly related to the fact that fewer junior and senior high school students choose to study chemistry on an expanded level, preferring other subjects. To reverse this negative trend, for the last five years, ICL, the Center for Relations between the Chemical Industry and the Educational System, and the Department of Science Education at the Weizmann Institute have led a joint initiative to encourage high school students to study chemistry called "We Have Chemistry."

The purpose of the project is to use diverse and unusual learning methods to expose students to chemistry, emphasize its importance and contribution to everyday life, and demonstrate the relationship between chemistry and industry, the environment, society and the individual. An important activity is a national competition in which hundreds of students participate from dozens of schools around Israel. The project is accompanied by a team that provides students with close supervision and connects them, when necessary, with scientists and engineers from academia and the chemical industry. Projects that reach the final stage are presented at a conference organized like a scientific conference with lectures, plenum sessions, breakdown sessions, and poster

and photographic displays where students present the results of their work. During the year, special study days are held to provide pupils who registered for the competition with professional advice from experts in various areas of the media and guidelines for implementation. The project has a website that tracks the students' progress during the year. See <http://stwww.weizmann.ac.il/g-chem/learnchem>.

In 2013, hundreds of students again participated in the We Have Chemistry project, and 170 of them participated in the National Chemistry, Industry and the Environment Competition. Most of those who reached the final stage were from either northern or southern Israel.





### Taasiyeda

ICL works in conjunction with the Manufacturers Association to promote the study of industrial and environmental subjects in 40 schools in the Negev, through the Taasiyeda (industry + knowledge) program. As part of ICL's cooperation with Taasiyeda, ICL has run workshops at schools for the past four years.

Workshops were held in schools in Beersheba, Arad, Dimona, Kuseife, Segev Shalom and Yeruham. The workshops are designed to expose high school students to the study of chemistry and Israeli industry. During the workshops, students learn about the connection between chemistry and industry, and the impact of chemistry on everyday life. The students learn about chemistry in general, and its use at ICL's plants in southern Israel; about bromine, potash and phosphates as raw materials and the outputs and products of ICL's Dead Sea Works, Rotem Amfert Negev, Bromine Compounds, Periclase and Dead Sea Magnesium plants.

In each workshop, representatives of ICL companies describe the plant where they work and include a chemical experiment associated with the plant. The uniqueness of the activity lies in the active involvement of ICL managers, R&D, marketing and environmental personnel, process engineers and geologists. In addition, two classes from junior high schools in Arad and Omer were accompanied by ICL employees throughout the school year in manufacturing products that were displayed at the end of the year. ICL is pleased to cooperate with Taasiyeda in these enrichment activities and to encourage the study of chemistry in particular, considering the recent decline in the number of chemistry graduates, both at high schools and universities.

Bromine Compounds, the Ministry of Education - Southern Region and Taasiyeda joined together for a three-year project in

elementary schools, giving enrichment lesson on many subjects related to the chemical industry and the importance of bromine, in particular. The project focuses on fourth graders in schools in Beersheba, the Bedouin sector, Omer and Lahavim. In addition, other learning channels were established, such the Bromi website ([www.bromi.co.il](http://www.bromi.co.il)) which has learning and educational games for children and the Bro-morim website for teachers, which features lesson plans, presentations, movies, etc.

### Chemists Competition of the Chemistry Education Fund (CEF)

To help expand science education among the younger generation, ICL also supports a young chemists contest in the US: You Be the Chemist Challenge (YBTC). This academic competition was initiated by the CEF and introduces students in fifth through eighth grades to important scientific concepts, historical revelations and safety advice. More than 20,000 students compete in local and regional competitions. The winners compete in a national competition. The four top winners are awarded scholarships. ICL is proud to take an important role in encouraging and stimulating future generations in the areas of science, engineering and industry.

### Junior Achievement

ICL Bromine has been part of the Junior Achievement program for more than a decade, participating in a Skills Day. The day is intended to expose students to professionals, researchers, entrepreneurs, executives and business people. During the day, they learn about success stories in the area of business administration, and the connection between business

management and entrepreneurship. Skills Day is designed to increase high school students' awareness of entrepreneurship and to prepare them to manage companies they establish as part of the program, efficiently and successfully. On Skills Day, senior executives from Bromine lead a variety of workshops for students, including a CEO workshop as well as workshops in financial management, negotiations, sales and marketing, public relations and more.

