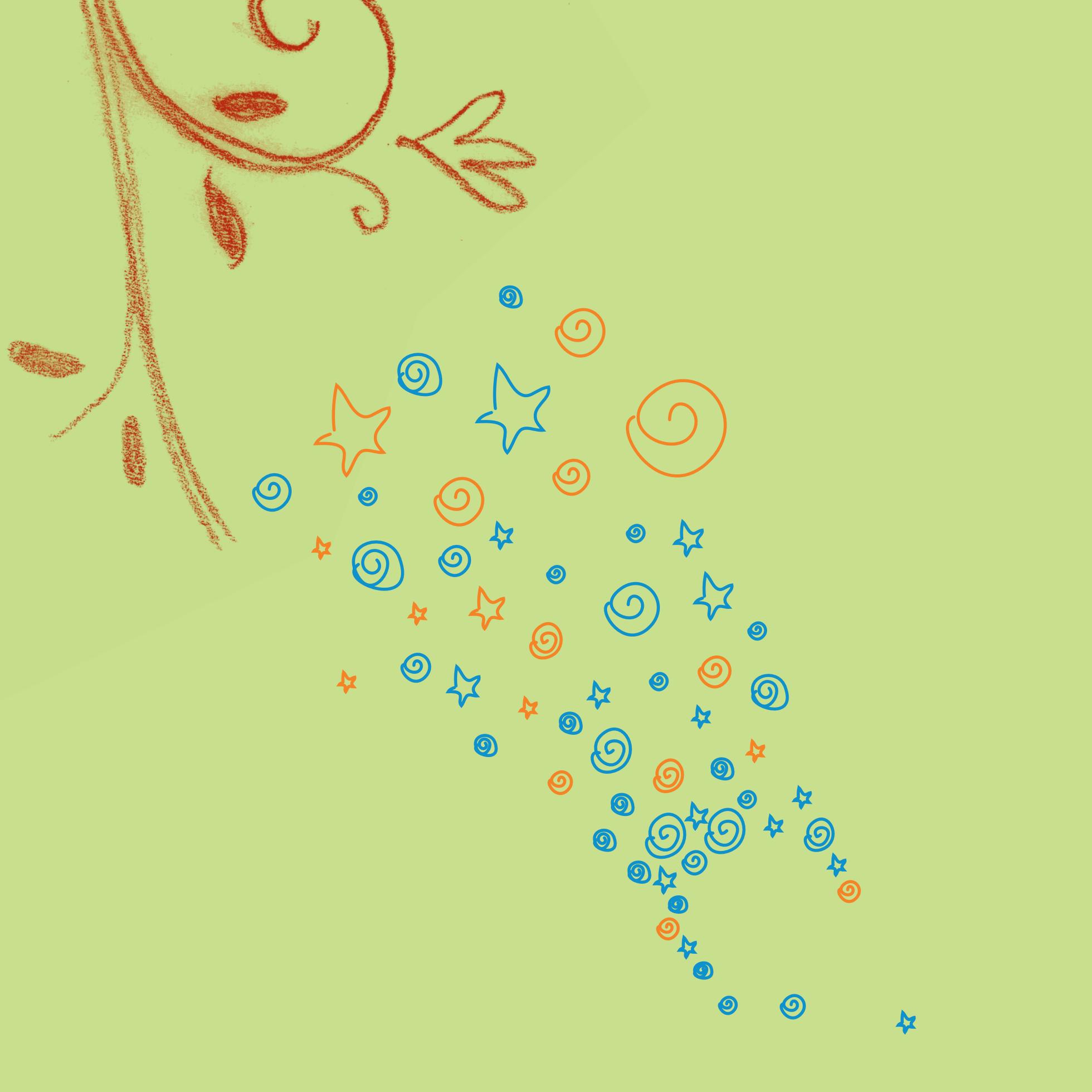




CORPORATE
RESPONSIBILITY
REPORT
2008







“What drives me?

Persistence, faith,
love for mankind,
and the **joy** of
getting up every morning to do
what **I love.”**

Michael Strauss

Introduction and



SCOPE

Corporate Responsibility is an integral part of our identity, and is based on our core values. Global trends and change in the world around us have led us to define Corporate Responsibility as one of our six visionary goals. As a leading international food company, we believe it is our duty and responsibility to reflect leadership in our social and environmental performance. Therefore, we strive to uphold the highest possible standards in these areas and have aligned them with our corporate values and our visionary goals. Our vision of "Creating Wonders out of Basics" is translated into managerial decisions and is transformed into reality day by day. We operate with responsibility and passion in all our activities, internally and externally, and towards all our stakeholders.

Being a socially responsible company translates our vision into managerial decisions, and our vision - "Creating Wonders out of Basics" – becomes reality.

Implementing an effective strategy of Corporate Responsibility drives us to measure and manage our social-environmental performance. That is the reason behind initiating and publishing this report. This report is a tool that enhances dialog with our stakeholders and improves our transparency in all areas. It was created in accordance with the GRI reporting guidelines, and encompasses our company profile, strategy, policies and performance indicators in the

various fields which constitute our CR. The report presents detailed information and data regarding our activities and practices in all those fields, for the purpose of sharing our CR vision and performance with our stakeholders.

This is the second report prepared by Strauss Group according to the GRI (G3) guidelines for CR reporting, and this is in continuation of our declaration last year of our intention to continue to publish CR reports regularly, and to improve our performance and quality of reporting over the years. This year, as last year, we received "A" ranking from GRI, which is the highest ranking relating to the report's level of transparency. Writing a CR report requires collation of an extensive amount of data and detailed information, which in many cases is not routinely gathered. We have invested great effort in gathering as much information as possible. With the exception of chapters whose scope is indicated separately, this report refers to 98.5% of all our business activities from the aspect of sales scope, and covers all our business units, with the exception of Max Brenner. The report presents performance indicators and data collected for the year 2008, with comparison data for the years 2006 and 2007 where possible and/or relevant. Most of the figures presented in this report that are not specified in NIS, were originally measured in NIS and later converted to US\$ according to the conversion rate of December 31, 2008: 1 US\$ = NIS 3.8. Other currencies have been converted to US\$ as well, according to the representative exchange rate on that date.

Please note that the financial data and statistics provided in this report have not been audited and in any case of contradiction between the data provided herein and the company's financial statements, the financial statements shall supersede.



Our Core Values

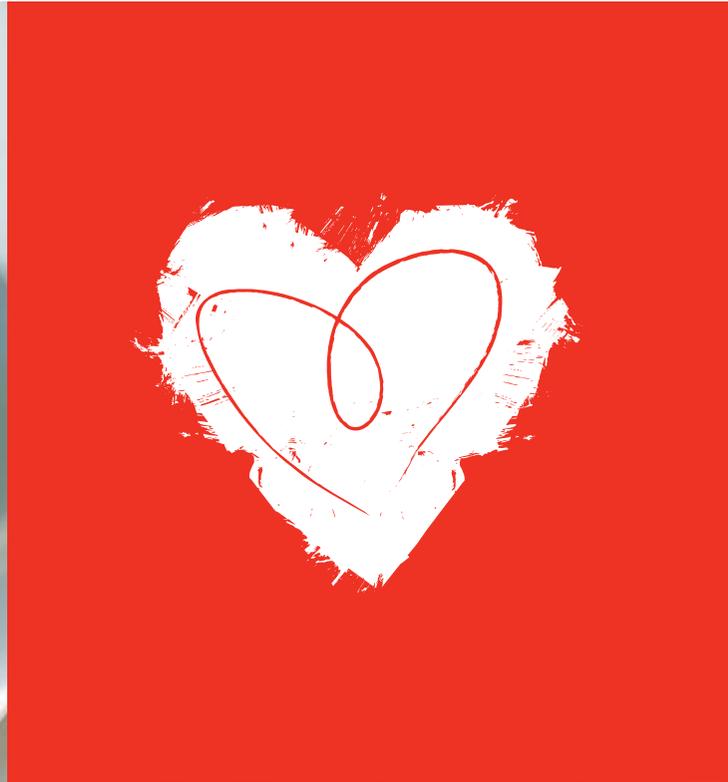
reflect what we stand for and **shape the way** we behave, both internally and in our relationships with all our stakeholders. Our values are **truly unique** and they are here to guide and show us the way wherever we are.

The Strauss Group values are...

Daring & Caring

Passion & Responsibility

Team







Another Step, Another Milestone

Strauss Group is proud to present its second Corporate Responsibility Report. To me, this reports is much more than a formal, fitting and proper act – this report, like the first one, and like reports to come, is a declaration of the unique value we place on transparency.

The content you will find in the document before you, about the extent of responsibility that we take upon ourselves as a company – is important, but no less important in my opinion is the very act of methodical reporting, that is open and straightforward, that invites other opinions, dialog and even criticism. In the broad moral sense, it is important for us to tell the entire world that we are part of it, that what interests human society is our business. The fact that we and our products constitute a part in the lives of so many people places great responsibility on us, and it is very important for us to live up to it.

From the business standpoint, this transparency is the foundation for relations based on trust that we wish to continue to maintain with all our stakeholders. This transparency is much more than a declaration. Transparency is an approach and a collection of hundreds and even thousands of actions, transparency is reflected in reporting, in the way that we operate, in the interviews we give and in the way we manage decision-making processes. It is a process that is endless.

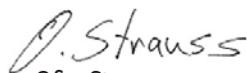
This year the report is published while the world is in deep economic crisis. This crisis is, first and foremost, a crisis of confidence. It is very difficult to restore confidence and trust that were damaged. I believe that the way to slowly restore trust and rehabilitate the economy is to be transparent, honest, and open to criticism. Therefore, now more than ever, company stakeholders and society in general must know, see and be able to examine and verify that we are “doing business” properly.

The economic crisis may change the way or the extent to which companies operate to fulfill their corporate responsibility, but I am convinced that this is not a reason to stop doing so. Corporate Responsibility is not simply a matter of money - it is the lens through which we see the world. Social responsibility is part of the heritage of our founders, and is imprinted deep in the DNA of the entire Group. Social sensitivity, a sense of commitment and responsibility to act do not depend on a time or place. Therefore, even if conditions force us to operate a bit differently, we do not intend to lower this flag. We will not cease in our efforts to continue to be active partners in the societies in which we operate, and a significant factor in global social and environmental processes.

Furthermore, it is because we are undergoing a process of global expansion and now touch the lives of more and more diverse populations, that we must place more weight on our impact on people and on the environment in which they live. The cultural and human diversity of our expanding consumer public is also one of the reasons we chose to promote diversity and inclusion within our company. This approach is based on the belief that diversity is enriching, that numerous outlooks, opinions and cultures create fruitful dialog between them, improve society in general and improve business results. I have taken upon myself to promote this issue and integrate it into all the company's activities: from worker employment policies, organizational culture, allocation of supplier resources and development of diverse products for different sectors, to the manner in which we communicate and act within the community.

I have no doubt that our social endeavors are only beginning, and that we have much more to give to society and the environment. The report presented to you is only one small step on the path of wonders that we wish to and can realize.

Sincerely,



Ofra Strauss

Chairperson of the Board of Directors
Strauss Group



Strauss' Unique Way

2008 was one of the most challenging years ever in the global business world in general, and for us as a company in particular. In 2008 we all experienced the global financial crisis, that created economic uncertainty and a breakdown in consumer confidence and trust, resulting in a global recession that is rapidly developing in all the world's markets.

As a company, we have succeeded in confronting these extraordinary challenges well, based on meticulous, daily management of our business, with our "legs planted firmly in the ground". During this time, we did not cease to invest in infrastructure and implement policies and actions that will support our continued growth and expansion over the coming years.



These actions included acquisition of companies and other activities outside Israel, introduction of TPG as a financial partner (25% holding) in our coffee company, Pepsico (Frito-Lay) as partner (50% holding) in the Sabra operations in North America, implementation of the new organizational structure in Israel and assimilation of our new corporate identity, including launching the company's brand - currently primarily in Israel, as an important pillar of the process of building Strauss as a well-known and esteemed global company in any region where it operates.

A very important factor in these processes is corporate responsibility, a field in which we have taken a huge step forward in 2008, including increasing awareness for the importance of this issue, assimilation of the Code of Ethics in the entire Group, publishing our first global CR report, initiating a tradition of marking the Strauss Global CR Day, signing onto the international treaty for the promotion of fair coffee trade, and the initiation of numerous social and environmental projects, continuing to contribute to the community in Israel and abroad.

2008 was undoubtedly a year in which traditional approaches collapsed and the rules of the game were redefined. Especially during 2008, we relearned the importance of the most basic components of the business world, those that are always true and will be true in the future, those that always work and will work. Prominent among these components are the importance of leadership, of responsibility, of transparency, of reliability and of ethics. Also of great importance is the understanding that all these are vital cornerstones

for the establishment of trust between business companies and stakeholders, including our customers. These components constitute a necessary condition for the development and establishment of a good, strong and successful company over time. On this background, our commitment to continue to invest in development and promotion of all aspects of corporate responsibility is further reinforced.

We have chosen to publish a broad ranging and transparent CR report this year that covers additional business units that were not included in our first report. In addition, we decided to publish this report in conjunction with the publication of our annual financial statements and reports so as to emphasize the importance with which we view the overall representation of all the factors that influence us as a company, from three main aspects: accounting-financial-economic, social and environmental.

This is an additional step in implementing Strauss' unique approach and path, and reflects our sense of responsibility to report all the factors that influence us throughout all the Group's businesses, in any location in which we operate. This unique path is shared by all of us, and together we will continue the long and fascinating journey that takes us all forward, one step at a time.

Yours Sincerely
Erez Vigodman

President and CEO, Strauss Group

Transparency and Responsibility

Strauss Group is honored to publish its second Corporate Responsibility Report, and is proud to share the report with all its stakeholders. The data and results published in this report reflect the extensive work we have performed in the field of social - environmental responsibility, yet also highlight that the road we still have to walk in order to increase our CR awareness and improve our CR performance is long. The goal of the report, in addition to presentation of data and information about our activities in this field, is primarily to serve as an index and benchmark for all the diverse issues that require work plans in order to improve our CR performance, both at the corporate center and at each business unit.

The report presents to stakeholders, in a transparent and responsible manner, data and details relating to Strauss Group, and complies with the basic requirements of corporate responsibility by examining the corporation's activities on three levels – economic, environmental and social (triple bottom line). We have learned how important each one of these fields is to our various stakeholders, in our development into a global company that is committed to act according to international standards in each one of these fields.

During 2008, Strauss Group has implemented several significant steps in the field of CR, as is reflected in the report presented to you. Among others, we have completed the assimilation of the Strauss Code of Ethics, appointed Environmental managers in Strauss Israel and Strauss Coffee, completed infrastructure work in the field of community relations and donations that are designed to serve as the basis for consolidating a clear perennial policy in this important field. In addition, we have formulated a compliance and enforcement program that will be launched and implemented during 2009 in all Group units. The 4C project for the purchase of green coffee from growers committed to worker rights and proper work environment has been significantly expanded. The Group has invested extensively in its products, with respect to nutrition and wellbeing. Various programs have been prepared to promote the goal of diversity and inclusion within Strauss and via its contribution to the community.

In this period of economic crisis, the issue of corporate responsibility is of even greater importance, and requires Strauss Group to work even harder to try to mitigate the negative impacts of the crisis. This is reflected mainly in community relations in human resources, welfare programs and in protecting the environment through energy savings.

I would like to thank, all the people who participated in the preparation of this report, and hope that all Strauss stakeholders and all readers of this report will enjoy it. I am convinced that the presentation of Strauss Group's activities in the field of CR will increase stakeholder confidence in Strauss.



Sincerely
Michael Avner
Executive VP & Chief Legal Officer,
Corporate Secretary & CR Officer
Strauss Group





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Strauss Group at a
GLANCE

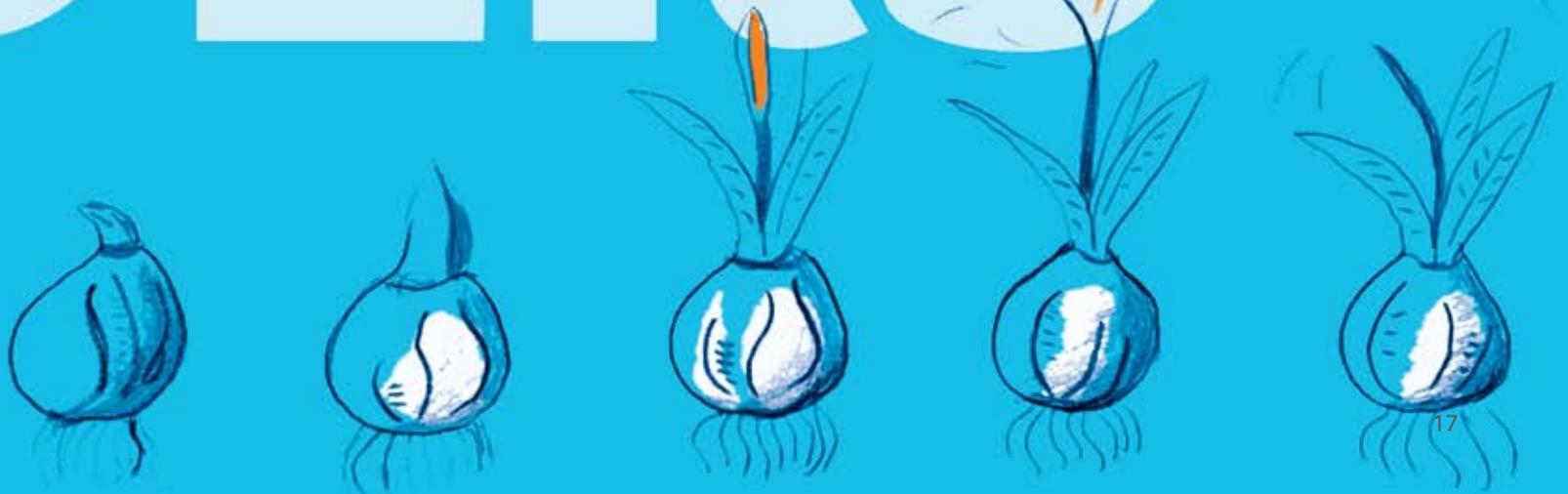
Strauss Group, the second largest food and beverages company in Israel, has in recent years grown into an international corporation with an impressive growth rate outside the borders of Israel. Strauss Group employs 11,633 workers, produces hundreds of products under numerous brands, and operates in about 20 countries. With more than 70 years of excellence and innovation, Strauss offers products that address a wide range of tastes and needs.

Creating WON out of Basics

★ The Group focuses on three primary consumption trends in the food industry:

- Health & Wellness
- Fun & Indulgence
- Coffee

DEERS



Almost all Strauss Group brands are ranked in leading positions in their categories in the markets in which they operate.

Our products are manufactured using various technologies, are distributed via our extensive distribution centers, and are sold at various points of sale in the retail market - supermarket chains, grocery shops; and in the Away From Home market - hotels, offices, and vending machines - in many countries

Over the years, Strauss Group has focused on establishing partnerships that offer new opportunities for growth and diversification. The Group collaborates with several multinational companies – Danone, Pepsico (Frito-Lay), Lavazza and Unilever.

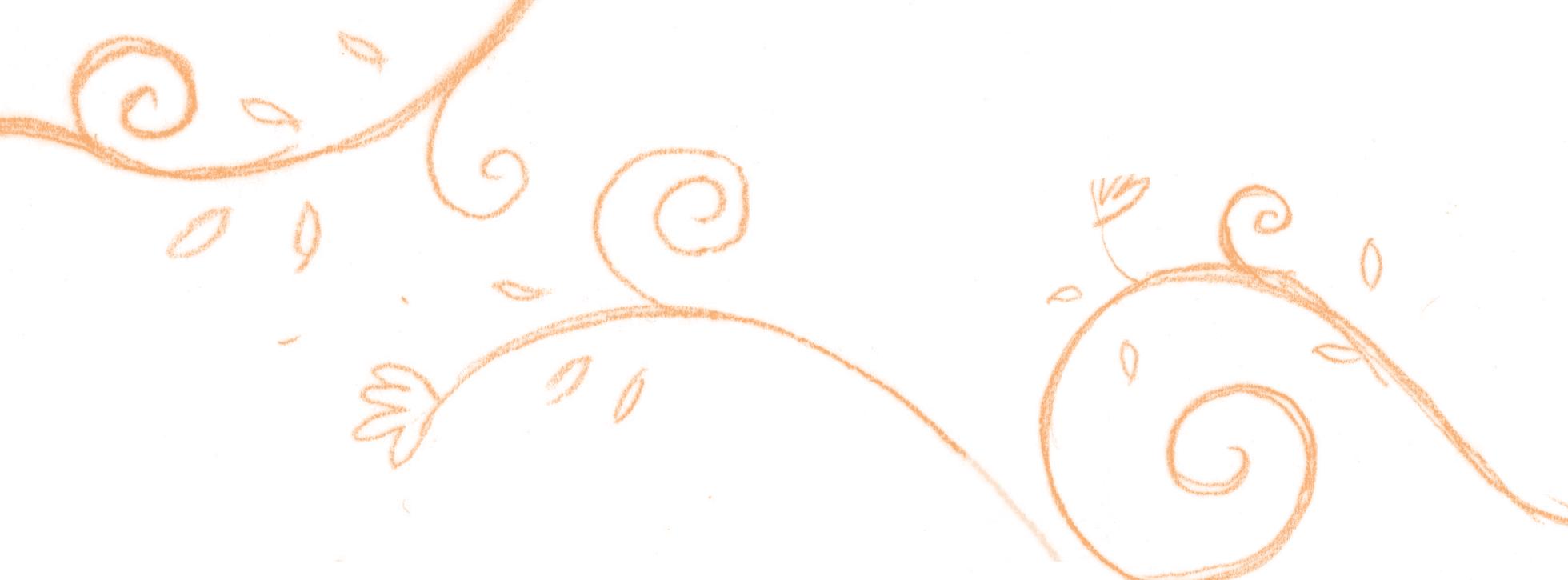
The Group collaborates with several multi-national companies – Danone, Pepsico (Frito-Lay), Lavazza and Unilever.

Growth and expansion

Over the past six years, Strauss Group has consistently attained substantial growth rates, and has more than doubled the volume of its activities over this period, with the goal of continuing this trend in the future based on international business expansion. During 2008, the Group's operations grew by 4.8%, generating a turnover of 6.24 billion NIS, 47% of which stemmed from international operation, and its market value at the end of the year totaled over 3.88 billion NIS. Currently, the Group holds a leading position in the various businesses and markets in which it operates.

The Group's expansion over the past six years is due to successful implementation of its unique growth philosophy. This philosophy is based on a combination of activities, with a focus on major growth trends in the food industry, and on the development of each one of them in geographical regions with the highest growth potentials.





World-encompassing business

Strauss Israel

Strauss Israel is the Group's home base, and at the end of 2008 accounted for 53% of the Group's overall business turnover. Our brands, in all our core categories, are deeply rooted in Israeli life and culture, lead the Israeli food market, and include many of the most well loved products preferred by the Israeli consumer. Strauss holds 12% of the retail food and beverages market in Israel, and focuses on three major trends in the food industry in Israel: Health & Wellness, Fun & Indulgence, and Coffee.