Skills Day is part of Junior Achievement's "Doing Business" program which offers high school students (grades 9-12) the opportunity to develop and manage real businesses through groups organized in their schools, community centers or other framework. Students experience the complete lifecycle of a business, from raising capital, developing an idea for a product or service, appointing officers, developing and producing the product, marketing, advertising and sales. At the end of the program, the company is dissolved and the profits are divided. The products and services are the fruit of the students' initiative, planning and development in a process modeled on industry. The groups are guided by both a teacher (or college student) and a business executive who volunteers his/her time to the project. In 2013, four ICL-IP executives volunteered their services as business coaches for Junior Achievement, guiding groups in the greater Beersheba region. Of these groups, two won prizes.

### ICL Scholarships for Outstanding Athletes

As part of the contribution and involvement of ICL in the community, ICL has joined with Hapoel Beersheba to lead three programs to support and advance children and youth: Red Heart and the Future of Red coach children from special schools in the city. The Mentors Program is the third project in which ICL employees and managers adopt and mentor teens playing in the team's program. The program includes accompanying the boys in daily life in different areas and encouraging them to excel in all areas. At a ceremony in January 2014, scholarships were presented to ten outstanding players from the youth department. The scholarships were awarded according to the predetermined criteria set by ICL and the management of Hapoel Beersheba.

### Rotem in the Desert Project

Since 2011, the ICL Group, in cooperation with the Nature and Parks Authority, has operated a joint educational program in southern towns. Its goals are:

- Implementation of conservation values, environment and heritage among students.
- Exposure to industrial plants in the vicinity.
- Providing information for understanding the complexity of the Sustainability Triangle: man, environment and the economy.
- Developing the ability to think critically, express opinions and identify viable solutions.

The program, which extends over a school year, includes class lessons, training days and special activity days for students and ICL representatives to focus on core issues of the program. In its three years of operation, more than 5,000 students from various Negev communities have participated, together with educators who have been exposed to current complex environmental issues which relate to their lives.

In 2013-2014 a training course was held for instructors, in cooperation with Kaye College. Its subject was determining the Negev's changing needs.







### Contribution to establish a Faculty for Sustainability Studies at the Interdisciplinary Center in Herzliya, Israel

In 2010, ICL donated NIS 7.5 million to establish a Faculty for Sustainability Studies at the Interdisciplinary Center located in Herzliya, Israel. The parties to the agreement include the Israel Corporation, Oil Refineries Ltd. and ICL. In 2012, the first class began its sustainability studies with about 84 students, all of whom continued to the second year. In 2013, the second class of 66 students began studying for a bachelor's degree in sustainability studies.

### Establishing the Continuity Center at Neot Hovav

Since 1978, Bromine Compounds has been active in the Neot Hovav Industrial Council and it is one of the five largest factories there. The plant is used as a model green plant and hosts visits by VIPs to Neot Hovav. Over the last two years, there has been a major push in development activities for environmental projects and in public relations initiatives for Neot Hovav Industrial Council to serve as an Eco-Industrial Park. The Continuity Center is one of these projects. When built, the Continuity Center will be the first chemistry museum in Israel, and serve as regional center of excellence for chemistry and as a visitors center for Neot Hovav, displaying the relationship and interaction between chemistry, manufacturing and sustainability. The Center will be a magnet for hundreds of thousands of visitors from Israel and

abroad, and include tours for schools and chemistry students. In addition, companies operating at Neot Hovav will present their specific identity at the Continuity Center. This venture will provide a platform to demonstrating ICL's contribution to the Negev and to humanity as a supplier of essential goods, while also focusing on the world of bromine and its compounds as represented by the Bromine Compounds plant, which is an integral part of ICL's strategy for delivering essential products to the world as well as its substantial contribution to the economy and employment in the Negev, in particular.

### Community-Environment Venture in Yeruham

As part of ICL's contribution to the community, ICL and the Community, Environment and Society Venture are leading the establishment of community/environmental ventures in Negev communities for the purpose of creating, in each locale, an active and independent community that promotes society and the environment within the community and between different communities, local authorities and other environmental-social organizations. ICL contributes both money and employees' work hours for their voluntary activity in various community projects.