Strauss Coffee

Strauss Coffee is the sixth largest coffee company in the world in terms of green coffee acquisitions, and over the past five years has become one of the world's fastest growing F&B companies. Over this period, Strauss Coffee has tripled in size, and now enjoys a leading position in the coffee markets in Israel, Central and Eastern Europe, and Brazil. The company is currently ranked in first or second place in almost all the markets in which it operates. In September 2008, 25.1% of Strauss Coffee shares were purchased by TPG Capital, one of the world's leading private investment firms, that manages assets valued at more than 50 billion US dollars.

Sabra

Sabra's operations serve as an important growth engine for the Group. Sabra develops, manufactures and sells a line of refrigerated Mediterranean salads throughout North America. Based on healthy products in the rapidly developing field of healthy lifestyles in this region, Sabra has become a leader in the fresh salads market in the US, with a 34% market share. Due to the success of the Sabra brand, and the potential of mediterranean salads, PepsiCo became a partner in the company (50%), and Sabra is currently managed as a partnership between Strauss and PepsiCo.

Max Brenner

The Max Brenner Chocolate Bar chain is an innovative retail concept personifying the essence of the enjoyment and leisure trend. Currently, 24 Max Brenner Chocolate Bars operate throughout the world. The Group plans to open additional branches in the future, and believes in the great potential of this unique brand.

H2Q

H2Q is a start-up company developing an innovative water filtering technology. One of the primary motivations behind investment in this project is our corporate responsibility, as this project is designed to enable people to consume higher quality water.



Strauss

around the
GLOBE



Israel



Bulgaria



Ukraine



Poland



USA



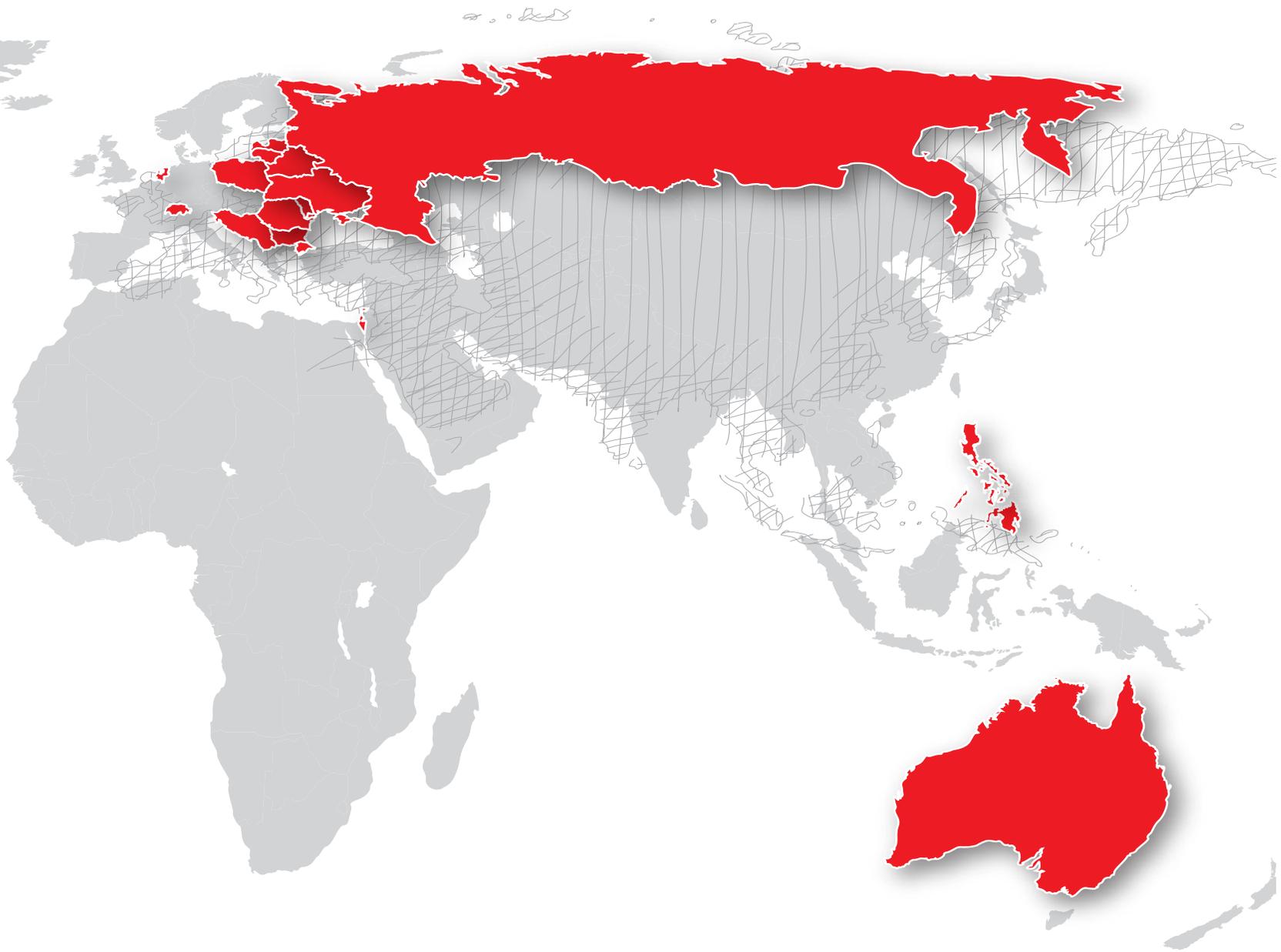
Brazil



Romania



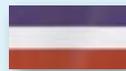
Singapore



Russia



Australia



Netherlands



Switzerland



Phillippines



Lithuania

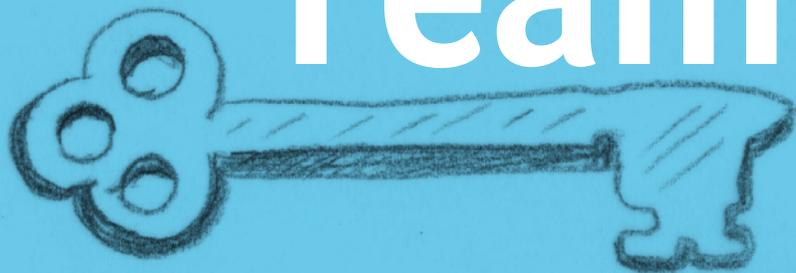


Albania



Serbia

Our Team



At **Strauss**,
our most valued asset is
our people.
As a company that started
out as a **family** business,
we still consider each and
every member
of the Group to be
part of the family.





Brands

Strauss brands are among our core assets. It is through the brands that we realize our promise to consumers.

All around the globe we find more and more people who are connected to our brands. Our brands accompany people all day long and enrich their everyday lives. It is our profound belief that strong brands are the basis of a successful company. Most of our brands are well-established names backed by a strong cultural legacy that deeply connects them to the market in which they operate. But that's not enough for us. We are always seeking innovative solutions and innovative brands that address the growing need for warmth and closeness, the sense of togetherness, progress and globalization, health and indulgence. Our brands provide solutions for household consumption and On The Go consumption for a wide range of market segments and needs - with a focus on three major consumption trends: health & wellness, fun & indulgence, and coffee.

In the health & wellness category, in addition to the Strauss brand, our major products include yogurts, cheese and dairy products under the brand names of Danone, Actimel, Activia, Mikly, Danny, Gamadim, Ski, Symphony and Strauss cottage; Yotveta milk drinks; Achla Salads (hummus, eggplant, cabbage, etc.); Energy cereals and granola snacks; as well as Yad Mordechai honey, olive oil and jam. In addition, we also market products that we do not manufacture, such as Ganir natural juices and milk produced by the Ramat HaGolan dairy. In the US, we market Mediterranean style salads under the Sabra brand.

In the fun & indulgence category, our products are marketed under the Elite brand. Within this framework, we market sweets and chocolate snacks under the Pesek Zman, Mekupelet, Para and Kif-Kef brands; gum and candy under the Must brand; salty snacks under the Tapuchips, Shoosh, Doritos and Cheetos brands; and various nuts and cereals under the Sababa and Pitzuchei Afula brands. Max Brenner is the brand name of our chain of chocolate bars and various chocolate products in several countries.

In the coffee category, our major products are roasted and ground coffee, instant coffee, cocoa powder and other beverages in powder form. The Group manufactures, sells and distributes in Israel under the local brands Elite Coffee, Aroma, Platinum, Chocolit and the international Jacobs coffee brand. Our brands outside of Israel include Elite Coffee, Doncafe, C-KAFA, Fort, MK, Sahara, Roberto Totti, Chornaya Karta, Pedro's, Selected and Elita in Central and Eastern Europe; and Café Très Coracoes and Santa Clara in Brazil. In several countries, the Group distributes espresso coffee under the Lavazza brand name.



"Consumers increasingly want to know and really care about the company behind the brand. At the core of our promise lies the value of responsibility. Our responsibility manifests itself in how we develop our products, design our packaging and communicate with our consumers."

Alain Loss,
EVP & Chief Marketing Officer -
Strauss Group

Major Brands



Major brands under partnership



Our Products







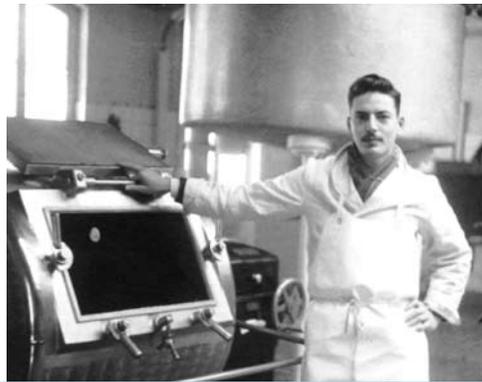
How it all Began...



Strauss Group started out in 1936, when Dr. Richard and Hilda Strauss, and their tiny son Michael, fled to Israel to escape the horrors of Nazi Germany. They chose to build their home in the small northern Israeli town of Nahariya, where they founded a small dairy with two cows. The tiny dairy began to sell milk, cheese and cream to local residents. Strauss family products quickly began to win various prizes, which paved the way for the establishment of the first dairy farm and national success.

The story of Strauss Group is the story of Zionism, of values and family tradition that have become the legacy of the entire company.

During the same period, due to rising anti-Semitism and the ascent to power of the Nazis, Eliyahu Fromenchenko, a candy manufacturer from Riga in Latvia, also immigrated to Israel. In collaboration with six other families, he founded Elite. Elite began manufacturing high quality chocolate, candy other sweet snacks.



The two companies manufactured pampering premium products that were enthusiastically received by consumers of the country in the making.

In the 1950s, Strauss expanded its activities to include manufacturing of ice cream, and in parallel Elite expanded into the coffee and gum sectors. Both companies demonstrated extraordinary growth over the years, which was reinforced by various investments and acquisitions.

In 1977 Strauss Diaries began collaborating with Danone International, and this partnership was one of the first notable investments by an international company in Israeli industry.

In the 1990s, additional partnerships were established. A partnership with PepsiCo International was established, and the global food giant Unilever entered a partnership with Strauss Ice Cream. In parallel, Elite took its first expansion steps outside Israel, primarily in the roasted and ground coffee markets in Europe.

Over the years, the two companies grew to become an inseparable part of the country's life, with brands that are deeply rooted in Israeli life and culture.

The paths of these two Israeli icons officially united in 1997, when Strauss acquired control of Elite that gradually led to a full merger between the two companies in 2004.

In 2007, the company was renamed Strauss Group, and a new logo was launched, aimed at creating one international company with a focused, clear and uniform identity under one name.

The Group's operations model is unique in the manner in which it leverages growth ventures in the local market, strategic partnerships both globally and locally, and international expansion.

Strauss Group is currently an Israeli-international company, the second largest in the Israeli food industry, with an ever-growing component of activities outside Israel, centering on activities in roasted and ground coffee.

How It All Began...

Strauss



1936

Hilda and Richard Strauss immigrate and found Strauss Dairy



1951

Entry into the ice cream market and establishment of a plant in Acre



1974

The yogurt innovation arrives in Israel
Fruitful collaboration between Strauss and Danone bring the new global health trend to Israel - yogurt.



1977

Danone acquires 28% of Strauss Dairy shares

Elite



1933

Elite is founded by Eliyahu Fromenchenko

In collaboration with six partners, they found a candy and chocolate factory in the city of gardens - Ramat Gan, under the name of "Elite".



1958

The world chooses coffee

Elite enters the coffee market



1963

Elite expands into the roasted and ground coffee sector and acquires a coffee manufacturing plant in Lod



1979

Strauss begins to produce the Milky dessert, which becomes a successful brand and one of the company's symbols.



1982

Due to the Arab Boycott, Strauss purchases its shares back from Danone



1991

Strauss enters the humus sector by acquiring a humus factory and begins to manufacture humus under the Achla brand



1995

Unilever purchases 51% of Strauss Ice Cream



1973

Elite shares are issued on the Tel Aviv Stock Exchange



1991

Elite establishes a coffee manufacturing plant in Poland



1992

Elite signs a knowledge sharing deal with the American food giant and manufacturer of salty snacks FritoLay

Strauss



1996

The historic partnership between Strauss and Danone is revived, and Danone purchases 20% of Strauss Dairy



1997

Strauss acquires control of Elite.
Strauss acquires 51% of Yotveta Dairy

2004



The merger between Strauss and Elite is launched

Elite



1995

Elite expands into the roasted and ground coffee market in Romania



1998

The food giant PepsiCo enters partnership with Elite and purchases 50% of Elite Food – Elite's Salty Snack Division

2005



Strauss signs an agreement with the Lima family to merge their coffee businesses in Brazil

2007



Strauss-Elite is renamed Strauss Group

2008



A breakthrough year

- Strauss enters 50/50 partnership in Sabra with PepsiCo
- The leading private investment TPG Capital becomes a partner in Strauss Coffee (25.1%)
- Strauss purchases the Chornaya Karta brand, a leading instant and roasted coffee brand in Russia
- An agreement with Italian Doncafe is signed for the purchase of the Doncafe brand and its coffee operations in Albania and Macedonia

New Horizon for Strauss Group

The Group's business activities in Israel and especially abroad have expanded substantially since the merger between Strauss and Elite. The merger resulted in organizational change in June 2007, which led to modification of the Group's operational model, organizational structure, corporate center and activities in Israel. The main goal of this change was to align the Group's operations and structure with its expansion, accelerate its development rate and expand its strategic plans, so as to enable its development into one multi-national group operating according to world-class standards.

The Group's business activities in Israel and especially abroad have expanded substantially since the merger between Strauss and Elite.

In addition, this change aimed to leverage our competitive abilities, focus on understanding our consumers and leading current consumption trends, improve our cost structure and profitability and correctly allocate resources to enable the organization's continued international expansion.

As a result of the organizational changes we have undergone, among other reasons, we decided to redefine our organizational identity and culture, and among the dimensions we have placed at the center are cross-organizational collaboration, execution discipline, and diversity and inclusion.

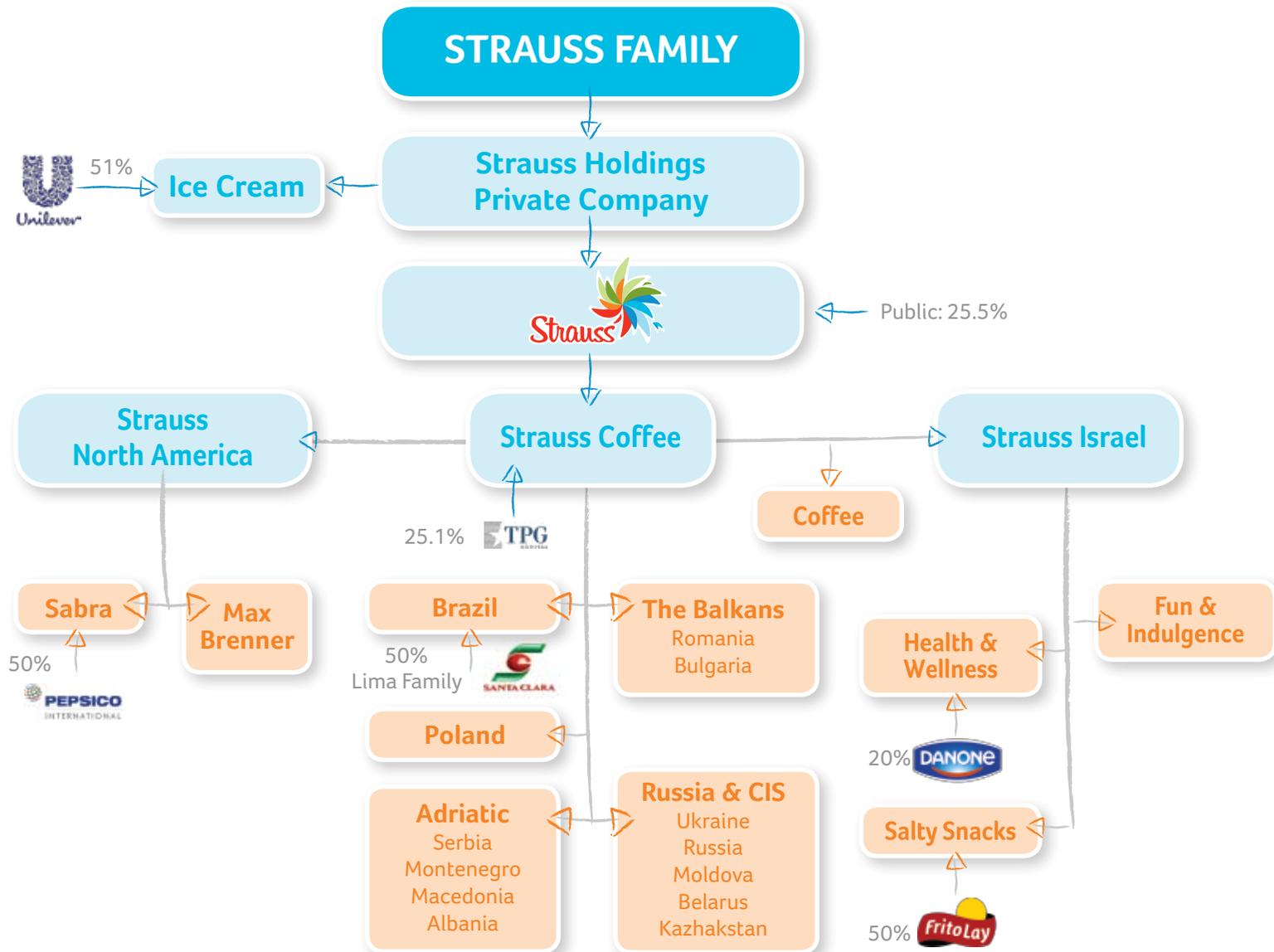
As a result of the organizational changes we have undergone, among other reasons, we decided to redefine

our organizational identity and culture, and among the values we have placed at the center are cross-organizational collaboration, execution discipline, and the issue of diversity and inclusion. We upgraded our cross-organizational processes, as well as our expertise and level of professionalism in various areas, such as marketing, supply chain and operations, with the aim of attaining operational excellence. With the support of an international consulting company, the Group's executive management led this process by adopting a new operational model. This was based on a matrix structure that integrates business units responsible for profitable growth with central units in the Group's headquarters in Israel, in order to manage the core processes and the supporting processes across the organization.

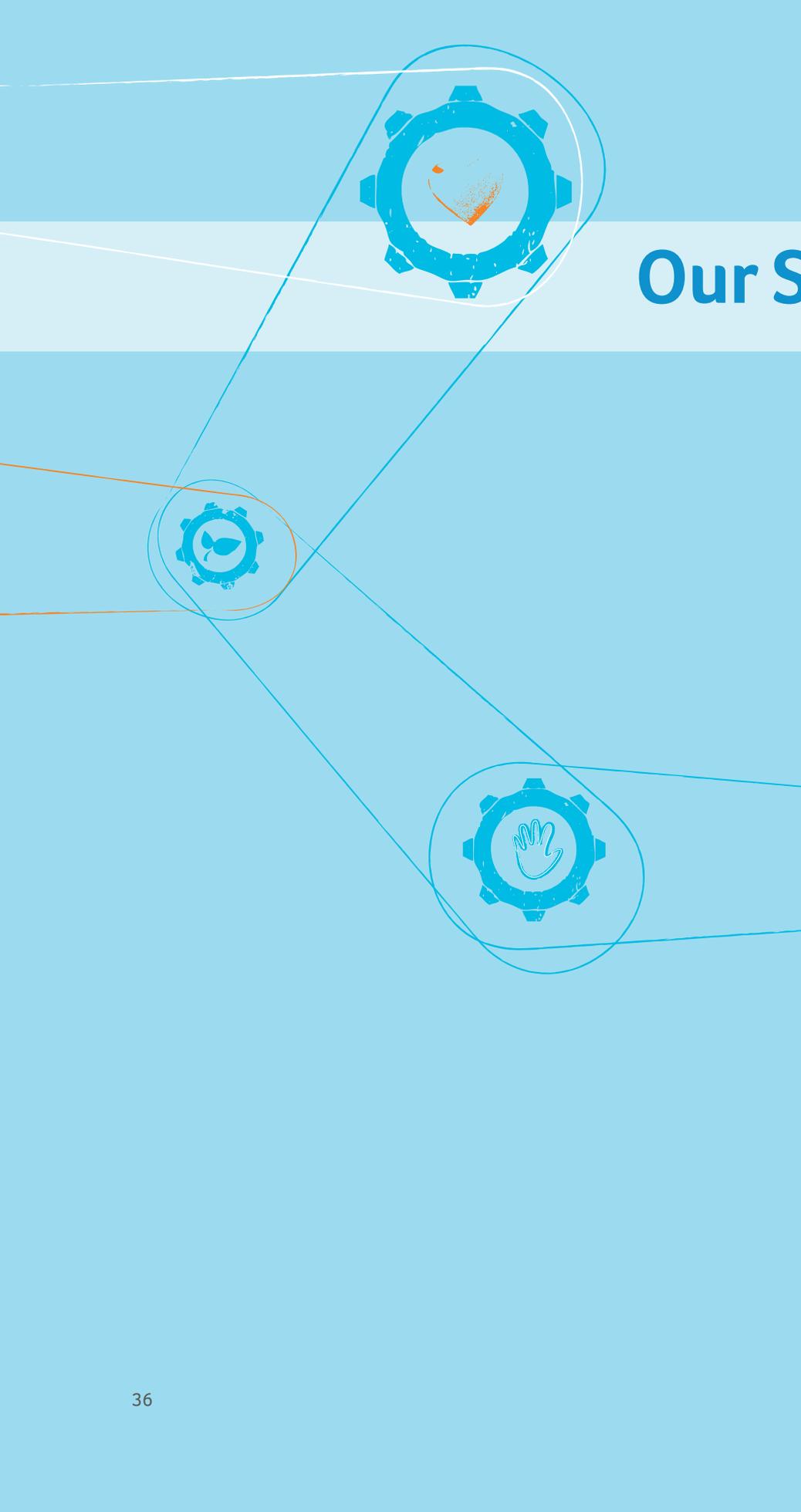
Key changes we implemented include:

- Operations in Israel underwent restructuring, and the business units were reorganized into divisions based on consumer trends – Health & Wellness, Fun & Indulgence, Coffee – with each unit being responsible for its own growth and profitability. The Industrial Division concentrates management of all our production sites according to a comprehensive operational strategy, and is responsible for carrying out production plans in accordance with the frameworks set by the Planning Department in the Supply Chain Division.
- The Group's HQ was assigned various new authorities and areas of responsibilities aimed at helping in the management of the business units and supporting them in various professional fields such as: Marketing, Business Strategy, Business Development, Mergers and Acquisitions, HR, Finance, IT, Communications and Corporate Responsibility.

The following chart depicts the Group's current organizational and holding structure:



* TPG Capital, TPG and attached marks and logos are service marks or registered service marks owned by Tarrant Capital IP, LL.



Our Stakeholders

Our Consumers

We take the utmost care in ensuring the highest standards of quality and product safety, bearing our consumers' health and nutrition in mind, and doing our best to satisfy their needs while providing the best service possible.



Our People

We aspire to enrich the lives of our employees by creating fun, challenging work surroundings. We aim to provide them with a safe, healthy and diverse work environment, treat them fairly, and help them focus on their personal and career development.



Our Business Partners

We value our suppliers, customers and business partners and treat them professionally and respectfully. We strive to promote and conduct fair and ethical trade and maintain ethical practices throughout our supply chain.



Our Environment

We are constantly aware of our environmental impact and try to reduce damage and improve our environmental performance in all of our business units. We care deeply about the world around us and therefore act to create a better world for us and for future generations.



Our Communities

We do our best to conduct fair, corporate stewardship and maintain good relationships with the communities we serve. We donate money, products and resources to help support the communities around us.



Our Governments

We always maintain good citizenship, abide by every law and legislation, and cooperate with all governmental authorities. We share our wealth by paying taxes to governments wherever we choose to operate.



Our Shareholders

We work hard to be the best at what we do, strive to improve, develop and innovate in order to continue creating value for our shareholders and making them proud to be our shareholders.



Maintaining Constant Dialogue with Our Stakeholders

Our relationships with all stakeholder groups are extremely important to us and we do our utmost to nurture and cultivate them. We maintain constant dialogue with our stakeholders and use various measures to this end.

We view our workers as the company's most substantial asset. For this reason, we have developed a diverse range of mechanisms and communications channels between the various levels in the organization and between the workers. We hold periodic focus groups and feedback sessions at all corporate levels. We have established various communications channels at the workers' disposal, such as an intranet network, company brochures, local and global newsletters and more, and have created a wide array of activities to develop inter-organizational communications. We also make sure to update and coordinate all external and internal messages and base our actions upon the principle that our employees should always be the first to know of every major action taken by the Group.

We are always attentive to the reactions of our consumers, to the extent of their satisfaction with our products, and of course we are always there for them in any case of a problem or dissatisfaction with a product, and address these problems as necessary. For this purpose, we invest extensive resources in the operation of our Consumer Service Center that is always open to receive feedback from our consumers, to prevent and properly handle crises and cases of dissatisfaction.

Our suppliers are another example of how important it is to us to maintain constant relationships. We do our best to keep our suppliers informed of any material change or update, and hold periodic meetings with our major suppliers to communicate relevant issues with them on an ongoing basis.

We believe that our customers, who are an important part of our supply chain and serve as the link between Strauss and consumers, should benefit from the relations with the company, and enjoy a situation in which both side reap the benefits. We make a point of keeping in constant touch with our customers, understanding their needs, and doing our best to help and assist them in developing their business. We manage various mechanisms and conduct surveys to receive feedback from our customers; in addition, we offer a Customer Service line to enable customers to communicate with us.

We always keep our investors and shareholder fully updated and informed about occurrences in the organization, and provide them with access all the data and sources of information that will help them make decisions. We hold conferences in order to communicate results, various developments and company strategies, as the foundation for creating trust and transparency.

Governmental authorities play a significant role in many areas of our operations. We believe that ongoing ties with authorities are of great importance, and are careful to update them with all relevant information related to mergers, acquisitions, taxation issues and crises.

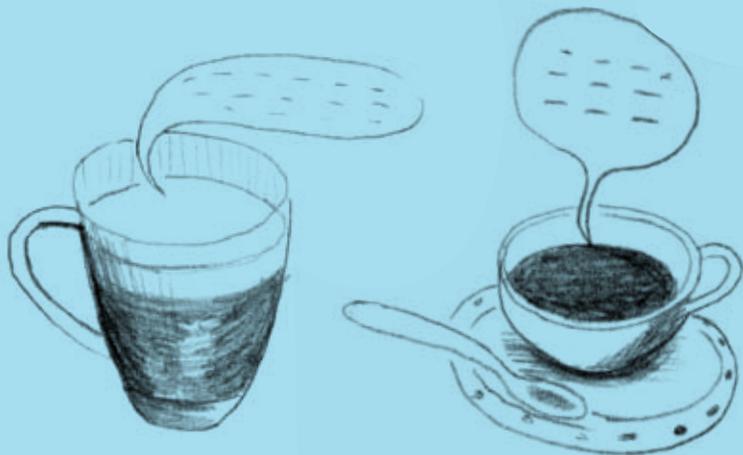
This year, in addition to all these, we have launched an innovative, diverse and comprehensive website. The website contains segmented information based on topics and sectors, and serves as a platform for ongoing reporting about all the essential actions taken by the company, based on our approach that sharing and transparency are conditions for building close relationships.

Further information concerning our dialogue with our various stakeholders may be found in the chapters referring to the respective stakeholders in this report or at the Strauss website: www.strauss-group.com.



Our relationships with all stakeholder groups are extremely important to us and we work hard to nurture and invest in them. We are careful to maintain constant dialogs with various stakeholders, and use diverse means to attain this goal.

We view our employees as the company's central asset. For this reason, we have developed various mechanisms and channels to improve communications with them.



“The way we manage corporate responsibility and the fact that we have chosen to publish a CSR report every year reflects our deep commitment to strengthening our relations with the company’s central stakeholders. This report is an expression of the transparency that is the foundation of trust and improved communications with our stakeholders, both internal and external. We share information and in parallel invite dialogue and feedback to attain constant improvement.”

Osnat Golan
Corporate Communications Manager
Strauss Group

A close-up photograph of a woman with long dark hair, wearing a white top, looking through black binoculars. The background is a soft, out-of-focus blue. The text is overlaid on the image.

Strauss Group
Managing CR,
Vision
&
Strategy



Corporate Responsibility has been embedded in our DNA ever since our establishment. In the past few years we have committed to building an organized system for managing our Corporate Responsibility performance in order to preserve and leverage this legacy.

Strauss has always based its operations on values - from family values to ethical and social values on a global scale. Since the company's inception, we have always managed our businesses with responsibility. Yet in recent years, as a result of the company's growth and expansion, we realized that it had

become necessary to manage our CR in a more structured and organized manner, and to incorporate it as an integral part of the company's vision. In 2005 Strauss defined six visionary goals, including its CR goal. The Group continually and constantly works to attain these goals.

One Company - A Group that represents one company, one name, one organizational structure and one management working together on one strategy with common core processes, toward one vision and one mission. The will operate in accordance with the "Strauss Way" - the spirit, culture, vision, values, Group visionary and strategic goals, corporate identity and all the shared assets that promote our growth and sustainability over time, and constitute the basis for Strauss being one global company.

Preferred employer - creating a people-oriented company, in which our unique family atmosphere coupled with our passion for growth and daring make all the difference. As a preferred employer, Strauss Group aspires to employ a team of empowered employees living and operating in the Strauss Way.



Quality of Life - As a food company, we believe we are responsible for providing more than mere products that cater to basic needs. Therefore, we aim to generate change and play a meaningful role in consumer's lives by improving their quality of life and wellbeing through our brands.

Corporate responsibility - Strauss Group believes in managing its business based on social and environmental awareness, understanding and commitment. We strive to do so in a manner that takes into consideration social and environmental needs in any region in which we operate.

Unique concept - we aspire to be unique in our ability to develop exclusive ideas and exceptional business models. We wish to create a unique foundation for development and implementation of original international ideas and concepts, as well as an organizational environment that encourages original thinking and unique abilities.

Financial visionary goals - our target is to double total sales by the end of 2009 (compared to 2005), with international operations constituting 50% of our sales.

The goal of these visions is to turn Strauss into a strong international company recognized as a groundbreaker in the variety of sectors in the food industry.

CR Management

Our visionary goals, which are defined once every few years, complement Strauss' values and mission. This unique "Strauss Way" differentiates the company and motivates employees and managers throughout the world. Strauss values include: "Daring and Caring", "Passion and Responsibility" and "Team". These values are based on our vision: "Creating Wonders out of Basics". In 2007 a new corporate identity was launched, which is strongly aligned with all components of the Group's vision.

Our CR Mission Statement

To be deeply connected to society through a bond of responsibility and commitment. To demonstrate caring and humanity via our every activity, wherever we operate, in every contact we have with society and the environment. To nurture our people, partners, consumers, customers, investors, suppliers and all other stakeholders who are our *raison d'être* and the secret of our success.

As mentioned, one of our visionary goals is to successfully manage the group's Social and Environmental Responsibility as an integral part of its business strategy. Our aspiration is to run a successful, growing business that combines sustainable profitability with decision-making that incorporates value-based, ethical, social and environmental considerations as part of the Group's way of achieving its business objectives. We pride ourselves on acting with responsibility and caring in all our activities - within and outside the company - and with all our stakeholders: shareholders, partners, suppliers, consumers, customers and our employees.

In order to transform our vision into reality, we decided to treat this matter like any other business goal we set for ourselves, and devote serious executive attention and resources to achieving our target.

As an initial major step, we appointed a CR Steering Committee, led by a senior member of the Group's management team (GMT), Michael Avner, the Company's EVP and Chief Legal Officer. The team is comprised of senior managers from relevant fields, who act in collaboration to implement our visionary goal in the field of social and environmental responsibility. The role of this steering committee is to manage and provide professional support for all the company's activities in this field, and to address all key aspects of the relevant issues. The committee convenes on a regular basis, as necessary and in accordance with the various projects.

A CR Trustee was appointed in each of our business units, in order to allow for effective "hands on" management of the subject and deep involvement of as many of our employees as possible. Each CR Trustee is the representative of his/her business unit and serves as the contact person for implementation of the various processes throughout the company. These trustees are appointed after undergoing professional CR training. In order to establish effective collaboration, communications and the flow of information between the CR Trustees in the various units, a forum of CR Trustees was founded, comprised of Trustees from the various business units throughout the world. The forum holds a conference once a year, in which CR Trustees meet, exchange ideas and information, undergo training and receive enriching guidance in the relevant fields. In addition, the Group's Board of Directors has established a CR Committee to formulate the Group's CR strategy and monitor its implementation process.



Annual Meeting of the CR Forum - 2008

The third annual meeting of the Group's CR Forum was held in 2008 in Israel. CR Trustees from the various units in Israel and overseas, Environmental managers, Marketing managers and other invitees were presented with extensive content and participated in various activities, including presentation of information about operations in their units.

On the day they arrived, participants were invited to a dinner with the Group's Chairperson, Mrs Ofra Strauss, who spoke with them about her CR vision for the entire Group and her approach to diversity and inclusion in particular.

The following day, a conference was held at the Group's headquarters in Petach Tikva, focusing on the following:

Corporate responsibility in business units

- An address by the Group's CR Officer, Michael Avner, about the role of CR Trustees in the Strauss Group, the goals and challenges they face, and plans for the future.
- Four CR Trustees presented the CR work programs of the business units they represent, as well as ethical dilemmas raised at the business unit level.
- An open discussion about the role of CR Trustees and ethical dilemmas.

Social – Environmental reporting

- Launching of Strauss Group's CR report for 2007 – presentation of the report, review of its content and the data included in it, its importance, the methodology guiding its preparation, analysis of gaps, objectives, plan for communicating the report to the Group's stakeholders, and more.
- Maala Ranking (see details on page 49) - presentation of Strauss Group's results in the Maala ranking for 2007, analysis of gaps and work plans for the future aimed at improving the Group's social - environmental ranking and preserving its high Maala ranking.

Diversity and inclusion

- Presentation of the issue by the Corporate VP for Human Resources, Nurit Tal Shamir - the background and social context, examples from the world, and work plans for the Group in the field of diversity and inclusion.

Environmental responsibility at Strauss Group

- Presentation of projects and initiatives by the Group's various business units in the field of Environmental responsibility, such as reducing the weight of packaging, reducing energy consumption, recycling waste (for additional details, see the Environmental chapter on page 126).
- Guest lecture: use of advertising to promote and increase awareness for Environmental responsibility issues.

The team began the process of assimilating the CR strategy within the Group. One of the first projects that we executed within this framework was the creation and assimilation of an effective ethics program throughout the organization, that serves as a very significant foundation for effective CR management in the Group. The process that the entire company underwent, on a global basis, is described in the Ethics Program at Strauss Group chapter, on page 57.

We then proceeded to build a framework of targets and performance indicators to supply the infrastructure necessary to measure, report and manage our CR performance, and began implementing various projects in the different fields of Social and Environmental Responsibility. Among them are the following projects (further details are available in their respective chapters in this report):

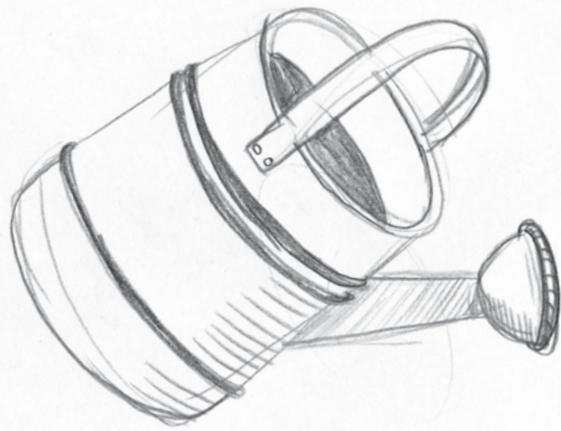
- Promoting proper nutrition and a healthy lifestyle by formulating a new and comprehensive corporate-wide healthy policy. See further details in the Product Responsibility chapter, page 74.
- Managing and improving our Environmental Performance, and establishing the foundation for measuring and reporting our environmental impacts as a basis for improvement of our performance in this field. See further details in the chapter, Environmental Performance, page 126.
- Managing and enhancing our Work-Safety Performance; measuring and reporting our work-safety standards, as a basis for improving our performance in this field. See further details in the chapter on Safety in the Workplace, page 108.



- Improving our Social and Ethical Performance in the Supply Chain, with initiatives such as joining the 4C organization. See further details in the chapter on Our Suppliers, page 114.
- Formulating and implementing our social vision relating to Diversity and Inclusion, and particularly in the field of gender diversity. Defining the vision and its assimilation are based on a work plan specially formulated for this purpose, which defines our targets and goals for promoting this issue. See further details in the chapter on Working at Strauss, page 96.
- Focusing our Community Investment plans and strategy in the field of Diversity and Inclusion, especially in the field of gender and minority diversity. See further details in the section on Community Involvement, page 118.

Although we are already investing tremendous effort in these fields, we feel that we have only just begun. We recognize that the world around us is in a state of constant change and that we are faced by daily challenges, and are committed to consistently meeting any challenge that comes our way.





Maala Organization: Businesses as Leaders of Corporate Responsibility

Strauss is an active leadership-member in the Israeli Maala organization, a non-profit membership organization, which serves as an advocate, consultant, educator and facilitator, encouraging corporations to identify opportunities for community involvement, promoting environmentally sound practices, social accountability and reporting (for more information see www.maala.org.il).

Strauss has been ranked among the top ten companies in the Maala Social Responsibility Ranking every year since the inception of the ranking system.







Strauss Group
Corporate
Governance



At Strauss Group, we believe **good governance** should guide every aspect of our business. Our governance policy ensures we work according to all **laws and regulations** and in compliance with sound management codes, both in Israel and abroad. Strauss Group conducts business according to the **highest standards** based on principles such as **commitment to honesty**, transparency, public disclosure and **accountability** for our actions vis-à-vis all our stakeholders.



Board of Directors and Committees

Strauss Group's business strategy and affairs are overseen by our Board of Directors. As of June 2008, the Board is comprised of 11 members with various backgrounds and expertise, including 4 independent directors, 2 of whom are external directors (according to Israeli Company Law) and no executive directors. Ms. Ofra Strauss, the Chairperson of our Board, is a non-executive officer of the company. Our Board of Directors has three Board Committees:

Audit Committee

The Audit Committee holds primary responsibility for monitoring the quality of internal controls in the organization. The committee receives and reviews reports from the Company's internal auditor, and reports dealing with the accounting system and internal auditing system of the entire company.

Finance Committee

The Finance Committee supervises the financial activities of the company and oversees financial reporting, legal compliance and risk management. It evaluates investments, reviews tax planning, examines financial statements prior to the full Board, and determines the policies for hedging (raw materials and currencies) transactions.

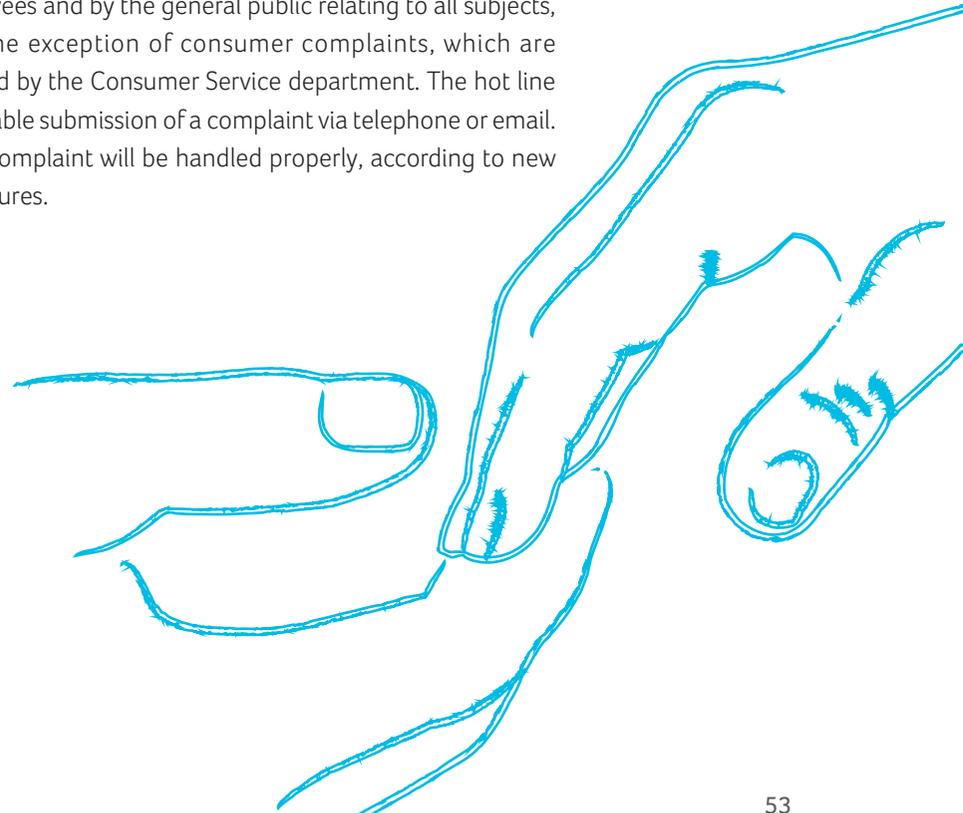
The committee's role is to guarantee that measurement and reporting of the company's financial performance are properly executed, and the committee has unlimited access to the company auditors.

Human Resources, Remuneration and CR Committee

The Human Resources, Remuneration and CR Committee deals with policy and strategy relating to human resources issues, management succession plans, remuneration and terms of employment. The committee also submits recommendations to the Board on proposals for the granting of share options and other equity based incentive programs. The field of CR at Strauss is also under the supervision of this committee. The committee reviews the work plans, policies and procedures related to CR and oversees their implementation.

Our new hot line

We are currently in the process of establishing a hot line and formulating new procedures for handling complaints by employees and by the general public relating to all subjects, with the exception of consumer complaints, which are handled by the Consumer Service department. The hot line will enable submission of a complaint via telephone or email. Every complaint will be handled properly, according to new procedures.



Ethics

We at Strauss believe that strong ethics are the foundation of good corporate governance. During 2006 and 2007, we formulated a comprehensive Code of Ethics and Ethics Program that were assimilated throughout the organization via a process that was completed in 2008. For further details please see the chapter dealing with our Ethics Program on page 57.

We at Strauss believe that strong ethics are the foundation of good corporate governance.

Senior Executives Compensation

Annual compensation for senior executive is based on a mechanism that links compensation to both the Group's financial performance, based on specified targets and indicators, as well as personal qualitative targets and indicators. The Company's CEO sets the personal qualitative targets for each member of the Group's management team, and the Chairperson of the Board sets the CEO's targets, which are approved by the Remuneration Committee.



Annual Performance Assessment of the Board

Our Board of Directors conducts an annual self-assessment process according to a detailed plan. As part of the process, and with the assistance of a consulting firm, each Board member is interviewed and asked to provide input and feedback as to how the Board and its committees function. Specific points Board members are asked about include: effectiveness of the Board's operation, and that of its committees, Board meetings and the dynamics within them, priorities and agendas for Board discussions, pre-meeting materials, expectations from management and the CEO, proceedings and bureaucratic processes in the Board's work, conduct during meetings, depth of discussions, etc. Following individual discussions with the Board members, all input and information is collected and presented to the Board for discussion and evaluation.

Memberships and Partnerships

Strauss Group is an active member of the Manufacturers Association of Israel and within it, a member of the Food Industries Association. We play a dynamic role helping to promote the issues and activities of the Association for the benefit of the entire Israeli food industry. Strauss is also a member of the business leadership of the Maala organization (see page 49) and helps to determine the organization's agenda and path, and in developing social and environmental responsibility in Israel.

Risk Management

Our internal auditor conducts annual risk analyses throughout the Group. In all relevant business units, committees analyze and evaluate risks and propose the proper precautionary approach. Furthermore, our Board Finance Committee receives regular reports in order to monitor and evaluate risk management issues on an ongoing basis.

Compliance and enforcement program

The company is currently launching several compliance and enforcement programs in the following fields: ethics, prevention of sexual harassment, work environment and employee rights, environmental, work safety, data security and trade restrictions. The programs will be implemented by managers of the Group's plants and sites, with semiannual reporting to the Group's Enforcement coordinator. The goal of the program is to ensure the implementation of legal regulations and company procedures in these fields.