Areas of activity in the community will be selected by community members themselves and include education and community, the local economy and environmental resources. For each area of activity/project there will be a representative who will take an active part in the community, in order to create independent leadership that will promote long-term community processes. By creating communities that operate independently, there will be a strong human infrastructure of local area professionals working to establish a center in their communities and strengthen local economies. In the first year, 2014, the initiative chosen in Yeruham will be implemented. In coming years, we expect that more communities will be added to the project including Arad, Dimona, the Bedouin community, the Tamar Regional Council and the Ramat Negev Regional Council.





# About the Report

This report summarizes the activities of Israel Chemicals Ltd. on social, economic and environmental issues.

## 1. Reporting Period:

The report includes a summary of information for 2013. The report also includes information from previous years to allow comparison between years, identify trends and set future goals. Since the report is being published in mid-2014, it may also contain some data and events from the period between the end of 2013 and its publication date.

## 2. Reporting Cycle:

The last Corporate Responsibility Report of ICL was published in 2013 and summarized ICL's operations in 2012. The 2010, 2011, 2012 and 2013 reports were full Global Reporting Initiative (GRI) reports. In 2010, ICL's major segments, ICL Fertilizers and ICL Industrial Products, published corporate responsibility reports (for 2009) complying with level B of the GRI. ICL intends to continue publishing annual corporate responsibility reports according to GRI principles. This report includes the Company's worldwide activities.

## 3. Reporting boundaries:

The quantitative information in this report relates to ICL's three segments: ICL Fertilizers, ICL Industrial Products and ICL Performance Products. The performance of Dead Sea Magnesium is also reported. The information was collected from all ICL plants in Israel and dozens of production sites in other countries. Information about the environment presented in this report was collected from 57 of ICL's sites around the world, which account for 95% of the Company's total sales. It is important to note that this report does not include information about joint ventures outside the segments.

## 4. Report Content:

ICL reports according to GRI principles. This is an inter-sector initiative for socio-environmental reporting in businesses, with the participation of socio-environmental organizations and business entities. Additional information is available at [www.globalreporting.org](http://www.globalreporting.org). The report complies with the requirements of Level B of the GRI and includes reference to the GRI sector supplement for the mining and metallurgy industry which is relevant to several ICL companies.

To allow periodic tracking of the main trends and processes, the report includes information for several years. There have been recent changes in the organization and new companies have been acquired. Some of the reported trends related to environmental performance are affected by the material increase in production compared to 2009 and by new production sites that began to report only in 2011.

The issues in this report were selected according to GRI criteria, including the materiality criteria. ICL maintains a constant dialogue with its stakeholders. For further information about its dialogue with stakeholders, see page 56-61. The highlights in the report and its structure are based on the diverse composition of ICL's stakeholders and with reference to feedback from the public and the regulators.

Since ICL is an industrial company with production sites in Israel and other countries, emphasis is placed on the environmental impact of the Company, on local Israeli and global levels. ICL includes its main environmental impacts on a corporate level, as well as on greater levels of detail so that the report will be relevant for as many stakeholders as possible. The report presents the primary short- and long-term objectives of ICL and its stakeholders.

## 5. Measuring Methods:

Information was collected internally by the departments relevant to the environment, human resources, and ICL Centers of Excellence, and by the corporation's headquarters. The reported information is a result of direct measurement of the issues under discussion and calculations when required (unless otherwise noted). To assess the trends in the Company in each of the reporting issues, an attempt has been made to provide information from prior years. Presentation of the information in the report was based on the GRI protocol, and is consistent with other public reports that ICL is legally required to submit according to the laws of various countries where it is active.

## 6. Changes in reporting:

This is the fifth year that information has been collected from ICL's production sites throughout the world. The quality of the reporting improves each year, and the collection processes and quality of the information gathered from sites around the world is improving. The current report includes environmental information from all of the Company's production sites around the world. There have been changes in some environmental data from 2012 as stated in the Corporate Responsibility Report for 2012, due to change in calculation methods.



In addition, social data was collected internationally for the second time, and ICL plans to continue expanding the amount collected in the coming years. ICL does not submit the report for external auditing at this stage. Over the long-term, ICL sees itself as part of the global trend regarding integrated reporting. The intention is to continue reporting according to the GRI principles and report in the future according to the changes in content and to the extent demanded by the latest principles, in the recently published version 4.0.