Ethics

Program

at Strauss Group



Our
Way,

from **VALUES**
to **ACTION**



Strauss Group Values:

Daring and Caring Passion and Responsibility Team

The principles described in our Code of Ethics are designed to help each one of us at Strauss translate our values into decisions and actions.



Ethical conduct, values and morals have always been at the core of Strauss' ideology. In our search for the "Strauss Way", we realized how important it is to create a distinct vision for Strauss, while embracing the legacy passed down by our founding families. That's why we chose a vision which enables us to achieve our business goals.

Our Code of Ethics is a public declaration of our commitment to being a responsible, caring Group, committed to social, environmental and ethical norms, and willing to take upon itself standards that are higher than those required by law.

In 2006, we took an important initiative. We formulated and implemented an Ethics Program in all of the Group's units, translating our vision and values into everyday actions, based on who we are and who strive to be. Our Code of Ethics is a public declaration of our commitment to being a responsible, caring Group, committed to social, environmental and ethical norms, and willing to take upon itself higher standards than those required by law.



This chapter describes the process that Strauss Group underwent while creating its Code of Ethics, and the continuing process of implementation of the program throughout the company.

Our Code of Ethics was created based on the concept that ethics are the foundation and infrastructure for proper management of Corporate Responsibility. Our Code of Ethics defines the principles of ethical conduct to which we are committed regarding each of our stakeholder groups – principles that we view as essential to our ability to survive as an organization in the business world.

We are focused on leading the process on a cross-company basis and including as many employees and managers from all ranks and business units as possible. The process is based on a spirit of team-work in order for the result to be derived from our heritage, vision and values while reflecting the true essence of our identity, and who we strive to be as a company. CR Trustees meet, exchange ideas and information, undergo training and receive enriching guidance in the relevant fields. In addition, the Group's Board of Directors has established a CR Committee to formulate the Group's CR strategy and monitor its implementation process.

“We are committed to upholding the guidelines described in our Code of Ethics to define our conduct in relations with all our stakeholders... in all the countries where we operate.”

The Strauss Code of Ethics



The Process – Creating our Code of Ethics

The first step we took was identifying all the stakeholder groups connected with our organization: employees, consumers, suppliers and customers, competitors, governmental authorities, communities in which we operate and the environment. For each stakeholder group we assigned a designated team (a focus group) of employees and managers who work in positions related to each stakeholder group in the company. Each team was led by a senior executive, demonstrating the company's high level of managerial commitment towards this issue.

Each focus group held extensive discussions on the subject and issues relevant to the stakeholder group. They raised and reviewed ethical dilemmas surrounding the various issues, and ultimately set the guidelines and principles on which the relevant chapters of the Code of Ethics were based. The

materials produced by the focus groups throughout the world were then collected, reviewed, edited and transformed into principles for ethical conduct that reflect the content of the meetings. The resulting principles were returned to the focus groups for validation and then combined into one document – our Code of Ethics. This document was then approved by the Group's Board of Directors and published and distributed to all Group employees.

Attached to the Code of Ethics, we created a "Dilemmas Appendix". This describes various dilemmas that may arise during routine work at the Strauss Group, related to the different issues described in the chapters of the Code, and presents the preferred path we expect our employees and managers to select when encountering such or similar dilemmas in their daily work.



“Each one of us, as part of one international company and as a partner in its way, accepts responsibility of understanding the Code of Ethics and its contents, committing to the path it outlines and serving as an example for others.”

The Strauss Code of Ethics



“At Strauss, we have always conducted our business based on high ethical standards. Having a formal Code of Ethics has enabled a more open and legitimate discussion of moral issues.”

Itai Englander,
Operations Manager,
Fun & Indulgence,
Strauss Israel

The Process – Creating our Code of Ethics

Once the Code of Ethics was completed, and our Ethics Program successfully launched in the company, we began formulating an ongoing implementation program encompassing all ranks and business units, going gradually from the top down. The guiding principle of our implementation process was the central concept of our Code of Ethics: it must come from within. Therefore, we designed workshops and tools which were first passed on to senior managers, who then continued to pass down the process, using the tools they received and so forth.

The guiding principle of our implementation process was the central concept of our Code of Ethics: it must come from within.

In order to deal with ethical matters on a daily basis and to underscore our deep commitment, we appointed CR Trustees in all of our business units. The role of the CR Trustees on the ethical front includes assisting in leading the process of implementing the ethical program in the various units, addressing complaints, dilemmas and consulting employees on various ethical subjects, and providing support to managers and employees as they confront issues of ethical sensitivity. We encourage our employees to direct any questions or issues either to their direct superior, to the CR Trustees, or to

the Group's CR Officer. Our CR Trustees are responsible for handling any issues raised by employees, and to find the right way to deal with them. Where necessary, we address the issue on a broader level, by conducting training sessions or other activities about specific or broad-ranging issues, in order to ensure that all employees are acquainted with our values and the way we expect them to conduct themselves.

During 2008, the process of implementing the Code of Ethics was completed throughout the organization, and all new employees also underwent training.

The "Ethical Climate" survey, which we performed during 2007 among our senior managers, found that the majority of them (72% in Israel and 60% in the Coffee Company) believe that, to a large extent, Strauss conducts its business in an ethical manner, that its managers act ethically, and that the daily operations of the company emphasizes ethical conduct.

Additionally, during 2008, we refreshed the implementation of the Code of Ethics in the Group, including general references to the issue of ethics, the process carried out in the company, and the various chapters and sections of the Code. Discussions were held about how to confront ethical dilemmas when employees come up against them, ethical dilemmas raised during work in the company, and sample dilemmas that were raised for analysis.



CR Day at Strauss – 2008

As part of our commitment to promote and implement ethical issues and corporate responsibility throughout the organization and its various business units, Strauss decided to initiate an annual CR Day as a yearly tradition. During this day, alongside our ongoing daily work, content in the field of ethics and social and environmental responsibility is communicated to employees and managers, both via corporate communications and in the form of discussions and presentations given by managers to their employees, at all levels of the organization.

The concept behind holding this day on an annual basis, alongside ongoing routine work, is to convey the message that at Strauss ethics and CR are an integral part of our daily conduct and work, and this serves to “refresh” and convey relevant content to employees.

CR Day was held on the 15th of September 2008. As part of the day, and due to its proximity to the publication of the Groups CR Report for 2007, the report was presented to all employees, the

goals and background of its publication was explained, and the major findings of the report were analyzed and discussed.

In addition, in every business unit, the work plans for each unit in the field of CR were reviewed for 2007-2008, focusing on the gaps between goals and actual performance, and future plans for 2009.



Strauss Group Adopts the UN Global Compact

In July 2008, Strauss Group officially joined the UN's Global Compact Initiative

What is the Global Compact?

An international initiative by the UN, whose goal is to encourage businesses worldwide to adopt sustainable and socially responsible policies. The compact guides leading international businesses towards realization of the most urgent social and environmental objectives worldwide, and sets high and binding standards for social initiatives, reporting and tracking. The initiative supports dialog and partnerships between businesses, governments, academia and social organizations the world over, and serves as

the largest global network for corporate citizenship.

More than 4,000 businesses from numerous countries throughout the world have joined the initiative, as well as hundreds of civil and public organizations. To join the Compact, companies undertake to integrate the Compact's Ten Principles - in the fields of human rights, labor standards, environment and anti-corruption - into their business strategy.

Ten Principles of the UN Global Compact

Human Rights

1. Support and respect the protection of internationally proclaimed human rights.
2. Support and ensure that the company is not complicit in human rights abuses.

Labor Standards

3. Uphold employees' freedom of association and the effective recognition of the right to collective bargaining.
4. Elimination of all forms of forced and compulsory labor.
5. Effective abolition of child labor.
6. Elimination of discrimination in respect of employment and occupation.

Environment

7. Support a precautionary approach to environmental challenges.
8. Undertake initiatives to promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10. Work against corruption in all its forms, including extortion and bribery.

Strauss Group is one of companies leading the adoption of the Compact in Israel. The Group's Chairperson of the Board, Ms. Ofra Strauss, spoke at the organization's launching ceremony held by the Israeli Foreign Ministry, in collaboration with Maala organization, which was attended by the Israeli Foreign Minister and Chairperson of the Global Compact.

Looking to the future...

In 2008, we completed the process of implementation of the Code of Ethics among all company employees worldwide, through training and a variety of programs. However, we see this as merely the first step in an ongoing process, which must constantly be updated, and constitutes an integral part of routine company operations, activities and our relations with our stakeholders. We are constantly endeavoring to raise awareness for these issues by communicating the subject through the company media, in staff meetings, in the company's annual CR Day, in ethics corners at each business unit and much more.

We are deeply committed to making the Code of Ethics clear and accessible to all employees and managers in the organization, and open for review by all groups of our stakeholders. We make sure that our policies, strategies and goals in all fields are aligned with our ethical principles and values, that are expressed in the Code of Ethics, and that they are in line with the spirit and path that we have set for ourselves during the process of formulating our Code of Ethics.



Ethics Corner





Economic Influences



Our business activity is based on the goal of developing products that people love, out of the wish to fulfill their needs and desires. At the same time, our business activity generates income for many of our different stakeholders, including shareholders, company employees, suppliers, clients and other business partners, government authorities in the locations where we are active and society at large. As a business entity, the creation of capital is an essential aspect of our corporate responsibility. This chapter describes the various aspects of our economic influence on stakeholders and on economic systems in the locations where we are active. Inter alia, this chapter will present the economic value we bring to the world around us and the way it is divided between our various stakeholders.

In 2008, the Strauss Group's general income from sales was 6.24 billion NIS. The Group paid its suppliers around the world 4.59 billion NIS for goods, services, and the various operational costs.

Additionally, the Group paid its 11,633 employees around the world a sum of 967 million NIS in remuneration, including wages

and salaries, pension allowances, social security, and other social benefits and privileges, which make our employees into our most significant beneficiaries in terms of added economic value. Out of this sum, 123 million NIS were paid on account of our employees' social benefits and pension programs.

In 2008 we paid government entities in the various areas of our activity some 155 million NIS in the form of taxes and levies. We were provided with financial assistance from governments in the areas where we are active in the form of subsidies and various tax privileges in a total sum of some 9 million NIS.

We contributed a sum of 8.6 million NIS in cash and goods to the various communities around us in our areas of activity worldwide, as part of our commitment to community investment and involvement in 2008. Due to the difficulty to obtain precise measurements, this sum does not cover work hours of employees participating in volunteer work.

Our credit and capital suppliers were paid in 2008 some 74 million NIS as payment to banks and other lenders on account of interest costs for our loans.

A significant part of our activity outside of Israel is carried out in developing countries. This provides us with an opportunity to contribute our share to these countries' advance and their inhabitants' livelihood, therefore providing underprivileged populations with better chances of empowerment and development.

** The financial data presented in this chapter apply to the whole Strauss Group.



Our Impact on our Stakeholder Groups

Our employees

Our Consumers

Retailers, Clients and Business Partners

Our Supply Chain

Our Shareholders

Our Communities

Governments

The Environment

Our Impact on our Stakeholder Groups

Anywhere we conduct our activities, we strive to undertake a responsible role in society, maximize the advantages produced by our activity and minimize our negative impact. The following list shortly explains the nature of our economic impact on each of our stakeholder groups. More detailed information and data about our relationships with the various stakeholders can be found in the chapters relating to the various stakeholders in this report.

Our Employees

We directly employ 11,633 workers around the world. Our goal is to create positive impact in our employees' lives by providing them with a diverse, healthy and safe workplace, with fair compensation for their work, appreciation of their contribution to the organization, opportunities for personal and professional advancement and financial security for the employees and their families.

Our Consumers

We are active within numerous, diverse markets and cultures around the world, and touch the lives of many diverse consumers. Our goal is to ensure that all of the products we manufacture and market are safe, delicious

and of excellent quality, providing the consumers with value for their money. In order to show our responsibility towards consumers as far as our products and business activities, we constantly invest significant resources to promoting such issues as a healthy lifestyle and a balanced nutrition and way of life. Responsible advertising and marketing are also rated high in our list of priorities, and we place careful attention on the messages and information conveyed on our product packages and various advertisements.

Clients and Business Partners

Through our business activities we create income and profits for our clients and business partners, and indirectly assist in creating additional jobs and diverse opportunities through clients and business partners in every location where we are active around the world.

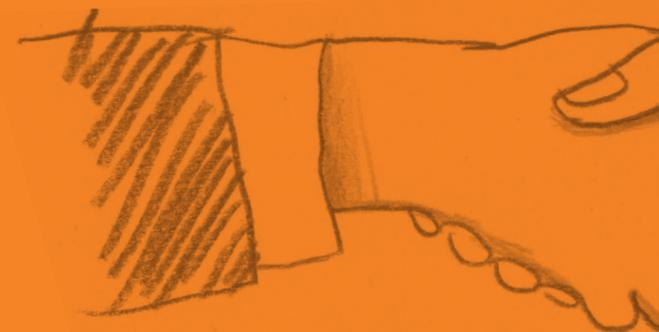
Our Supply Chain

In 2008 we purchased products, services and raw materials from over 18,000 suppliers worldwide. These purchases assist in supporting additional jobs in the various communities. The level of our impact on the suppliers varies according to the size of the supplier and our purchasing power, but anywhere we can make an



“In recent years we have seen tremendous expansion in Sabra. At the same time, we remained true to our basic areas of responsibility, our consumers, products, clients, shareholders and employees... but above all, we have never forgotten the social responsibility which we bear.”

Mikey Tolman
COO,
Sabra



impact, we encourage sustainability, social responsibility and ethical commerce. We are currently working on a program for evaluating our suppliers in terms of ethical conduct, and we intend to implement it in the near future.

Our Shareholders

We constantly strive to provide our shareholders with maximum return on their investment, out of our commitment to provide them with value.

Our Communities

Our activities materially impact the communities within which we work, specifically in those places where our production facilities and sites of activity are located. Our economic impact on the communities around us includes contributions and investment for the benefit of those community members, focusing on Diversity and Inclusion issues. In 2008 we donated over 8.6 million NIS in cash and goods to organizations and persons, as part of our activities in the various countries. Additionally, our employees took part in various types of volunteer work.

Governments

Our business has produced positive impact on the economies of countries and locations where we are active, stemming, inter alia, from the millions of dollars

in government income resulting from tax paid directly by the Strauss Group and indirectly through our employees, investors, business partners and suppliers. In 2008 we paid a total sum of 155 million NIS in taxes to the various governments in our regions of activity. Additionally, we were provided with government assistance in the form of grants / subsidies with a value of 9 million NIS.

Our Environment

We are aware of our impact on the physical environment surrounding us. Therefore, we invest material resources in reducing our negative impact and positively contributing to the long term sustainability of the environment and Earth's natural resources. In 2008 we invested over 11.5 million NIS in initiatives and processes that take place as part of the company's ongoing operation, with the purpose of reducing our environmental impact.



“Social responsibility is simply another way to instill motivation among employees, maintain consumer loyalty and improve the trust laid in our company by our business partners. In my viewpoint, acting responsibly and absolutely legally is the only way to create the future.”

Nebojsa Mijatovic
Strategic Client Director,
Strauss Adriatic

A close-up photograph of a person's back and shoulder. They are wearing a blue and white horizontally striped sweater. A hand is resting on their right shoulder. The background is a blurred, light-colored wall.

Social

Performance



Product Responsibility



“We strive to become a significant part of our consumers’ lives, and constantly change them for the better. We do this out of caring and full responsibility for what we do.”

The Strauss Code of Ethics

T As a food manufacturing company, our goal is to supply nutritious, enjoyable products. We do this through displaying our responsibility for our consumers, the lifestyle they choose to lead, safety related aspects and other product related issues, and at the same time remain updated as to new trends and changes. This chapter covers the different aspects of our responsibility for consumers who are using our products, including our activities for the promotion of healthy lifestyles in the community, proper nutrition, safety, information and product labeling, the handling of complaints, crises and various consumer issues and marketing management.

Promoting Proper Nutrition and a Healthy Lifestyle

Supplying a wide variety of foods combined with a wide variety of consumption opportunities, and ensuring the clear access to nutritional information, allow the consumer to conduct a healthier lifestyle. Strauss constantly works to expand the variety of products supporting a healthy lifestyle, and as a leading, socially responsible food company, we are committed to this issue and remain updated on the newest trends.

2008 – Strauss’ New Health Policy

In 2008 we established a new, comprehensive corporate health policy. This policy was established as part of our product line strategic planning, and is a part of the company’s concept of placing the consumers in the center of attention and striving to provide them with product alternatives that will allow them to choose to lead a healthier lifestyle. For the purpose of implementing the new health policy, we invested in the development of unique tools and methodologies that will assist us in developing products appropriate for our new policy.

The following covers the three main programs on which our new health policy is based, and the different tools developed in order to implement this policy:

- **Expanding the portfolio of products characterized by optimum nutritional values**, with the purpose of providing the consumers with a larger variety of alternatives to choose from, so as to provide them with the possibility to make a decision and choose products that would result in enjoyment as well assisting them in leading a healthy, balanced lifestyle.

The tool intended for implementing this principle:

In order to make it possible for us to expand our variety of products containing optimum nutritional values, we have developed a unique tool: the NutriPass computer software. This software examines each product’s nutritional constitution, determining a specific grade for the product, in such a way that allocates plots all of our products into three health categories, based on the nutritional guidelines published by the World Health Organization for the purpose of maintaining a healthy, balanced lifestyle. Each of our products, be it a new or existing product, is examined by NutriPass through entering all of its ingredients into the software mechanism, and its appropriate “grade” is established. This software makes it possible to examine what would be the result of any possible change in a given product’s nutritional ingredients, and thus forms a significant tool for product development as well as the constant improvement of existing products. This tool allows us to map our products in all of the categories, and examine the nutritional status for every product category anytime and for any purpose.

In 2008, all of the Group’s products were mapped by NutriPass. The index obtained was made part of the Strauss Group annual objective system, with improvement objectives set for the next three years, the purpose being the improvement of the products’ nutritional value.

We continue the trend with which we have begun long ago, and continue to ensure all Strauss products do not contain trans fats and artificial colorings.

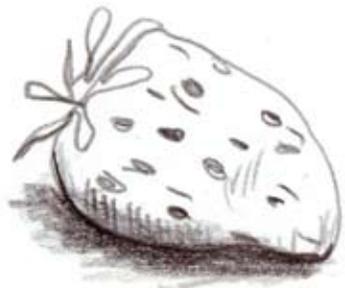
• The Natural Program

The purpose of the Natural Program is to increase the quantity of natural ingredients in our products, with the purpose of responding to the increasing global trend of preferring natural products or those containing a greater amount of natural ingredients. As part of this program, we work on two different aspects: first, offering a wider variety of natural products based on natural ingredients, and secondly, increasing the percentage of natural ingredients in existing products. Therefore, in 2008 we completed, among other things, the move begun in 2007 of removing all artificial colorings out of our products. We comprehensively mapped all of the products and examined their ingredients, with the purpose of increasing the utilization of natural ingredients at the expense of artificial ingredients such as various stabilizing agents, preservatives, flavor and scent enhancers and more.

The tool intended for implementing this principle:

We are currently in the midst of developing a new tool that will assist us in the implementation of the approach forming the basis for this principle. Here too we are referring to new computer software: NaturePass, which provides an index for mapping each product's ingredients and grade each product based on its level of naturalness, as derived, among other things, from a consumer conception and awareness survey as to the term "natural" as far as product ingredients in the various food categories.

- **Increasing transparency and presenting the information more clearly and conspicuously about nutritional and health related issues on the packages:** this means conspicuously emphasizing the products' health related and nutritional benefits on the packages, in order to allow the consumer to clearly and efficiently understand and learn the important benefits of each product, and where the added value lies in case they choose to consume this product.



Examples from our Products

Dairy Products

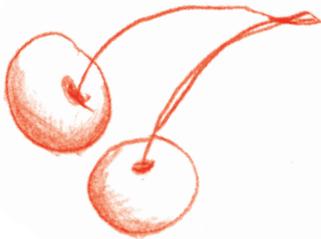
White yogurt: white yogurt products are known for their nutritional value and significant contribution to good health, and are highly recommended for consumption. In order to encourage increased consumption of white yogurt, we have decided to expand our white yogurt category by launching a new white yogurt cream with fruit at the bottom. This improves taste but still makes it possible to consume white yogurt, and so consumers can benefit from the advantages of white yogurt with fruit. Additionally, we expanded in 2008 the flavor variety of healthy product lines, and added new flavors such as Activia Diet Yogurt with Apricot. We constantly strive to expand our product variety, and the options and flavors we offer our consumers, so as to answer

their health needs and fulfill their desires as far as flavor and product enjoyment.

Another dairy product example is expanding the flavor alternatives for our familiar and well loved Symphonia Cheese. These are cream cheeses highly rich in taste but relatively low in fat (3%-5%).

As an additional step with the purpose of matching our products to our consumers' needs and desires, the Yotveta Dairy launched in 2008 a milk product containing 2% fat, thus adding an alternative for those wishing to consume milk which is low in fat but rich and enjoyable in taste.





Achla Salads

Replacing soy oil with canola and reducing fat in half

With the purpose of increasing consumer satisfaction and allowing them to enjoy products that better benefit their health, the Achla Salads product line underwent dramatic change in 2008, through which oil in all salads was changed from soy oil into canola. Canola oil consists of a fatty acid composition which is known for its high contribution to one's health. For example, this oil contains a larger amount of the Omega 3 and Omega 6 fatty acids, which are known for their healthy characteristics.

Humus Achla – Less Fat

The humus, one of the most beloved foods as far as the Israeli public, which is consumed at a high rate, is based on

humus seeds. The humus is a legume rich in plant based proteins, nutritional fiber and other natural substances. In the Humus Achla salads, the amount of humus seeds was increased, while the amount of fat was dramatically reduced from 23% to 16%, in addition to switching from soy oil to canola, which contains, as explained above, fatty acids with better health contribution. Every serving of new Humus Achla is richer in taste, texture and nutritional ingredients. The new Humus Achla contains a unique combination allowing the consumer to enjoy healthier humus which is richer in beneficial ingredients. It contains more humus seeds as well as canola oil, known for its healthier nutritional composition, and tehina, also known for its positive nutritional value.





92 Calorie Chocolate

As part of our Fun and Indulgence division, we constantly work to offer our consumers delicious, pleasurable products that will add fun and delight to their lives. However, we are always aware of the importance of proper nutrition and a healthy lifestyle, as well as the need and want of our consumers to improve and enhance the soundness of the foods and snacks they enjoy. Based on this thought, we developed the 92 calorie chocolate. This is a unique development of a reduced calorie chocolate that we managed to produce as a result of replacing the chocolate sugars with unique alcoholic carbohydrates, and adding cereals, inulin fibers which are actually pre-biotic, and significant amounts of calcium. We thus created a chocolate with significantly less calories (only 92 calories for a 25 gram snack), and based on taste tests, it is not different in taste than regular chocolate.

Our 92 calorie chocolate underwent extensive tests, as well as a clinical study in three academic centers: the Technion, the Weitzman Institute, and the Sidney University in Australia. As part of the clinical study in Australia, participants were requested to eat the chocolate, after which several blood parameters were measured, based on which the chocolate's GI (Glycemic index) was determined. Study findings showed that the chocolate's GI is only 20 units, whereas regular chocolate has a GI of about 50 units. 20 units is a particularly low value, not only compared to other chocolate snacks, but also compared to other products (as an example, bran bread with oats or other cereals has a GI of 48).

This chocolate has won significant praise among consumers, as well as winning the Product of the Year Award for Innovation Based on Consumer Choice for 2008 in the chocolate category. This award was based on the Product of the Year Survey conducted on some 2000 Israeli consumers.



Yad Mordechai Honey

Honey is a natural source of readily usable energy for the body. It offers a unique combination of health benefits, vitamins, minerals and essential enzymes. However, in Israel, honey consumption is centered mainly around the September holidays, especially the new Jewish year. In 2008, we launched several new honey products, with the purpose of allowing our consumers to expand their honey consumption opportunities to every day of the year.

Product Marking

One of the issues placed high on our priority list is ensuring proper nutritional marking, clearly reflecting the ingredients and nutritional information, based on all applicable laws and in accordance with the highest standards. Therefore, we have created the Strauss Labels Guide, describing the specific criteria for designing each package. Before any product is launched, every new package is examined by relevant professionals (technologist, designer, dietician etc.). The criteria include various parameters, some based on legal requirements and others going beyond the law, including allergy information, serving size, nutritional value charts in every required language, the consumer service symbol, and ensuring all of the information is readable and clear.

Working with Health, Nutrition and Lifestyle Professionals

In 2008, we expanded and deepened the scope of our work with health, nutrition and lifestyle professionals such as doctors, dieticians, trainers and researchers, with the purpose of disseminating knowledge and research findings concerning health and nutrition issues, and providing the consumers with scientific tools and nutritional understanding of our products.





Promoting a Healthy Lifestyle in the Community: The Danone Israel Institute Established by the Strauss Group



As always, in 2008 we worked on increasing our community involvement in Israel, with the purpose of promoting a healthy lifestyle, among other things through the **Danone Israel Institute**.



The Strauss Group is a pioneer food company as far as promoting nutritional research in Israel, and the Institute established through the joint initiative of the Strauss Family and Danone International is actually the first Israeli research institute founded by a food manufacturing company.



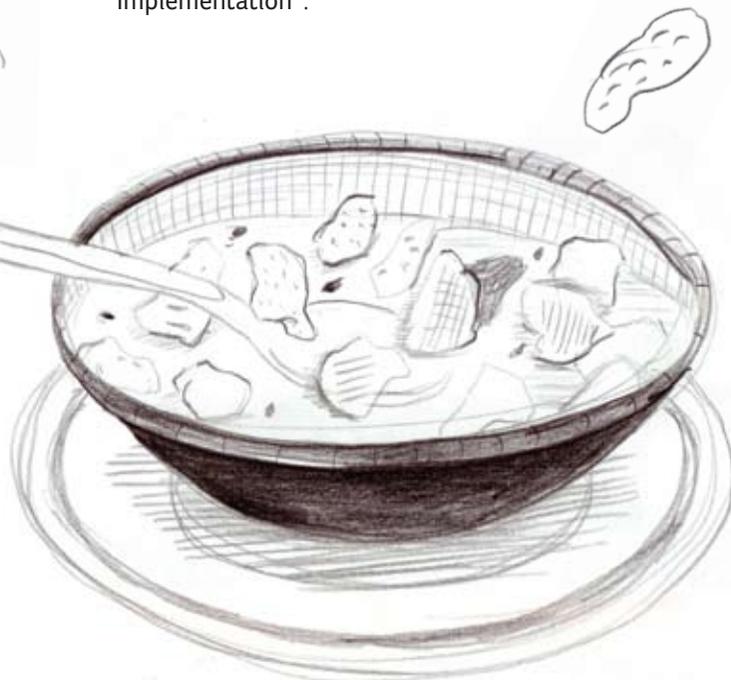
At the end of 2008 we celebrated the **Danone Israel Institute's** 10th anniversary convention. Leading scientists such as researchers, technologists, doctors and dieticians, along with Michael and Ofra Strauss, two of the Group's owners, and Strauss executives and technologists, participated in this year's convention covering the subject: "Nutrition that Creates a Future - Vision, Research and Implementation".



The convention included compelling lectures delivered by some of the best specialists of the field. They covered such subjects as the relation between optimum nutrition and our body and health, the understanding of the importance of all nutritional components for body and soul, and more.

Ofra Strauss commended the connection between Strauss and the scientific community, and pointed out the relation between nutrition and our quality of life. She also talked of Strauss' responsibility, as a food company, not only for flavor and enjoyment, but also for our consumers' health. The professional assistance provided to us by the Danone Institute contributes to our improvement, and so we become better at achieving this mission.

The Danone Israel Institute is part of a global non profit organization, encouraging the education for health and proper nutrition. Among the organization's board of directors one can find well known scientists from hospitals, universities and the Israeli Agricultural Institute, as well as Strauss representatives. The Danone Institute conducts various activities, including the annual convention for health care and nutrition professionals, scholarships for young scientists studying the fields of health and nutrition, scientific publications and community involvement activities, which include among other things providing underprivileged children with nutritious meals, organizing plays and museum tours for children with the purpose of educating them to better nutrition, and many other activities. The Danone Israel Institute is a significant component of our activity to promote nutritional research in Israel, as part of the importance we assign to health and quality of life.





10 Facts about the Danone Institute Founded by the Strauss Group

- The institute was founded in July 1998 as an initiative of the Strauss Family and Danone Institute International.
- The institute is part of a network of 17 Danone Institutes all over the world.
- The Danone Institute International directs the Institutes' activities and annually awards the International Nutrition Award of 120,000 Euros to a leading nutritional researcher.
- The Danone Israel Institute includes as its members doctors, dieticians, nutritional researchers and university and research institute representatives who are national leaders in their respective fields.
- Thousands of dieticians and doctors have taken part in the scientific conventions organized by the Danone Institute Israel in its 10 years of activity.
- Danone Israel Institute has granted 30 research grants to 48 researchers in the amount of 2 million NIS, for topics at the forefront of nutrition research.
- 1,230 children aged 5 to 7 attending kindergarten and first grade in underprivileged Southern Tel Aviv neighborhoods were provided, for the fourth year in a row, with breakfast rich in protein, calcium and vitamin D.
- The two Jewish Federations in New York and Los Angeles, the Tel Aviv Municipality, the Joint, the Israeli Ministry of Health and the Strauss Group have all joined forces for the breakfast program for the Southern Tel Aviv children.
- An evaluation program for the Tel Aviv children breakfast program was conducted by the World Center for Disease Control, together with the Jewish Federations, the Ministry of Education and the Joint, and was presented at the international nutritional convention held in September 2008 in Japan, to thousands of dieticians from around the world.
- Prof. Shigoro Yamamoto, responsible for the subject of feeding students in Japanese schools, arrived in Israel accompanied by four college students, and visited four such classrooms at the Weitzman School in Jaffa, in order to learn about the unique breakfast project.

In our eyes, food is much more than just eating, and we are guided by the understanding of its important impact on physical and mental health. The Danone Convention and the lectures delivered as part of it are an important component of our long term relationship with our consumers, because we want to assist them in making the right choice by understanding the correct way to consume food.

Responsibility in Action - Using High Quality Agricultural Raw Materials that Meet the Requirements and Standards concerning Pesticide Residues

Among the huge variety of products Strauss offers its clients, there are two major product lines based on agricultural produce and various types of fresh crops: Strauss Fresh Vegetables, offering a variety of fresh vegetables and salads, rinsed and cut up in bags, and Achla Salads, which include various types of salads (hummus, eggplant, cabbage... and many others), and are also made of fresh vegetables from the field, herbs and other types of fresh agricultural produce.

The raw materials utilized by Strauss for producing these products is always the best and freshest that can be obtained from leading Israeli farmers. Strauss invests significant resources for achieving this end, along with a policy of zero compromise.

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Background: the Problematic Agricultural Produce Market

It is well known that fresh vegetables, just like any other agricultural crop, are exposed to insects and other types of pests when growing in the field, and as a result, the need arises to protect the plant and the fruit. As part of the crop protection strategy, farmers use, among other things, various types of pesticides. In Israel, the subject of using pesticides is very problematic. The list of substances approved for use by the Ministry of Agriculture, which is responsible for the matter, is highly restricted, and is actually very difficult to follow, since pests can develop resistance to these substances, and their effectiveness is reduced. This situation has led many farmers

that try to achieve nice looking crops with maximum weight, to disobey the law as far as the types of pesticides they utilize as well as the amounts used on the crops.

Consequently, many products that are not actually fit to be consumed as food due to high levels of pesticide residues and/or the use of forbidden pesticides find their way to the stores, the retail chains and the markets, and from there to consumers' bodies, putting their long and short term health in jeopardy. The Israeli Ministry of Agriculture, trying to cope with this problem, conducts sample testing of fresh agricultural produce with the purpose of detecting pesticide residues based on the approved standards and levels. However, the Ministry only conducts some 1,000 sample tests annually, a very low figure compared to the quantities of agricultural produce grown and marketed in Israel. This leads to significant helplessness as to the ability to enforce the existing standards. For this reason, many agricultural goods continue to be sold for consumption, although contaminated with forbidden pesticides or unauthorized quantities. Another aspect to this problem is that in many cases, the merchants at the markets and retail outlets are not aware of the actual source of the goods and the farmer's identity. Therefore it is impossible to trace back their farming methods and the amount of pesticide used.

Our solution – what does Strauss do?

Based on our deep commitment to our consumers, and out of our responsibility for our products, we have taken upon ourselves, over and above the legal requirements and even the accepted practice for retail chains and food manufacturers, to invest extensive resources in ensuring that the produce we offer our consumers and use in our products is not only the best available, but fully meets Israeli standards as to pesticide residues.





Some of the steps we have taken:

- As of the end of 2007, we at Strauss employ a full time agronomist, working under the Group's quality headquarters. The agronomist works in full cooperation with the Company's quality control specialists and the crew responsible for the acceptance of goods, whose duty is to ensure that the agricultural produce that we acquire for use in our products is obtained from the best farmers and meets legal and applicable Israeli Standard requirements as to pesticide residues. The company agronomist takes part in purchase transaction, and the transactions is carried out only after his approval. The agronomist conducts thorough field inspections, including the area surrounding the land, in order to locate hazards, environmental risks and potential problems. He takes pictures and aerial photographs, and even conducts several tests that are considered to be unusual, such as testing the soil for heavy metals and secondary contaminations. All of this is done to ensure the company acquires fresh produce that is free from contamination and pesticide residues.
- We only purchase from suppliers we know well – those who have worked with us for many years. In the occasion where we are forced to work with an unknown supplier, we put the produce through comprehensive, independent tests, sending it into labs so as determine the produce's condition before any transaction takes place. Each unknown supplier is individually inspected. In many cases, the costs are higher than those we could have incurred were it not for our meticulous testing, but we are prepared to pay the higher price if this means we can ensure our consumers are provided with healthier products with the confidence that the goods they buy from us are the best in this aspect too.
- Strategic company suppliers, i.e. suppliers with which we work on a constant basis and on a large order of magnitude, can only be suppliers carrying the Global Gap export standard mark, provided by the Israeli Standard Institute and compelling the supplier to conduct a risk survey personally accompanied by our company agronomist.
- We conduct various types of tests and samplings on the agricultural produce at the farmers' and suppliers' sites. These include both periodic samplings, prescheduled based on an annual program, and uncoordinated "surprise" samplings,

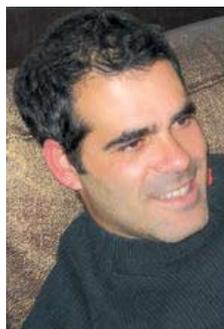


where we arrive at the farmer's field, packing house or truck bringing the produce to us, take some of the produce and send it for pesticide residue testing. Such tests are conducted as our own initiative, at our expense, based on no legal or other requirement, and in cases where the produce is found to be inappropriate for use, we cancel the transaction at once. In 2008 we conducted 354 such sample tests. We utilize the best and most expensive devices available, even those that are not purchased by the Ministry of Agriculture due to their high prices.

- We establish collaborations and invest a large quantity of resources in order to support the farmers with whom we work in funding the installation of intelligent, precise agricultural systems, and the use of farming methods that utilize minimal quantities of pesticides, as well as providing the close assistance of our company agronomist and the implementation of various agrotechnical improvements, and in some cases providing the funding as well. Additionally, we initiate contacts with various commercial firms with the purpose of examining new technologies and more resistant species for our strategic suppliers, with the purpose of

assisting our regular farmers to promote the use of as little pesticide as possible.

- All of these actions are done out of our sense of responsibility towards our consumers and for the products with which we provide them. We invest significant resources for this purpose, with the objective of continuing to justify the trust laid in us by our consumers.



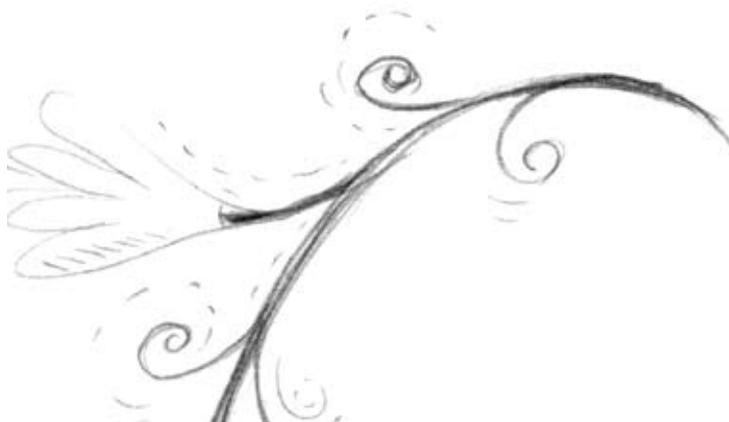
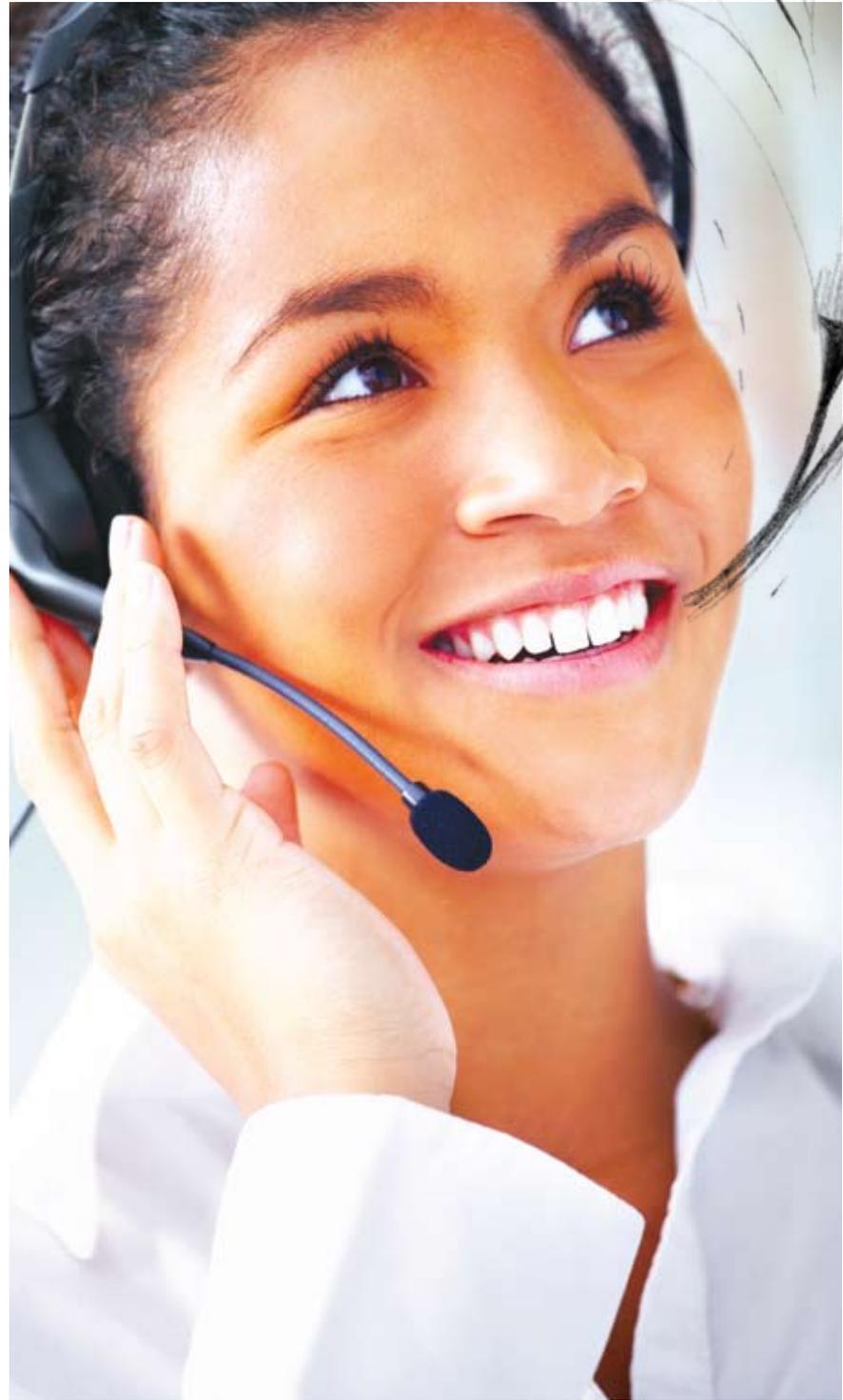
“Every morning when I go to work, I examine the agricultural produce that Strauss intends to provide to its consumers, guided by the idea that I am examining the produce that my own children will eat. This is the concept assigned by Strauss to all of its products, and I am proud to be part of a Group that thus conceives its responsibility for its consumers.”

Maoz Aviv
Strauss Group's chief agronomist

Consumer Inquiries/ Complaints and Crisis Management

“Our consumers are the source of our power. We work to improve their quality of life, provide them with positive experiences and make them happy. We do this out of the full recognition of our responsibility to justify the trust they lay in us.”

The Strauss Code of Ethics





Our Goals

Strauss' Consumer Relations Department focuses on achieving two primary goals:

- Externally – Providing prompt and effective response to consumer inquiries, questions and complaints, and acknowledging the importance of all our consumers' comments and suggestions. We strive to accommodate our consumers, and our telephone operators respond to inquiries as quickly and efficiently as possible.
- Internally - Strauss is constantly focused on improving consumer satisfaction, and we believe listening to our consumers, being attentive to their needs and inquiries and learning from them is a good way of achieving this goal.

Our Service Center

Our Service Center, open from 8:00 – 22:00, is another communication channel with our consumers. It employs approximately 50 operators, three shift managers and a senior manager. They handle over one thousand inquiries daily either by telephone with an average holding time of 15 seconds, or via e-mail. Service Center operators are carefully selected and undergo evaluation, training, workshops and constant monitoring. They address each and every issue, request or complaint raised by consumers.

Each complaint or inquiry is professionally treated and given our full attention in order to generate complete consumer satisfaction. We highly benefit from these conversations with our consumers, and utilize their feedback or information for improvement processes within the company. On a day-to-day basis, we direct all serious complaints demanding attention to the relevant business unit, following up anything that might indicate a flaw in our service while periodically presenting a summary for each unit.

Moreover, when repeat complaints pertaining to the same product, series and production line occur, we make sure to report them to the relevant business unit for handling, and then monitor developments.

When a serious complaint occurs, we take every measure to fully resolve the situation. The procedure entails visiting the consumer at his or her home, picking up the product, and sending it to be examined in an appropriate laboratory, as well as quality assurance followed by prompt consumer response.

We always strive to do our best, and are always open to hearing from our consumers as to new ways of improvement and any aspects requiring our attention...

Crisis Management

As a food company, we have a responsibility for the health and quality of life of the public that consumes our products. This responsibility entails maintaining the highest standards of quality in our products, but it also entails an obligation to our consumers to conduct ongoing, transparent and timely dialogue with them, especially in time of crisis, by which they might be affected.

Regrettably, despite all our ongoing efforts to make sure every product we manufacture is safe, healthy and of the best possible quality, occasionally we encounter unfortunate situations and mishaps. One of our biggest challenges in these situations is taking proper care of our customers and giving them the best possible service in time of crisis. We consider it to be a crisis situation, when one of our products or product lines is in some way flawed in a manner that might cause physical damage or health hazard, or may be reasonably perceived as such by our customers.

Our interdisciplinary crisis management team is trained to be completely ready in any case of even the slightest possibility of

a crisis. A proper report is submitted to our crisis manager, our CEO and our corporate communications manager. Furthermore, we make sure to inform the relevant authorities promptly, deal with the issue according to our procedures, and in the event that one of our products is suspect of being damaged or defective, perform an immediate recall process for removing defective products off the shelves in all locations. These matters are handled with very specific procedures, which are routinely communicated to all relevant executives. Our sales teams undergo periodic training and instruction in order to make sure that in case a product is deemed defective it is removed from all sales shelves as quickly and efficiently as possible.

Like any consumer product company, the trust of our consumers is regarded as a supreme value, and being a food production company, even more so.



“At Strauss’ consumer service, social responsibility means first and foremost being attentive to our consumers, and then processing their feedback in order to constantly improve our products and service.”

Keren Ofer
Consumer service director
Strauss Israel

In any event when we feel it is necessary to inform the public that one of our products may pose a risk, we broadcast all the relevant information through the media, and refer any and all inquiries or questions to our consumer service center. We reinforce our operators in order to enable quick and efficient response, and make available experts and other relevant professionals who will be able to better accommodate our consumers and answer any question.



Food Safety

Like many other consumer goods companies, we source ingredients from all over the world aiming to ensure utilization of the freshest, best tasting and highest quality ingredients available for our products. Food safety is a top priority when we select these materials, and we are proud of our ongoing record of providing safe, wholesome and nutritious products to our consumers. To ensure that our products are of the highest quality, we only use foods, ingredients and packaging materials that have been deemed safe by food technologists and regulatory review.

Health-Risk Management System - HACCP

In our endeavors to ensure the health and safety of our customers, and as a means to inspect our products in the plant and prevent risks as much as we can, we have implemented the HACCP (Hazard Analysis and Critical Control Points) system in almost all of our plants. This system helps identify hazards associated with ingredients and manufacturing processes, and can therefore enable us to track health and safety risks in the production line, target the source of the problem and deal with it before the products leave the plant.

“We at Strauss respect all people and are cautious in the wording and presentation of our advertisements and communication to the public, in order to refrain from offending sensitivities or making false promises.”

The Strauss Code of Ethics

Responsible Marketing

When marketing and advertising our products, we practice sound judgment regarding any audiences who might be exposed to our promotions, and make sure our marketing communications contain no offensive, illegal, immoral, irresponsible or incorrect messages. We view ethical marketing as an extensive and complex issue, involving diverse meanings and aspects. Because we realize that there is no such thing as "one size fits all" - we are constantly alert and sensitive to the messages we communicate.