During the last year, all ICL plants in Israel submitted a report according to the PRTR law as described on page 132. The new law is based on methodology that was developed by the Israeli Ministry of Environmental Protection. The law enforces reporting of new information that is not included in many international protocols such as: CDP, GRI and others which ICL has used for the last few years. In order to maintain consistency with the Company's various international reporting standards, all information collected from all ICL sites around the world, including the Israeli sites, are included in this report using the international protocols used in the past.





In March 2013, ICL initiated a readiness assessment, accompanied by KPMG, at four of its overseas sites. The purpose of this process is to determine whether the Company is ready for external auditing of environmental, economic and social issues, and to identify gaps and other issues relating to data collection, documentation and reporting. ICL's Corporate Responsibility reports are published in English and Hebrew, in Israel and throughout the world, and are published on ICL's website.




















Profile Disclosures			
Strategy and Analysis			
Profile Disclosure	Disclosure	Page	Report
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Organizational Profile			
Profile Disclosure	Disclosure	Page	Report
2.1	Name of the organization.	34	
2.2	Primary brands, products, and/or services.	12-13, 18-19, 24-25	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	36-38	
2.4	Location of organization's headquarters.	36	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	32-33	
2.6	Nature of ownership and legal form.	34	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	19-23, 32-33	
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2.9	Significant changes during the reporting period regarding size, structure, or ownership.	38	
2.10	Awards received in the reporting period.	112, 147	










Report Parameters			
Profile Disclosure	Disclosure	Page	Report
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3.2	Date of most recent previous report (if any).	162	
3.3	Reporting cycle (annual, biennial, etc.)	162	
3.4	Contact point for questions regarding the report or its contents.	171	
3.5	Process for defining report content.	162	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	162	
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	162-163	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	37-38, 162	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	163	







3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/ periods, nature of business, measurement methods).	162-163	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	163	
3.12	Table identifying the location of the Standard Disclosures in the report.	164-169	
3.13	Policy and current practice with regard to seeking external assurance for the report.	163	





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Profile Disclosure	Disclosure	Page	Report
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4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	42	
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	42	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	46	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	46	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	46	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	42	
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4.14	List of stakeholder groups engaged by the organization.	56-61	
4.15	Basis for identification and selection of stakeholders with whom to engage.	56-61	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	56-61	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	56-61	

















Disclosures on Management Approach (DMAs)			
G3 DMA			
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Profile Disclosure	Disclosure	Page	Report
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	52-54, 152	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	110-112, 5.1 & 6.1 in CDP 2013 Report	
EC3	Coverage of the organization's defined benefit plan obligations.		
EC4	Significant financial assistance received from government.		
EC5	Range of ratios of standard entry level wage compared to local minimum wage.		
EC6	Policy, practices, and proportion of spending on locally-based suppliers.		
EC7	Procedures for local hiring and proportion of senior management hired from the local community.		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	63-65, 152-160	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	32-33, 55, 62-65	









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Profile Disclosure	Disclosure	Page	Report
EN1	Materials used by weight or volume.		
EN2	Percentage of materials used that are recycled input materials.	86-87, 129	
EN3	Direct energy consumption by primary energy source.	106-109	
EN4	Indirect energy consumption by primary source.	106	
EN5	Energy saved due to conservation and efficiency improvements.	108-109	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	108-109	


Environmental			
Profile Disclosure	Disclosure	Page	Report
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.		
EN8	Total water withdrawal by source.	89-91, 113-115	
EN9	Water sources significantly affected by withdrawal of water.	80-91	
EN10	Percentage and total volume of water recycled and reused.	113-115	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	89-91, 96-103	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	89-91, 96-103	
EN13	Habitats protected or restored.	88-89, 96-99, 102-103	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	88-89, 96-99, 102-103	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	103	
EN16	Total direct and indirect greenhouse gas emissions by weight.	110-112	
EN17	Other relevant indirect greenhouse gas emissions by weight.	110-112	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	110-112	
EN19	Emissions of ozone-depleting substances by weight.	121	
EN20	NOx, SOx, and other significant air emissions by type and weight.	119-120	
EN21	Total water discharge by quality and destination.	117	
EN22	Total weight of waste by type and disposal method.	129	
EN23	Total number and volume of significant spills.		
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous.		
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	103	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	74-76, 79-80, 104-105	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	47, note 23c to the financial statements 31.12.2013	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	122-128	
EN30	Total environmental protection expenditures and investments by type.	55	

Social: Labor Practices and Decent Work			
Profile Disclosure	Disclosure	Page	Report
LA1	Total workforce by employment type, employment contract, and region.	138, 140-141	
LA2	Total number and rate of employee turnover by age group, gender, and region.	142	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees.		
LA4	Percentage of employees covered by collective bargaining agreements.	140-141	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	142	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees.		
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	142	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	148	
LA9	Health and safety topics covered in formal agreements with trade unions.	144	
LA10	Average hours of training per year per employee by employee category.	143	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	142	
LA12	Percentage of employees receiving regular performance and career development reviews.	139	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	139	
LA14	Ratio of basic salary of men to women by employee category.		

Social: Human Rights			
Profile Disclosure	Disclosure	Page	Report
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.		
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	140	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	49	
HR4	Total number of incidents of discrimination and actions taken.	140	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	140	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	140	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	140	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.		



Social: Society			
Profile Disclosure	Disclosure	Page	Report
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	62-65	
SO2	Percentage and total number of business units analyzed for risks related to corruption.	51	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	51	
SO4	Actions taken in response to incidents of corruption.		
SO5	Public policy positions and participation in public policy development and lobbying.		
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	46	
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	5.5.1 & note 23 c 8 in the Annual Report 2013, Company website: Immediate report from August 29 2013. <a href="http://repo.icl-group.com/Lists/ReportsManagement/Immediate%20Reports/2013/Motion%20for%20Certification%20of%20Class%20Action%20-%20August%2029,%202013.pdf">http://repo.icl-group.com/Lists/ReportsManagement/Immediate%20Reports/2013/Motion%20for%20Certification%20of%20Class%20Action%20-%20August%2029,%202013.pdf</a>	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.		

Social: Product Responsibility			
Profile Disclosure	Disclosure	Page	Report
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	74-76, 81-83	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products.		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	47,74-75, 84-85, 134	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information.		
PR5	Practices related to customer satisfaction.		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications.		
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications.		
PR8	Total number of substantiated complaints regarding breaches of customer privacy.		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.		



Report Application Level	C	C+	B	B+	A	A+
<b>G3 Profile Disclosures Output</b>	Report on: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15		Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5-4.13, 4.16-4.17		Same as requirement for Level B	
<b>G3 Management Approach Disclosures Output</b>	Not Required	<b>Report Externally Assured</b>	management Approach Disclosures for each Indicator Category	<b>Report Externally Assured</b>	Same as requirement for Level B	<b>Report Externally Assured</b>
<b>G3 Performance Indicators &amp; Sector Supplement Performance Indicators Output</b>	Report on minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.	<b>Report Externally Assured</b>	Report on minimum of 20 Performance Indicators, at least one from each of: Economic, Environmental, Human rights, Labor, Society, Product Responsibility.	<b>Report Externally Assured</b>	Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either a: reporting on the Indicator or b explaining the reason for its omission	<b>Report Externally Assured</b>

\* Sector supplement in final version.



	2012	2013	GRI
<b>Business Aspects</b>			
<b>Monetary information</b>			
Income (\$000's)	6,471,333	6,271,542	EC1
<b>Environmental Responsibility</b>			
<b>Energy</b>			
Direct energy use (JG)	20,373,441	21,685,373	EN3
Indirect energy use (JG)	6,723,342	6,363,956	EN4
<b>Air quality</b>			
Emissions (NOx) in tonnes	2,311	2,047	EN20
Sulfur oxide emissions (SOx) in tonnes	5,958	5,605	EN20
Particle emissions (PM) in tonnes	914	899	EN20
<b>water</b>			
Use of fresh water – cubic meters	16,256,440	17,031,011	EN8
Use of non-fresh water – cubic meters	50,753,381	49,296,448	EN8
<b>Wastewater</b>			
Wastewater – cubic meters	28,164,483	29,952,783	EN21
<b>Social Responsibility</b>			
<b>Employment</b>			
Work accidents	148	120	LA7
Loss of work days	3,084	2,477	LA7

### Important Notes to the Reader

This document reflects the policy of Israel Chemicals Ltd. The document is updated as of its preparation date, as specified. We have done our best to ensure that this document is true and accurate. However, as in any document; there may be generalizations, inaccuracies, errors or omissions.. The complete and binding information for the public of Israel Chemicals Ltd is published in its annual and quarterly reports.

We will be pleased to answer questions and receive comments, suggestions or any response. Please contact Mr. Tzachi Yitzhak Mor, Tzachi.Mor@icl-group.com.