During employee marketing training, and the implementation process of our Ethics Program, we address various issues of ethical and responsible conduct regarding labeling and product marking, advertising, marketing and promotions.

When dealing with issues such as truth and accuracy of information, sensitivities of different groups, caution with encouraging excessive eating, respect towards women and minority groups, advertising to children and so on - we aim for clear-cut communication that always emphasizes Strauss' commitment to responsible and ethical marketing practices.



“Producing products of the highest possible quality, backed by safety, caring and respect for the environment, is what will finally ensure the Company’s brilliant future.”

Vladan Vlahovic
Production,
Strauss Adriatic



Responsible Advertising to Teenagers

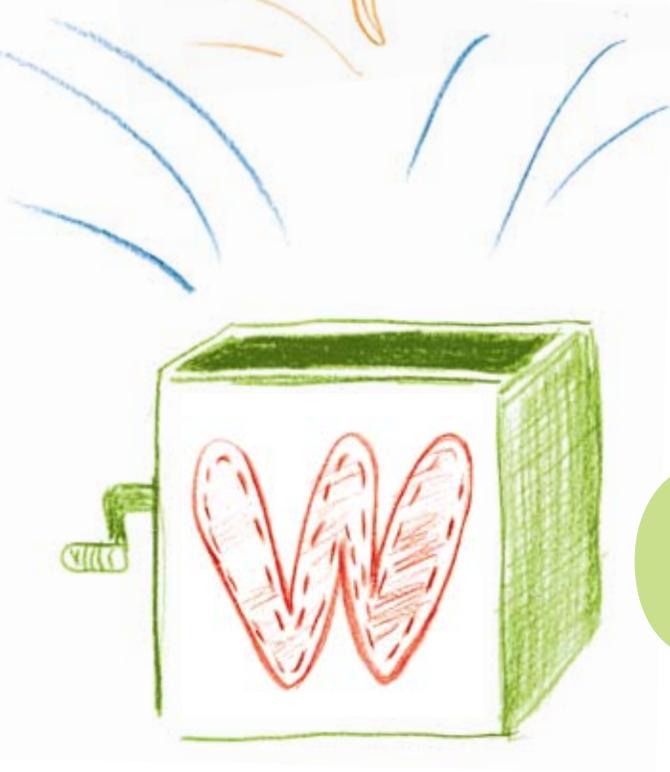
One of the examples we present as a dilemma to be dealt with using the guidelines of our Code of Ethics concerns an advertising campaign that has been recommended to us, showing teenagers disturbing their teacher during class. Although this kind of campaign could relate to teenagers and help them identify with our product, we instructed our marketing teams to take an alternative approach for advertising our product. Thus, our ethical principles and priorities have been made clear on this matter.

Consumer Privacy

This is an extremely important issue to Strauss, and we make every effort to safeguard our consumers' privacy, keeping in confidence any information provided by them. We of course comply with all applicable laws, rules and regulations concerning this matter. All personal information received through our consumer service center is kept confidential and forbidden to be shared outside the company.

To the future...

We will always strive to present our consumers with safe products of the highest quality, the best flavors and optimized nutritional value in order to satisfy their needs and desires. Our innovation pipeline includes products that offer even greater nutritional or functional benefit, and we are constantly working at developing enhanced concepts and products. Strauss will always be available and attentive to its consumers, listen to what they have to say and take their input into consideration. We try hard to prevent any crisis or dissatisfaction from our products, and prepare ourselves for dealing with any issue that may arise. We will always act responsibly towards our actual and potential consumers in our marketing and advertisement communications and invest special caution when necessary. Furthermore, our goal for the future is to significantly reduce the number of consumer complaints and the number of recalls/crises relating to our products.



Creating Wonders

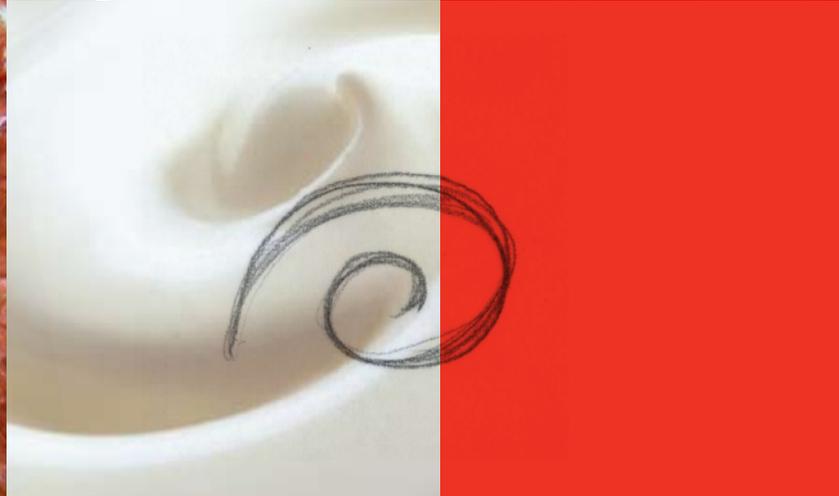
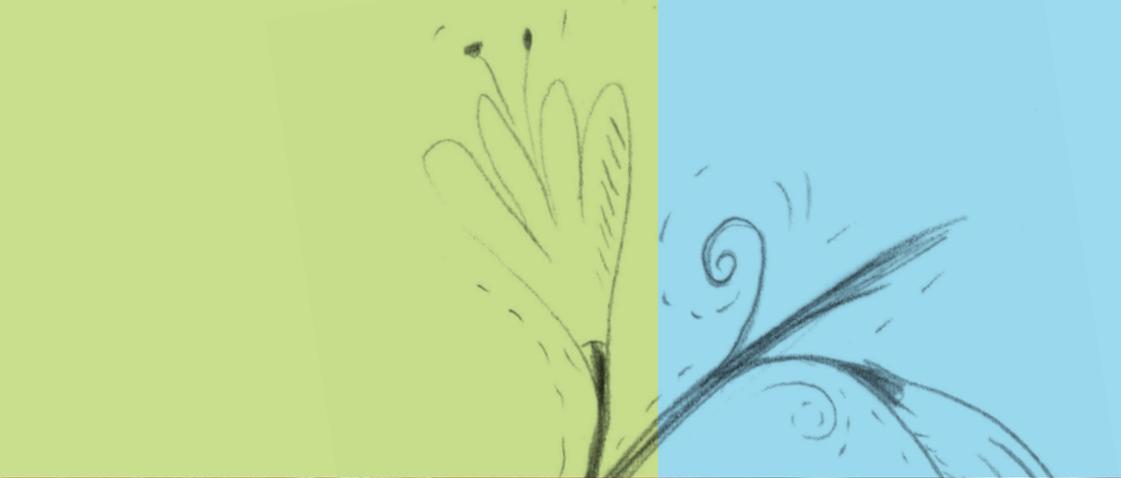
With the Most Basic Ingredients



Why we love coming to work evry morning?

It is not only with the purpose of fulfilling financial objectives, although these of course are important. **Our mission** is what drives us to constantly **innovate** and **enrich people's lives** by making the most basic ingredients into...

a World of Wonders.

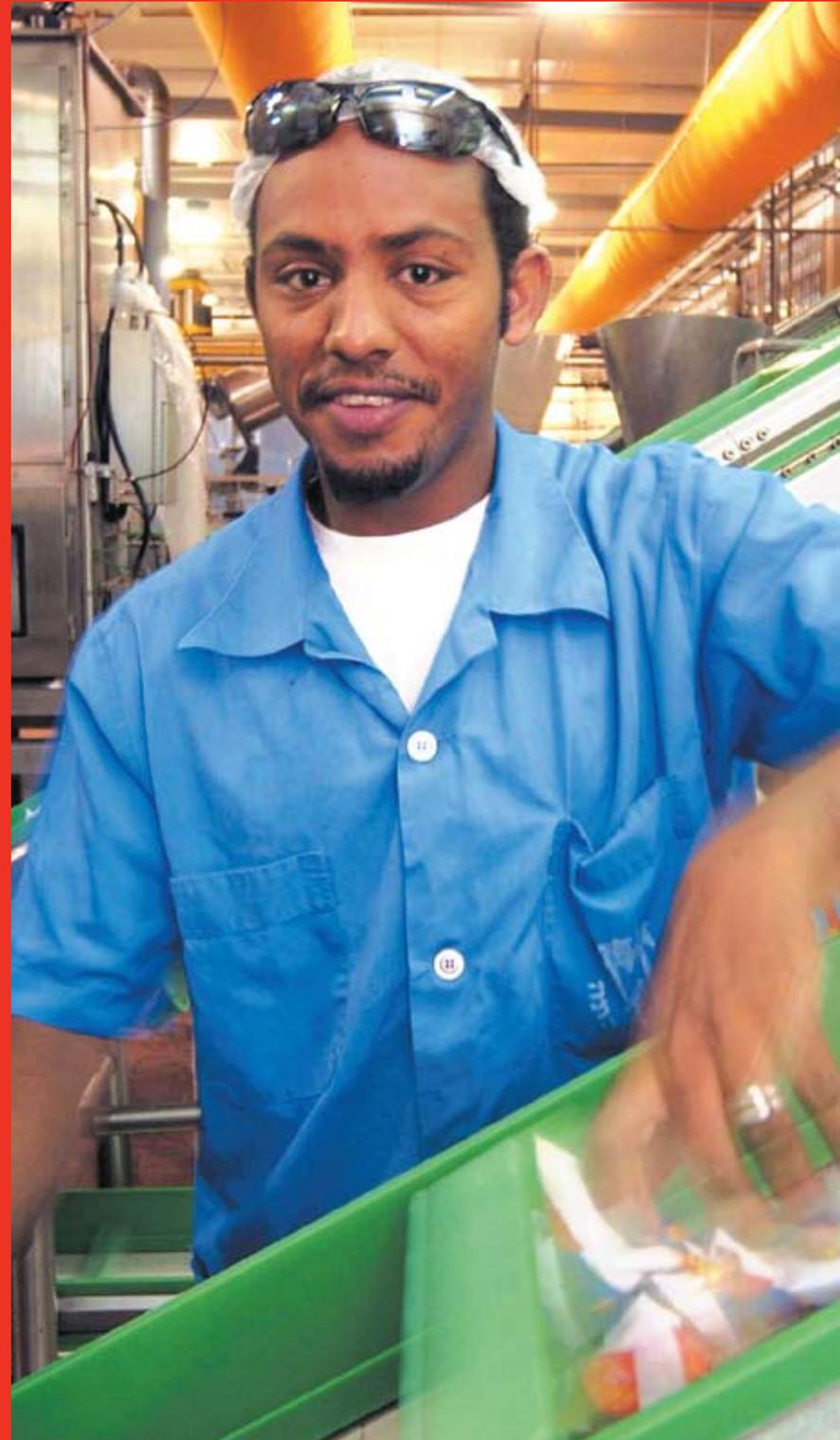




Working at Strauss

“We at Strauss are committed to being a company that is focused on its employees, in which our unique spirit and culture unite with the passion to grow and the daring to change. We are a company that empowers individuals and teams, and encourages them to initiate and innovate... we act with the goal of enriching the variety and human diversity that exists at Strauss.”

The Strauss Code of Ethics



At Strauss, we consider our employees to be our most valuable asset, and we attribute a great deal of our success to them. We base our relationships with our employees on caring and trust and constantly invest in getting their feedback on how things are done at Strauss as well as how they feel in their jobs. This chapter describes our employee practices and policies regarding diversity, inclusion and equal opportunity, decent work practices and the health and safety of our employees in the workplace and of course human rights. Due to technical limitations, this chapter does not cover all of the Strauss Group's business units worldwide. Unless otherwise explicitly noted, the data presented in this chapter applies to the following units: Strauss Israel, Sabra and Strauss Coffee, totaling 9,735 employees out of the 11,633 people employed by the Strauss Group.

Based on the first employees' attitude survey conducted within the Group in 2008, the employees' level of commitment to the Group was 3.88 on a scale from 1 to 5. Additionally, 83% of the employees specified that they were proud to work in our organization, and 79% expressed a high or very high level of satisfaction about working at Strauss.

Diversity and Inclusion

Based on the first employees' attitude survey conducted within the Group in 2008, 72% of Strauss Group employees feel that employees are treated equally, with no discrimination based on gender, age, origin, handicap or any other inapplicable criteria. This was the position expressed by 75% of the men and 68% of the women working in the Company.

The following pages portray a breakdown analysis of our human capital and demonstrate some of our practices concerning Diversity and Inclusion.



“In our Company, women have equal rights. A woman can express her thoughts, can make decisions, and knows how to accept responsibility utilizing the power of her intelligence.”

Sanja Markovic
Bookkeeper,
Strauss Adriatic

••• Gender Diversity in our Governance Bodies

The following chart displays the number and percentage of female executives within the Group's governance bodies, including its board of directors, in 2008 and compared to the reported data for 2007. As seen on the chart, the percentage of women in governance bodies has increased, be it in the Group's board of directors, Strauss Israel's and Strauss Coffee's management teams. Moreover, no decrease in the number of women has been noted in any unit.

Percentage of Women Executives in the Group's Governance Bodies 2008 Compared to 2007

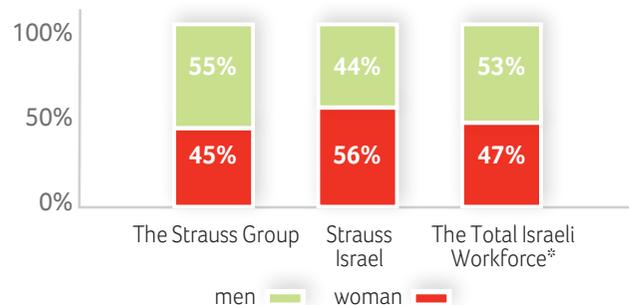
Governance Body	Total No. of Executives		No. of Women Executives		Percentage of Women Executives	
	2007	2008	2007	2008	2007	2008
Board of Directors	9	11	3 <small>including (Chairperson)</small>	4 <small>including (Chairperson)</small>	33%	36%
Group Management Team	8	8	1	1	12.5%	12.5%
Strauss Israel Senior *Management	11	11	4	5	36%	45%
Strauss Coffee *Management	11	12	1	2	9%	17%
Sabra Senior Management	Not reported	7	Not reported	1	Not reported	14.3%

* One female executive is a member of two governance bodies and was counted twice.

••• The Female/Male Ratio for the Strauss Group - 2008

Based on the most current data published by the Israeli Central Bureau of Statistics, in 2007 women comprised 47% of the Israeli work force. As can be seen in the following graph, as of 2008, and similarly to the data presented for 2007, we pride ourselves at Strauss Israel with employing a 56% majority of women. When considering all of the Group's units that are covered in this chapter, the percentage of women is 45%.

Female/Male Ratio for the Strauss Group in 2008 Compared to the General Israeli Workforce (2007 Central Bureau of Statistics Data)

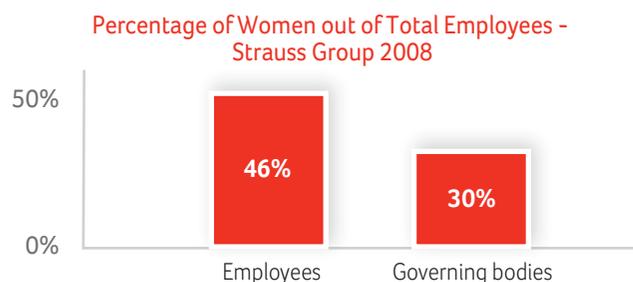


* The data concerning the Israeli workforce are for the end of 2007, and were obtained from the Central Bureau of Statistics' website.

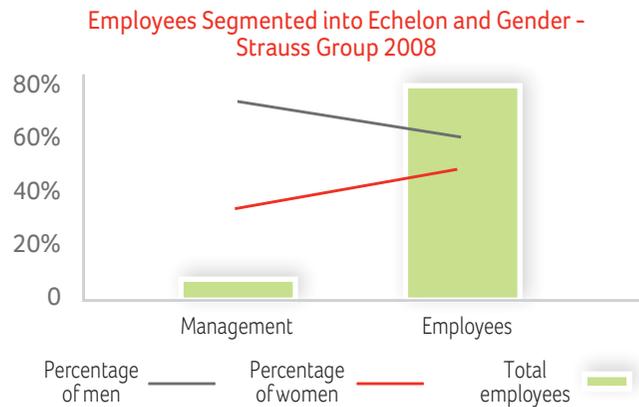
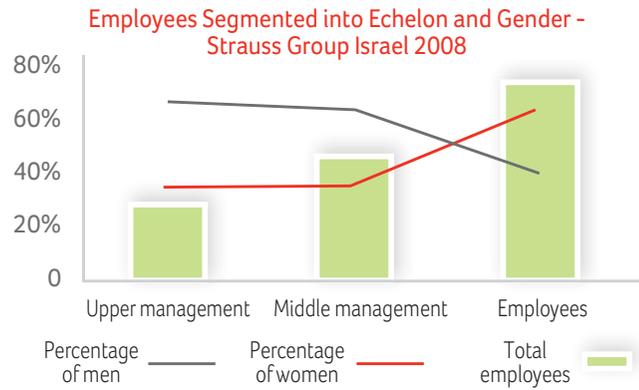
••• Female/Male Ratio for the Various Grades of the Group's Units

The following graph represents the percentage of women in management compared to their percentage in the employee total work force for all of the Group's units that are included in this chapter.

As can be seen on the graph, the women at the reported units of the Strauss Group comprise 46% of the work force and 30% of management.



The graphs on the next page represent the Group's employees segmented by grade and gender. The upper graph represents Strauss Israel (5,090 employees, out of whom 24 are members of the Group's management, but spend most of their working time in the Israeli headquarters), whereas the lower graph describes all of the units that have been included in this chapter, segmented into the employees vs. management.

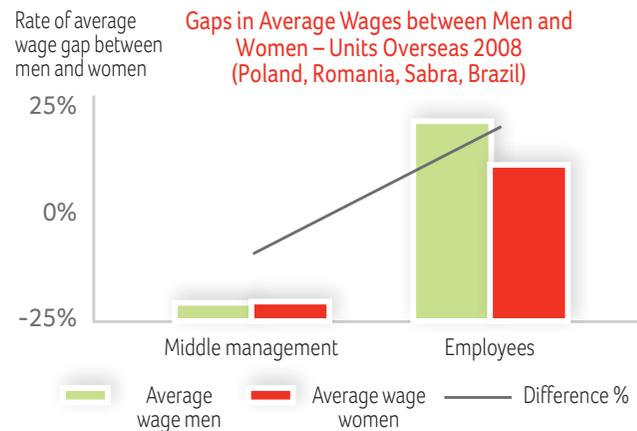
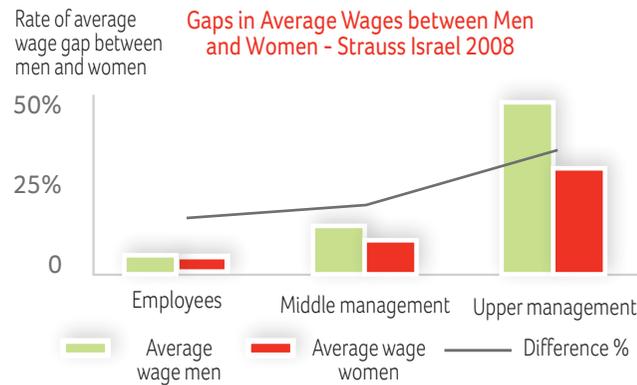


As can be seen on both graphs, the percentage of women (represented by the red line) decreases as the organizational grade increases. We are aware of this gap, and as described above in the data, and covered below in our future plans for Diversity and Inclusion, we actively work to decrease this gap and change the trend.

• • • Average Wage Differences between Men and Women at the Various Grades

The following graphs present the differences in wages between men and women at the various organizational grade levels. It must be mentioned that in light of the difficulty encountered in collecting the data, the data presented is for Strauss Israel, Sabra, and three of the Strauss Coffee units: Brazil, Romania and Poland (the sums have all been converted to US Dollars).

As can be seen on the following graphs, and similarly to the data presented in 2007, in 2008 average women's wages were lower than men's in all grades.



A survey conducted in Strauss Israel revealed that the gaps between men and women do not exceed 5% in the case of identical positions. The gap presented here results from the fact that positions where the percentage of women is higher are those for which the average market remuneration is lower. Moreover, in cases where gaps between men and women were found for a specific position, the gap could be explained in most cases by the long service factor (the men had served longer in that position than the women).

Employment of Minorities

This section concerning minorities relates only to our activity in Israel. The definition of the term "minority" in the other countries included in this report is more complicated and therefore the relevant information has yet to be collected.

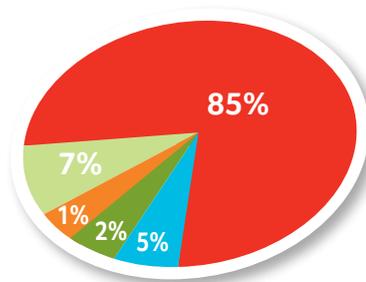
••• Ratio of Jews to Minorities at Strauss Israel in 2008

According to the Israeli Bureau of Statistics, in 2007, the number of minorities amounted to approximately 24% of the Israeli population. The chart below portrays the breakdown of our employees in 2008 according to their origin.

As seen, the vast majority of our employees in Israel are Jewish, constituting 85% of our personnel, following them, 7% undisclosed or atheist, 5% Muslims, 2% Druze and 1% Christians. It should be mentioned this data has not changed significantly since last year.

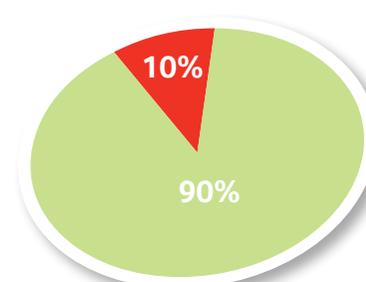


Minorities Breakdown 2008



● Muslim ● Christian ● Druze ● Undisclosed ● Non Minority (Jews)

New Immigrants at Strauss Israel



● Veteran ● New Immigrant

••• New Immigrants at Strauss Israel

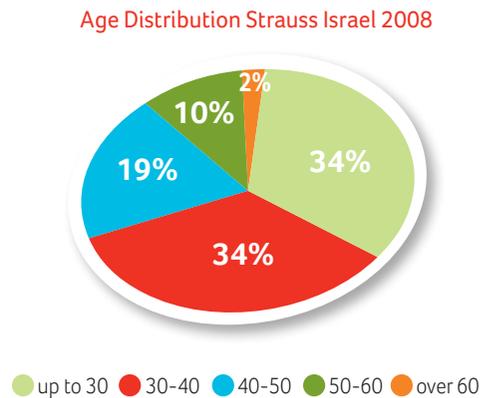
According to the Israeli bureau of statistics, in 2007, new immigrants that arrived in Israel in the last ten years constituted 5% of the Israeli work force. As can be seen from the following chart, in Strauss Israel in 2008 the percentage of new immigrants was higher and reached approximately 10%.