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## Statement GRI Application Level Check

GRI hereby states that **ICL - Israel Chemicals Ltd** has presented its report "ICL 2013 - Corporate Responsibility Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines. For methodology, see [www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf](http://www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf)

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

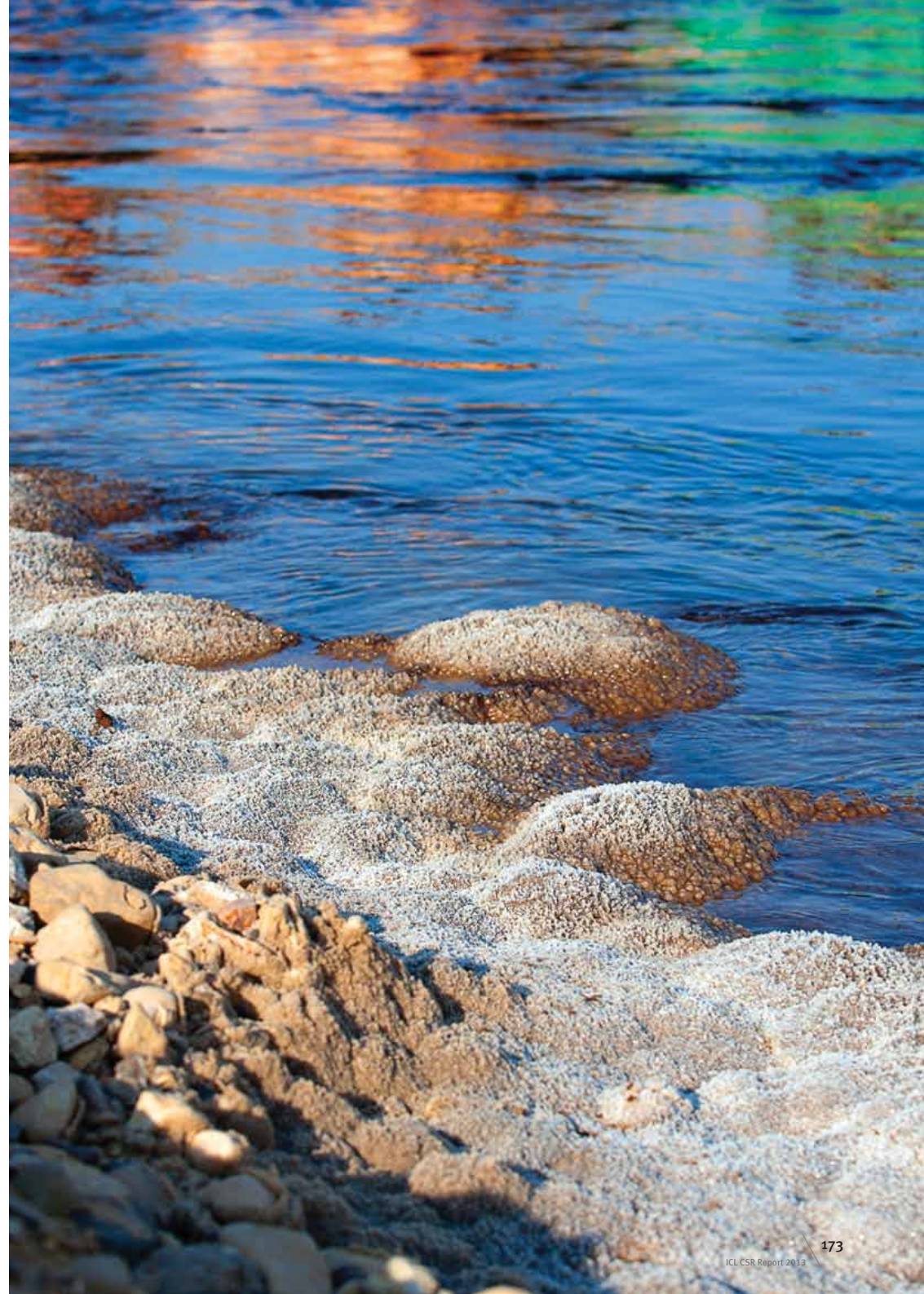
Amsterdam, 22 July 2014

Ásthildur Hjaltadóttir  
Director Services  
Global Reporting Initiative



*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 08 July 2014. GRI explicitly excludes the statement being applied to any later changes to such material.





Where needs take us

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