Age Groups

The following charts depict the distribution of the various age groups throughout the Group's units that have been included in this chapter.

As shown in the chart, the 2 largest age groups at Strauss Israel are employees under the age of 30, and employees between 30 and 40 years of age, each group comprising

34% of the people employed by the units that have been included in this chapter. The next age group in size is 40-50, constituting 19% of the employees.

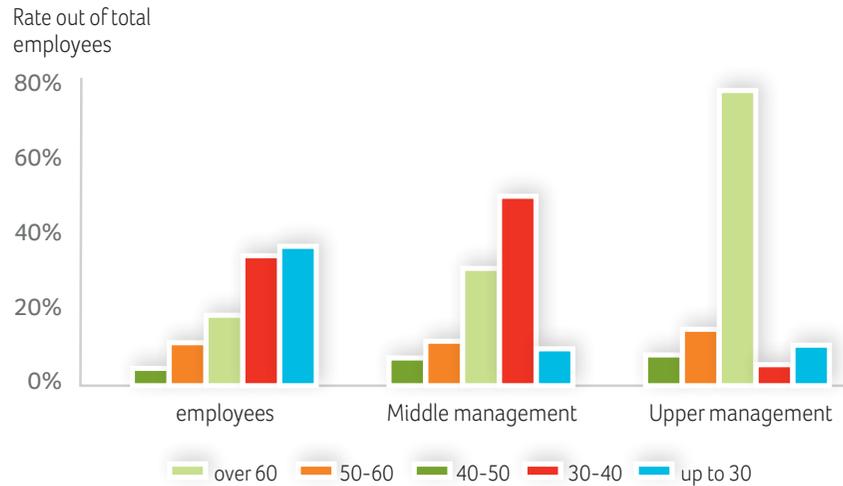


The following graph describes the rough segmentation of the various grades at the Strauss Group units that have been included in this chapter - upper management, middle management and employees - by age group. As an example, as can be seen on the chart, almost 50% of middle management and approximately 35% of the employee work force are between the ages of 30 and 40, whereas the upper management consists of only 4% in this age group, and approximately 80% between 40 and 50.

Underage Employment

The Strauss Group employs no minors under the legal employment age in the respective countries where we operate. We uphold all laws and legislation in every aspect relating to our business, and are especially concerned with the well being of children. We will not do anything to violate the rights of children, neither take advantage of them or harm them in any way. We have no operations which pose risk for incidents of child labor and no incidents of such nature have ever occurred at Strauss.

Employees Segmented into Echelons and Age Groups – Strauss Group 2008



Employs with disabilities

Based on the reported data at hand, the total number of handicapped employees in Strauss Israel in 2008 was 37 out of 5,090 employees. In our other units that have been included in this chapter (4,645 employees) 67 employees are with reported handicaps. However, it must be emphasized that these are only the reported cases, and out of respect for our employees' privacy, this matter is handled gently and discretely. Therefore, it is possible that cases of handicaps exist which have not been reported or recorded. We do our best to offer equal employment opportunities to people with special needs, welcome them into the Strauss family and are committed to carry out the required site adjustments so as to allow them to integrate appropriately in the organization and function conveniently.

Employee Hiring from Local Communities

As a policy, wherever we operate we hire local employees, in all ranks and positions. The following is a chart representing the percentage of expatriate executives in the various units that have been included in this chapter. In Romania, for example, out of a total of 41 executives, 4 are non locals, constituting 9.8% of the executives.

Percentage of Non Local Executives at the Various Units

	Strauss Israel	Strauss Coffee Head-quarters	CIS	Poland	Romania	Brazil	Strauss Adriatic	Strauss Commodities	Sabra	Group Head-quarters	Total
Total Executives	11	6	27	62	41	78	30	4	49	24	326
Non Local Executives	0	4	1	0	4	1	1	0	3	1	10
Percentage of Non Local Executives	0%	66.7%	3.7%	0.0%	9.8%	0.01%	3.3%	0.0%	6.1%	4.2%	3%

Plans for the Future as to Diversity and Inclusion

In 2007 the Strauss Group formed its social vision, focusing on Diversity and Inclusion. This reflects our view of the uniqueness of every individual or segment in society and that a business which respects these differences and is wise enough to create an enriched and colorful weave out of them - will benefit all the more.

Therefore, we strive to develop and support a diverse working environment and offer equal opportunities to a broad range of people regardless of gender, age, heritage, origin, personal background etc. For us, diversity is the uniqueness each person contributes to the fulfillment of our values and objectives, and inclusion means the integration of women, minorities, new immigrants and people with special needs in every aspect of our business activity, whether it be employees, clients, suppliers or any other stakeholder.

In 2008 we focused our Diversity and Inclusion efforts in the cultural aspect. This meant raising our employees' and management's awareness, understanding and openness, based on the concept that real inclusion in day to day work and conduct cannot be dictated by policy, but must rather stem from a deep understanding of the issue, coupled with the awareness and ability to accept, appreciate and be patient towards anyone who may be different.

Among other things, guided by the objective of increasing

our employees' awareness to such issues, this year's activities were reflected in corporate communication at its various levels: internal magazines, media announcements and incorporating the subject into a variety of areas and infrastructures.

We are currently continuing the development of programs, tools and processes that would make Strauss into a more diverse workplace, emphasizing gender diversity and the advancement of women, coupled with our focus on involvement in the community and the various spheres of our society.

Labor Practices and Fair Employment

The following pages provide detailed information and charts that present the practices followed by our company as far as complying with employment laws and providing our employees with fair employment and in many cases much more.

Minimum Wage

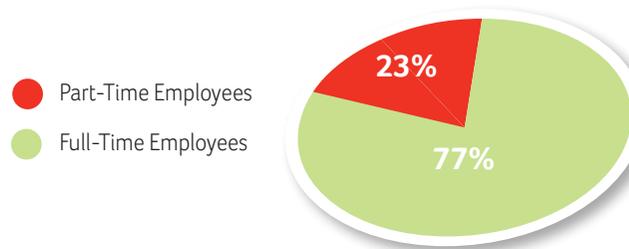
The following chart presents a comparison between minimum wage in each of the countries of activity for the units for which we have been able to present data on the subject and the lowest wages paid to employees in that unit. It can be seen that in none of the reported units does the lowest wages paid rank lower than the acceptable minimum wage for that country. In certain cases such as Sabra and Poland, the lowest wages paid by the Group are higher than the minimum wage for that country.



Full & Part-Time Employees

The following chart represents the percentage of employees working full time as compared to the percentage of those working part time in Strauss Israel for 2008. It can be seen that the majority of Strauss Israel employees are employed on a full time basis (77%) as compared to the 23% employed part time. It must be stated that the average time of employees working part time is 73%. This data has not changed markedly since 2007. In all other units that have been included in this chapter (a total of 4,645 employees) 9 employees have been reported to hold a position amounting to less than a full time job.

Full & Part-Time Employees in Strauss Israel 2008



Preferred Employer – Strauss Improves its Ranking in 2008 Compared to 2007

In a survey of "The 50 Best Companies to Work for" conducted in Israel by a leading business information company (BDI) and a leading economic newspaper (The Marker), Strauss Israel improved its ranking compared to 2007, and now ranks seventh among the ten best companies.

Temporary and Permanent Employees

The following chart represents the percentage of permanent and temporary employees in our overseas business units that have been included in this chapter. It can be seen that the rate of our temporary employees is 3%. At Strauss Israel we employ manpower firm contractor workers, whose wages are paid by contractors and are therefore not included in this data. Below you can find data concerning the contractor workers employed in Strauss Israel and other units.

Segmentation into Permanent and Temporary Employees – Overseas Units 2008



Number of Contractor Employees in Strauss Israel 2005-2008



Contractor Employees

The above chart represents the number of contractor workers employed at Strauss Israel in the years 2005 to 2008, segmented by calendar months.

As shown in the chart above, the number of contractor employees joining our workforce averaged 367 per month in 2008 (compared to 521 per month in 2007), and did not go below 182 (compared to 389 in 2007). This number consistently rises to a peak during and/or prior to months in which major Jewish holidays are celebrated (such as August/September for the high holidays and March/April for Passover), since we hire extra working hands in times of pressure. Other instances in which we might hire temporary personnel from contractors are: replacing employees on maternity leave, or any other leave of absence, manning a temporary position for a timed project, or new activity that has yet to be stabilized, employees in trial periods prior to permanent employment etc.

It is apparent that the total number of contractor employees is decreasing over the years since we make an effort to take on as many contractor employees as possible as Strauss employees. To that end, we have established an internal procedure, which provides that no contractor employees are to be employed for a period longer than six months, unless specifically authorized, and that re-employment of the same employee is allowed after no less than four months following termination of employment.

Although Strauss isn't legally responsible for the contractor employees, we do our best to make sure they all have legal working conditions and are adequately compensated in accordance with the law. To that end, we have taken an initiative to have every contractor we work with sign a contract ensuring compliance with labor laws for all its employees. For the future, we intend to build control mechanisms and monitor the contractors' compliance with these contracts.



“The people working for the Company and the leadership we foster are our most important asset, and constitute the foundation for Strauss’ capabilities, uniqueness and special spirit. As an expanding global corporation, we believe the secret for the power contained in our business activity lies in being a corporation comprised of people working under clear

values and moral codes, with passion and enthusiasm, responsibility and commitment, mutual respect and aspiration for excellence and innovation. As part of this concept, we selected the vision of Preferred Employer which reflects the importance we lay on our people and our wish to establish a true partnership with them.”

Nurit Tal Shamir

VP for human resources, Strauss Group

Skill Management and Career Development

In order to attract and retain the talent that we need, we stress investment in the professional development of our people. We provide individual training and development programs in accordance with the employee's specific needs (including on the job training and academic education if required). We also offer management development and leadership programs, which have been implemented in some of our business units and we plan to expand them to the entire group in the near future. We run annual performance and career development reviews for our employees.

Freedom of Association

Strauss acknowledges and respects its employees' freedom of association – to join labor unions and to engage in collective bargaining. Approximately 76% of our employees in Israel and most of our employees at the Coffee Company in Brazil and the CIS are members of labor unions and Strauss protects their right to do so and honors all of its agreements and commitments towards labor unions. There have been no incidents in which any risk was posed to the freedom of association and collective bargaining, and we intend to maintain this status quo in the future.



Employee Turnover*

During 2008, a total number of 1,634 new employees joined Strauss Group's business units that have been included in this chapter, out of which 869 were women and 926 under the age of 30. Additionally, 1,323 employees terminated their employment, out of which 677 were women and 567 under the age of 30.

Employee Benefits

Employees at Strauss Israel are provided with health care, savings and retirement funds and other social benefits. We provide pension plans and recreation pay for all our employees and offer education funds to our employees based on their position and seniority. Our health and welfare benefits include complementary health insurance for our employees and their families in case of organ transplants and surgeries abroad, annual family vacations, clothing coupons, gifts for holidays and special occasions, and sponsorship of children's tuition, summer camp and kindergarten in some of our business units. Our employees at our overseas units that have been included in this chapter are provided with social benefits and privileges based on the laws of their respective countries, and in some cases beyond the legal requirements.



“Creating an intimate, friendly atmosphere within the Company is not an easy task. Executives are required to show their care and responsibility for everyone around them. When this happens, all the rest follows automatically.”

Mati Harari
Deputy CEO, Strauss Coffee

* This paragraph does not include data concerning the Brazil unit, due to difficulties encountered in obtaining the information.



Anti-Harassment Policies and Practices

As stated in our Code of Ethics, we do not tolerate discriminatory behavior of any kind, or any form of harassment including sexual, physical or emotional, or any form of persecution for any reason. We have clear anti-harassment policies and hold training sessions and workshops for employee education on expected corporate conduct and how to deal with certain situations should they encounter one. We take this issue very seriously and any incidents that occur are handled with the appropriate severity.

Human Rights

For Strauss, human rights are of tremendous value as a critical foundation for our capability to function as a business and establish mutual relations with one another. We are committed to maintaining and protecting legally established human rights, and see this as an integrated part of our daily lives. As a multinational company, we are committed to respect and encourage the maintaining of human rights in every country where we are active, and regard this as part of our duty as a commercial organization.

To the Future...

We constantly strive to fulfill our vision of being a preferred employer and providing our workers with significant added value obtained from their work at Strauss. As stated above, we view our employees as the company's most important asset, and believe Strauss' uniqueness lies in the quality of its employees. Even in times of crisis, such as the current global economic crisis, we do everything in our power to refrain from dismissing employees. We undertake to continue to strive to providing our employees with an enriching, diverse working environment, to recruit, remunerate and promote fairly and equally, to increase Diversity and Inclusion, to protect our employees' rights, to treat them with respect, to assist them in their personal growth and career development, and do everything within our powers to always be the best workplace we can be.

Strauss Israel – the Campaign for “Hugging our Employees”

Assisting our people in the South of Israel and in the settlements surrounding the Gaza Strip under the missile attacks and during the Oferet Yezuka military campaign

At the end of 2008 a battle took place between the IDF and the Hamas organization in the Gaza Strip – the Oferet Yezuka military campaign.

More than 700 Strauss employees live in Southern Israel, and were subjected to daily missile attacks throughout the campaign period and before. Additionally, dozens of our employees were recruited for active military service and took part in the fighting.

In order to assist and support our people and their families, forced to cope with a difficult reality, Strauss organized a variety of activities for coping with the security situation:

- **An employee hotline:** the Strauss human resource team created a hotline for answering employee questions and inquiries relating to employment under tough security conditions and providing our Southern employees with assistance and services. Additionally, employees were provided with direct support and assistance concerning social welfare issues by the Eshchar Company.
- **Spiritual assistance and support:** Strauss assisted the workers and their families, also covering the aspect of mentally coping with the situation. A team of NTL psychologists (Trauma Victims of a National Incidents) conducted various workshops and meetings with employees on a daily basis and with their families as needed. Special emphasis was laid on intensive workshops for plant executives who were in daily contact with the employees, based on the understanding that they are required to support the employees while at the same time continue the ongoing activities and cope with their own personal stress resulting from the war.
- **Physical reinforcement of the salty snack plant in Sderot,** at an investment of several million NIS, adjustments were made so as to comply with the Home Front Command’s most stringent standards as well as those of other security organizations, including the addition of protection stations, and reinforcing the plant’s cafeteria in order to protect the employees’ safety and contribute to their sense of wellbeing.
- **Assistance for employees whose assets were damaged by the missiles:** assistance in their communication with the relevant authorities and help in evacuating the families into hostels for reorganization.
- **Additionally, in order to increase the morale of employees and their families, various social welfare activities were organized such as:**
 - * **Short holidays:** Strauss funded sending employees and their families to the Kfar Hamacabia Hotel in the center of Israel.



- * **Children’s day care centers:** the Company organized three day care centers for employees’ children, open from morning to afternoon. The children were served breakfast and lunch and participated in various activities such as clown acts, art workshops, stress relief seminars etc.
- * **Professional and spiritual support:** executives from the Central and Northern Regions constantly visited the Company’s premises in the South. The purpose of these visits, beyond the encouragement and spiritual support, was to inspect the existing scene, listen to problems that may arise, and professionally support the ongoing production.
- **Strauss employees volunteered to pack Fun Baskets for our employees in the South and in the settlements surrounding the Gaza Strip:** as part of this campaign, about 80 of our employees and executives volunteered, filled with energy and motivation and a strong desire to help, to participate in preparing the packages in order to make the lives of their friends in the South somewhat sweeter. Over 800 packages were prepared, and then transported to the plants and facilities and personally distributed to the employees with the purpose of helping them cope with their prolonged stay at home and provide them with moments of fun and delight. The packages contained such products as: milk, chocolate spread, granola, and a variety of sweet and salted products. An information sheet was also enclosed, containing essential telephone numbers including the Strauss hotline and the telephone number of the company providing employees with assistance and support on behalf of Strauss.

Safety and Hygiene in the Workplace

“We are committed to providing our employees with a healthy, safe work environment and to providing them with all the equipment and knowledge necessary to this end.”

The Strauss Code of Ethics

Our Code of Ethics includes a commitment to provide a safe and healthy work environment for our employees. It is our goal to design, construct, maintain and operate all of our facilities in a way that protects our people and physical resources.

Where our facilities and especially our plants are concerned, improving safety performance and addressing health and safety issues is one of our top management priorities across the business. Our goal is to embed a zero accident culture, with a clear trend of continuous improvement as far as reducing work related accidents and injuries, improving employee awareness to health and safety procedures and their implementation, drawing conclusions and constant learning for the purpose of improvement.

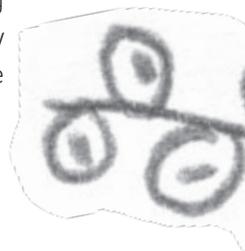
In order to achieve the objective of improving our performance in this area and constantly maintaining a proper level of supervision and awareness to what is occurring within the Company's facilities, we utilize various means and invest numerous resources. This chapter will cover the organization and means utilized at Strauss Israel and Strauss Coffee (with the exclusion of our Brazil plants).

The Company's Work Safety and Hygiene Organization

Under Struss Israel's Quality division there is a health, safety and hazardous substance director who is employed full time. Each of our Israeli plants has an internal officer who is responsible for all matters concerning employee health and safety at his/her plant. The Group's plants overseas that have been included in this chapter have a safety officer employed on a full or part time basis, according to the specific needs of their respective plant. Their duty is to handle any matter connected to the health and safety of the employees in that plant, and they usually answer directly to the plant manager. In overseas units where no plants exist, the matter of health and safety is entrusted in the hands of a relevant senior officer such as the operations manager.

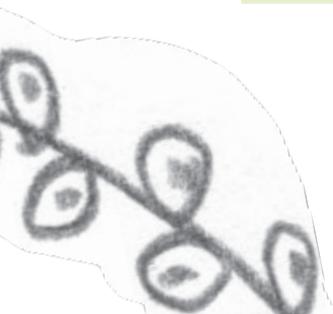
The health, safety, and hazardous substance director is responsible for establishing, developing and improving the safety and health management, developing the awareness to safety guidelines and conduct that would prevent workplace accidents and professional sickness by maintaining a safe working environment.

The health, safety and hazardous substance director is responsible, among other things, for managing the internal and external demands connected to employee safety, health and hazardous substances (including regulatory issues and environmental organizations). As part of this responsibility, the director is in charge of training and qualification activities on subjects related to health, safety and hazardous substances as per the legal requirements, including emergency preparedness. Additionally, he serves as a professional manager for the safety officers of the various facilities, and is responsible for the establishment of a safety forum, the implementation of methodologies and work methods for his area of responsibility, measuring and evaluating the industrial health and safety status for the organization's employees, including requiring internal inspections and corrective/preventive actions, ensuring conclusions are drawn following any unusual event, and any other cross organizational activities that interface with the areas of health, safety and hazardous substances.



The following is a chart that represents the occupational safety and health organization for the various units that have been included in this chapter:

Business Unit	The Person Responsible for Quality and Safety	Extend of Employment	Answers to...	Safety Committee
Strauss Israel	Safety officer for every plant, as well as safety, hygiene and hazardous substance director for Strauss Israel	In most cases full time, but in some facilities part time	The safety, health and hazardous materials director, who in turn reports to the quality director for Strauss Israel	Duties and powers: to find out the reasons and circumstances for accidents and recommend the means for their prevention, to recommend improvements in safety and advice on the establishment of safety guidelines, to obtain reports from safety trustees and to visit and coordinate their work, to accompany the work supervisor when visiting a plant
Strauss Coffee Poland	Safety and hygiene specialist	Part time	Operations manager, who is responsible for all safety and hygiene issues at the unit	Composed of the safety and hygiene specialist, an MD and a representative from human resources
Strauss Coffee Romania	Operations manager	Not reported	Not reported	Composed of shift directors, maintenance manager and administrative director
Strauss Adriatic	Safety engineer, responsible for the issues of safety, hygiene, security and fire safety	Full time	Maintenance manager	Composed of a variety of position holders from different disciplines, is responsible, among other things, for inspecting the matter of safety and hygiene, including fire safety, and submit its recommendations



Reporting and Monitoring Mechanisms

Each facility issues various periodic reports, as required by law and/or our internal procedures. Among the issues covered in these reports (relevant to a specific facility) are work related accidents and injuries, health and safety hazards, noise monitoring, investigation analysis, training for health and safety issues, findings of industrial health and safety inspections and expert examinations etc. These reports are issued with copies sent to all relevant authorities and studied by the company.

Education & Training

Based on our understanding of the importance of employee awareness to occupational safety and hygiene and of their deep familiarity with all of the rules and safety procedures applicable to their respective duties, we provide relevant employees with various health and safety training sessions on a regular basis, based on the legal requirements but also for enhancement, including issues such as: first aid, general safety, noise exposure, working with dangerous substances, safety in chemical laboratories, personal safety equipment, machine protection, fire extinguishment, emergency crew training, safety in warehouses, altitude work and more. We view our commitment and responsibility for these issues as extremely essential, which is visible among other things through risk and hazard management training and its implementation in our facilities so as to carry out the required preventive actions.

Health and Safety Activities, Programs and Initiatives in 2008

During 2008, as every year, we have taken various actions pertaining to health and safety, and designated a substantial budget (0.5% of the total 2008 budget for Israel, 1.15% for Strauss Coffee Poland, 3% for Strauss Coffee Romania, and 2.5% for Strauss Adriatic) to promoting initiatives in this area. Among the actions we have taken in this area during 2008 aside from employee training are health and safety inspections/patrols, noise and light inspections, hearing tests to employees who work in extremely noisy environments, purchase of new work cloths and fist aid equipment for employees, installation



of machinery safeguards, hazard surveys, ergonomic surveys, emergency drills and more. Among our significant objectives for 2008 were decreasing the number of occupational accidents throughout our plants and logistics, these naturally being more susceptible to incidents and occupational accidents compared to administrative divisions, and preparing the plants and logistics lineup for standardization in the area of altitude work. To these ends, we determined a budget, a survey was conducted in the plants and the logistics lineup, and training sessions were organized for relevant employees, as well as activities for raising the awareness of contractors to the prevention of altitude work related accidents, including their training and examining the certifications before commencing with their work. Additionally, risk and hazard surveys were conducted at the plants and logistic facilities. Our plant in Achihud now complies with Israeli Standard 18001 on the subject of safety and hygiene, and we are actively working to prepare additional plants for similar certification in the near future.

Injuries and Occupational Accidents

Regrettably, we were not able to completely eliminate the unfortunate cases of work related accidents and injuries. However, as stated earlier, the zero accident objective is one of our major objectives, and we invest numerous resources in achieving this. For more details about the unique, comprehensive safety management program that we have been conducting in order to reduce the number of work related accidents, see below.

The following chart represents the incidents of occupational accidents and the workdays lost as a result at the various units that have been included in this chapter, for 2008:

Business Unit	Number of Employees	Number of Occupational Accidents / Professional diseases	Total Number of Absences as a Result of Occupational Accidents	Number of Deaths as a Result of Occupational Accidents / Professional Diseases
Strauss Israel – operations and logistics	in operations and 1950 logistics lineup	accidents / injuries 93 resulting in more than three days of absence (65 in operations lineup and (28 in logistics lineup	816	0
Strauss Coffee Poland	441	7	258	0
Strauss Coffee Romania	401	0	0	0
Strauss Adriatic	292	0	0	0
Strauss CIS	193	0	0	0
Strauss Commodities	8	0	0	0
Strauss Coffee headquarters	6	road accident 1	2	0

Safety Management Program at Strauss - Reducing Work Related Accidents

We assign great importance to our commitment to provide our employees with a safe, healthy workplace in all organizational units, and supply them with the required tools and resources so they can perform their duties as safely as possible, with the best possible results, and with heightened awareness to the risks involved in their work, specifically at the plants and production facilities.

Accordingly, as part of the Total Quality Climate activity, we have been conducting for several years a unique, dedicated program for increasing the awareness to safe conduct in the workplace and reducing work related accidents. At this stage, the program has been taking place at our plants in Achihud and Nazareth, with the main purpose of preventing such accidents, by raising awareness and understanding and improving the conclusion drawing process following accidents and “near accidents” and our routine work practices, as well as creating better interface between executives and employees and laying an emphasis on safe employee conduct.

The program is conducted with the assistance of external consultation - in cooperation with the Technion’s faculty of industrial engineering and management, and is mainly comprised of series of inspections carried out by specially trained employees



“In March 2008 we held our first safety forum with the participation of all of the persons in charge of safety and hygiene at Strauss Israel. These meetings are part of our activities as far as the employees’ safety and hygiene, and are expected to greatly contribute to implementing this culture and creating commitment and awareness throughout the organization.”

Gideon Maor, safety, hygiene and hazardous materials director, Strauss Israel



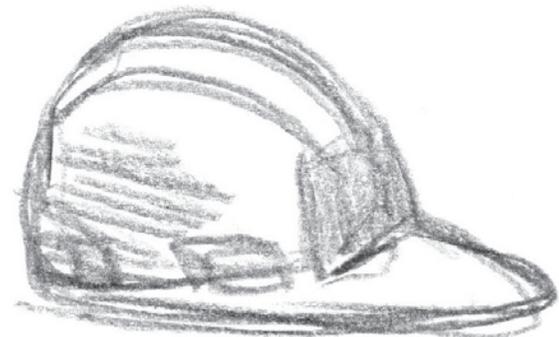
The Strauss Safety Group

and executives. The inspections are done under instruction, giving attention to a clear, predetermined list of parameters covering the areas of quality, health, cleanliness, working environment and safety. After the inspections, the employees and executives hold discussions and analyze the findings and indexes. They fill in questionnaires and hold a feedback meeting which includes grading the inspected unit, with the purpose of achieving constant improvement.

The feedback and grades obtained by the unit managers are examined, and they are evaluated based on these results and based on their learning and conclusion drawing process following the inspections.

The Total Quality Climate program has been conducted, as stated earlier, at our Achihud plant since 2003, and indeed, significant reduction in occupational accidents can be seen as time goes on. In 2002, approximately 30 occupational accidents were recorded at the plant, whereas in 2003, after the program had commenced, the number was reduced by 50% to 13 accidents, and continued to go down through the years, until in 2008 there were only 7 accidents.

This program has greatly contributed to increasing our employees’ and executives’ awareness to the various issues connected to quality, health and safety, and we intend to extend it into additional plants in the future.



To the future...

It goes without saying that we are committed to doing everything we can to prevent any and all work related injuries and accidents in the future, while striving to improve our health and safety performance. We have set specific targets in several fields including work related injury rate and investigation, conclusion drawing, safety training programs, safety committee meetings, and various processes and infrastructures such as hazard surveys.

As part of our objectives for 2009, we have constructed a corporate safety program, which includes training in various areas such as: lab safety, cranes, forklifts, transportation of hazardous substances, boiler operators, fire safety, emergency crews, computerized safety instruction programs, training seminars for the safety officers and more. Additionally, a corporate work program has been prepared for the next three years, out of which specific work projects will be derived for each plant. Among the main subjects covered by the program are:

- Enforcement and safety inspections
- Hazardous substance inspections
- Risk survey
- Emergency preparedness including emergency drills
- Significant reduction in occupational accidents
- Increasing the awareness to “near accident” reports
- Implementing the 18001 safety and hygiene standard
- Formulating corporate safety procedures
- Implementing safety indexes and formulating improvement objectives
- Increasing awareness to safety by implementing the Safety Climate program (see above), with an emphasis on proactive activities and implementing safety management routines, including precise, uniform indexes for examining and comparing accident frequency and severity with improvement indexes

Our goal is to fulfill all of these objectives, and we will continue to work hard and dedicate resources to the subject, so as to ensure the employees' health and safety in all of the Group's facilities.



Suppliers & Ethical Procurement

"We are committed to treating our suppliers and customers with integrity and respect for their rights. We are committed to fairness in our negotiations with them and in our regular day-to-day dealings. We are committed to taking action to ensure that our suppliers' conduct is based on proper ethical standards"

The Strauss Code of Ethics

Our Suppliers

The Strauss Group conducts business with over 18,000 suppliers worldwide, and we aim to build long lasting relationships with them based on shared values and sustainable processes. We consider our suppliers to be our partners and maintain good, trust-based relationships with them. We view the partnerships we have with them as mutually responsible. On the one hand we acknowledge that as a large and powerful company we have obligations and responsibilities towards our business partners as well as society. On the other hand we expect our suppliers to conduct their business in a

responsible manner – both economically and socially, and to fulfill their obligations – pursuant to every law or agreement.

We strive to build a diverse range of suppliers and contribute what we can to support weaker players in the areas where we operate, such as suppliers in periphery and developing areas and companies that hire people with special needs. For the future, we plan to set a policy and targets for increasing our work with local suppliers wherever we operate, as well as with our service providers, such as security, cleaning, catering etc.

We expect our suppliers to maintain the highest standards in terms of quality, safety and health, with regard to every product or process in their company. We conduct careful and ongoing evaluation of all our suppliers, and constantly monitor quality assurance. The vast majority of the suppliers we conduct business with are required to adopt the highest quality and safety standards such as ISO and HACCP (Hazard Analysis Critical Control Points), the food safety methodology that identifies, manages and monitors all critical control points in the production process.

Ethical trading is a core value at Strauss, not only because it's the right thing to do but also because it makes sound business sense. Ethical practice in our supply chain underpins the integrity, sustainability, quality and safety of our products. For the future, as part of our CR work plan, we are aiming to develop processes for evaluating and monitoring our suppliers' performance in these fields, which will become a prerequisite for partnership.

To the future...

- Develop processes for evaluation of our suppliers' social and environmental performance.
- Work with a more diverse range of suppliers.
- Support local and periphery suppliers and service providers.

Ethical Procurement, Fair Trade and Sustainable Coffee

We believe coffee production can only be sustainable if it enables decent working and living conditions for farmers and their families as well as employees, including respect for human rights and labor standards.

Strauss is one of the largest producers of coffee in Central and Eastern Europe and in Brazil. In the framework of our endeavors to be a socially responsible company, we have taken serious notice of what goes on in the coffee industry and the social, economic and environmental condition of the coffee supply chain, as well as the people who depend upon it for their livelihood.

In the last decade, changes such as new agro-technological methods, cyclical changes in production, volatile markets, structural imbalances in world economy and political developments resulting in low coffee prices unable to cover the cost of production, resulted in social and environmental loss. We believe coffee production can only be sustainable if it enables decent working and living conditions for farmers and their families as well as employees, including respect for human rights and labor standards. Furthermore, we believe that protecting the environment and conserving energy are core elements of sustainable coffee production.



Economic viability, including reasonable earnings for all the people involved in the coffee supply chain is the basis for social and environmental sustainability. Therefore, we have decided to take action for promoting this issue, and express our commitment through the procurement of coffee that is produced through such processes. To that end, we have chosen to join the initiative of the 4C organization, and begin procuring sustainable coffee that meets the criteria set by that organization, as covered in detail below.



“As a leading food company, our responsibility begins at the bottom of the supply chain. Not only our own actions, but choosing suppliers that share with us similar views, throughout the supply chain, including the handling of package waste remaining after our products have been used.”

Barak Massa
Logistics director, supply chain division,
Strauss Israel

The Sustainable Coffee Supply Chain - Strauss and the 4C



As a result of global changes and events and their severe, negative effect on the coffee supply chain, various organizations and initiatives have been formed, through which large, powerful corporations are trying to improve the situation, or at least to ensure the coffee they purchase is produced in a fair and responsible manner.

One of these initiatives is an organization called the Common Code for the Coffee Community Association (commonly known as the 4C). This is a global association that collectively engages producers, trade, industry and civil society responsible for the economic, social and environmental stewardship of the coffee sector to continuously increase coffee sustainability. The objective of this code is to foster sustainability in the "mainstream" green coffee chain and to increase the quantity of coffee meeting basic sustainability criteria from all the relevant aspects – decent work, human rights, environment protection and economic viability. The organization's mainstays are the code, participation rules

for trade and industry, support mechanisms for coffee farmers, a control system and the organization's management structure. Its mission is "to achieve global leadership as the base-line initiative that enhances economic, social and environmental production, processing and trading conditions to all who make a living in the coffee sector".

Strauss has chosen this organization as the most appropriate for cooperation, joined the organization and began procuring sustainable coffee. Like the 4C organization, we believe that encouraging sustainability for green coffee is a productive, competitive and efficient way to enhance the economic conditions of the individuals working in the growing, post-harvest processing and trading of green coffee. Thus, we offer a long term perspective on the development process, allowing suppliers to establish a new basis for competition regarding product quality and sustainability of production methods, and to promote this concept in mainstream markets.

Naturally, the procurement of sustainable coffee through this organization increases the costs of coffee procurement and requires the payment of a membership fee based on the quantities purchased. We accept these extra costs based on our commitment to promote an ethical coffee supply chain, to the organization's principles and to the rules for participating in this initiative.

Information about Sustainable Coffee Procurement Through 4C and our Objectives for the Future

In 2008 Strauss has purchased 1,000 tons of sustainable coffee through the 4C organization, which constitute about 1.6% of Strauss' total coffee procurement for 2008 of some 63,000 tons.

Our commitment for the next three years is to increase our sustainable procurement by 50% annually, and to meet the procurement objectives of 1,500 tons in 2009, 2,250 tons in 2010 and 3,375 tons in 2011.

Like many other large companies around the world, we are not currently able to purchase all of our coffee from socially responsible suppliers, due to the higher costs, which we do not wish to pass on to our consumers. However, we are highly committed to this issue, and have set ourselves constant objectives for improvement.

We always strive to do more and stay loyal to our values. In the future, we plan to join additional programs/ initiatives for certified fair traded coffee. This will provide us with a guarantee of responsible production and coffee sourcing, based on a set of social and environmental criteria for responsible coffee growing practices and efficient farm management.



“We have decided to join the 4C organization based on the fact that millions of people on four continents are currently making a living through the coffee industry. The approach held by that organization is a long term one, handling the issues of social, environmental and economical sustainability as far as the production, processing and trade of the coffee beans, with proper regard to all of the supply chain components. Therefore, it is perfectly in line with our Code of Ethics.”

Paul Borgers
CEO Strauss Commodities



Our Society



We credit our constant growth to the great trust placed in us by the members of the societies wherein we work and feel deeply committed to displaying social responsibility to all communities wherever we operate.

The Strauss Code of Ethics

Wherever we operate or conduct our business, we consider ourselves an integral part of society and feel that it is our responsibility and obligation to make a positive impact on the communities surrounding us. This chapter describes our involvement in the communities where we function, and provides information concerning our relationship with society.

Our social commitment has expanded from a family heritage to the spirit of a whole corporation. This commitment is based on a long tradition of caring and community involvement – values that have been imparted into the Company from its very first days. Today, being a large organization, our presence in a certain location as a significant employer which is socially involved, has leveraging economical, social and regional impact. We are aware of that influence, and choose to place it where it is most needed. Our plants and facilities in Israel are spread in the periphery, and constitute an important economical and

social factor for the development of these regions. Recently, the Group has defined its social focus, adapting it to globally developing trends. We have selected Diversity and Inclusion, as the concept that will color our way as far as social responsibility management, and will be reflected, among other things, in the social programs which we will initiate in the future in addition to promoting this issue in other circles.

“We take action for empowering the communities where we conduct our business, and encourage our employees to personally take part in the social activities that we initiate.”

The Strauss Code of Ethics

Community Involvement

As part of our commitment to improving the quality of life in the communities where we operate, and to maintain their trust, we have established a long and prosperous tradition of caring and involvement in the community. We are actively involved in the community, and display our sensitivity to the needs and interests of its members. We cooperate with various organizations in order to leverage our investment in the community and expand our scope of activity, involving as many of our employees as possible.





Areas of Focus in Israel

We operate in several major areas of focus taking part in dozens of projects: healthy lifestyle and wellbeing, education and culture, personal growth and empowerment, food donation and more. The scope of this report does not allow us to include details of all our programs. We have highlighted some examples of our community projects:

••• Healthy Lifestyle and Well Being

Being a food company, we are concerned with promoting healthy lifestyles and proper nutrition, and advancing science, education and research in these fields.

The budget for the Danone Institute and its activities for 2008 was 730,000 NIS.

As always, in 2008 we took action to increase our community involvement in Israel, with the purpose of encouraging a healthy lifestyle, among other ways through the Danone Israel Institute. The Strauss Group is a pioneer food company as far as promoting nutritional research in Israel, and the Danone Institute founded based on the initiative of the Strauss Family and Danone International, is actually the first research institute in Israel founded by a food company. Further details about Strauss'



activities through the Danone Institute can be found in the chapter covering product responsibility, on pages 80-81.

••• Food Donation

With food being the focus of our business, we find it has become inevitable that we donate as much food as we possibly can to whoever needs it wherever we can reach them.

We donate products close to their expiration dates on a regular basis all year round to two charity organizations which hold soup kitchens and other forms of food delivery to the hungry. Furthermore, we donate various food products, sweets and baked goods on a regular basis to a large number of organizations supporting soldiers, youth, children and adults and to organizations supporting incoming Jewish immigration and women empowerment.

••• Education and Culture

Strauss values education as a way to create and enhance opportunities for young people, especially those who come from disadvantaged backgrounds. Consequently, among our activities in 2008, we have donated funds and scholarships to various educational institutions, with an emphasis on supporting women from underprivileged backgrounds in order to make it possible for them to acquire an education and develop the skills that would



allow them to locate sources of income and employment, in turn providing them with fair livelihood and opening a door for them for higher independence and personal empowerment.

Additionally, we contribute to Diversity and Inclusion through various academic and educational institutions, among other things to expand the opportunities of new immigrants and minorities to obtain education and enhancement in various fields. As an example, we fund educational scholarships for the Sam Spiegel Film School, intended for funding the education of new immigrants and minorities wishing to develop a career in film, as well as study scholarships for the Hebrew Reali School in Haifa for students of Ethiopian descent.

In 2008 we donated food products nearing their expiration date as well as other food products with a value of some 5 million NIS.

As for culture, we support several dancing and singing groups, including Moran, a youth group from Northern Israel, and Beta, the group of Ethiopian dancers that preserve authentic traditional Ethiopian dancing. We assist them in completing their academic education and in raising awareness to their special art form around the

world. Among other activities, we purchase their tickets and come to watch their performances, as well as morally supporting the dancers and encouraging them.

••• Personal Growth and Empowerment

We at Strauss believe in personal empowerment, self-help and taking charge of one's own future. We strive to create and support facilities for people of disadvantaged backgrounds to build their confidence and acquire skills in order to stably participate in the employment arena, become independent and support themselves in the long run. To this end, we have chosen to establish a deep partnership with the Be'Atzmi organization working for the promotion and integration of the underprivileged in the work world.

Participation in a program for the employment of rehabilitated prison inmates, where Strauss employs rehabilitated inmates in Tafnit, our logistical facility, as an integral part of our team. The inmates are provided with professional training, and are paid for the work as well as being provided with other benefits, in a way that would serve as a basis for their employment following their release from prison. Several inmates have later become a regular part of our work force.





A True Partnership - Strauss and the Be-Atzmi Organization

Be-Atzmi's vision is to bring about a change in the employment arena in Israel by integrating and advancing underprivileged populations into the workforce. The organization develops and operates innovative, effective employment programs that assist the underprivileged around Israel to get themselves out of unemployment and obtain stable, appropriate employment.

The Be'Atzmi employment program includes: group employment workshops, long term personal coaching, professional training scholarships and assistance in business initiatives.

Be-Atzmi currently operates 31 programs in 25 cities and towns ranging from Hazor Haglilit in the north to Beer Sheba in the south.

The Collaboration of the Strauss Group with the Be'Atzmi organization – for the Advancement of the Underprivileged

We at Strauss have selected the Be'Atzmi organization as a major, significant partner for fulfilling our vision of community involvement and investment, based on our deep commitment and identification with the values that the organization promotes, as well as the conception that this is the right way for us to contribute our part to the community around us.

Our close working relationship with the Be'Atzmi organization, and our active involvement in supporting and assisting it in fulfilling its vision, begin at the Group's highest ranks. For several years now, the Be'Atzmi organization's executive committee chairman is Strauss' president and CEO, Erez Vigodman, who takes an active part in the management of Be'Atzmi. Additionally, a member of Strauss' Group management and its chief legal officer, Michael Avner, is a member of the Be'Atzmi executive committee and is involved in its activities including those shared with Strauss. Beyond that, many Strauss employees and executives take part in the promotion and fulfillment of the partnership with Be'Atzmi.

We assist the organization, and through its activities contribute to supporting and assisting the underprivileged at various levels:

Strauss has been providing Be'Atzmi with ongoing financial support for several years now, allowing it to continue its programs that can open the door for various people and provide them with tools for developing independence and self support. Among these programs, there is the Mifne program in Acres, in which Strauss is especially involved. It is co funded together with the Toronto Federation, and addresses people who have been unemployed for at least six months, or have been employed in such jobs that do not make it possible to provide for their families' livelihood and overcome poverty. The program combines three major components:

- Empowerment workshops centering around employment
- Personal coaching and formulating a personal annual work program for each participant
- Scholarships for participants for assisting with funding their education or alternatively for establishing a small business.

These three components are meant to encourage change in those people's lives, and get them from a state of unemployment and lack of functioning capability to a state of employment, striving to upgrade their employment status in the future. At the beginning we aim for a temporary job, as a transition before finding better, more appropriate employment, and provide the participant with a detailed program, and continue to support him/her all along. The Acres program in which Strauss takes part is a three year program beginning in 2007.

An additional program fully funded by Strauss is "With our Workers' Help". It is a program intended to assist unemployed immediate family members of Strauss employees using a model similar to the one utilized by the Mifne program.

It must be stated that these programs address a wide variety of populations, based on our desire to advance Diversity

and Inclusion, and allow people of different backgrounds and varying life circumstances to become a part of the Israeli workforce and provide their family with livelihood. Among the participants one can find men, women, Jews, Arabs, single moms, a variety of ages including senior citizens, new and "old" Jewish immigrants, former prison inmates and more.



"The employment factor in our modern world constitutes an important, significant part of individual, family, community and society life. Beyond the economical aspects, employment allows a person to obtain an independent lifestyle and fulfill their skills and dreams. In Israel today there are hundreds of thousands of men and women who

are in need of support and assistance in order to be able to become a part of the employment world. The reasons for this are many, and the assistance must be on an individual basis, uniquely tailored for each person's needs and abilities. We at the Be'Atzmi organization appreciate Strauss' substantial support, and our proud of being a part of this partnership which is based on the desire to provide every person with an equal opportunity to fulfill their potential."

Hiely Harel

Resource development director, Be'Atzmi





Community Involvement Overseas

Wherever we engage in business activities overseas, we bring with us our social heritage, which has proven effective in Israel. The following are a few examples of community investment in some of our facilities overseas:

Strauss Adriatic in Serbia: in Serbia, Strauss Adriatic works, among other goals, for the protection of mothers and children. As part of our regular community involvement, we provided a financial donation for purchasing new equipment for the preparation of milk based food for children suffering from high sensitivity to various foods, including toddlers and premature babies. The equipment included sinks and special tables that would make it possible to prepare 500 meals per day in the largest hospital of the Balkan area, serving Serbia and its neighboring countries (Montenegro, Bosnia, Herzegovina and Macedonia). Other programs that benefited from our support in 2008 include: constructing children's playgrounds in various community centers, assisting a children's nursery, supporting a children's hospital and more. We also began giving regular donations of food rations for the poor through community kitchens.

Strauss Coffee in Poland: in order to promote a healthy, active lifestyle and provide an incentive for the generation of young athletes in Poland, we created a connection between our Pedro's coffee brand communication platform and the Pedro's Cup athletic

competitions. Strauss provided the audience at the stadium and the TV viewers at home with an unforgettable experience by enabling them to see world record athletes from up close. Our company won some prestigious awards due to this activity.

Strauss Coffee in CIS: in the CIS we have chosen to provide the foundation assisting with the maintenance of a war veterans' home with a financial donation. Strauss employees visited the home several times and volunteered to assist the tenants in various ways.

Strauss Coffee in Brazil: the Santa Clara company in Brazil is involved in many diverse activities concerning community involvement, education etc.

Summary of Community Contributions for 2008

During the year of 2008, the Strauss Group invested in the community over 8.6 million NIS, these comprising financial donations, money equivalent donations, product donations and short term product donations. In addition employees volunteered their time in various Israeli community organizations.



"As part of our long commitment to social responsibility, we decided at Strauss Poland to increase the joy of Christmas in our local community. Our employees organized a special party, and invited underprivileged children. The children were presented with Christmas gifts from Santa Claus, and attended a special Christmas performance. It was really moving to see how a small gesture can result in big change!"

Malgorzata (Gosia) Szwarc
Human resource director, Strauss Poland



"Strauss Adriatic has a long history of local community support. In 2008 we focused on donations of funds and equipment for the improvement of living conditions, hygiene and sanitation in homes for children that do not live with a family. But we do not settle for this. We believe we must also work together with the community.

Our employees visit these children and organize outings and parties, including a visit at our new Doncafe plant. This activity is essential and warms the hearts of everyone involved."

Vesna Marinovic
Human resource director, Strauss Adriatic

To the Future...

In 2008 we established a uniform, focused corporate policy for the Strauss Group concerning community investment. This policy connects our community involvement with our business profile and our vision. The policy centers among other things on issues connected to various aspects of Diversity and Inclusion.

As part of the new policy requirements, each of the Israeli units shall take part in an involvement program, adopting a community partner somehow concerned with the issue of Diversity and Inclusion. As the first phase, we have chosen to focus our social and community activities on the empowerment of women and minority group members, laying the emphasis in 2009 on people of Ethiopian descent and the Arab sector.

Any significant program in which we take part is measured against specific targets that had been set in advance. We intend to work in 2009 for the improvement of the mechanisms we possess for monitoring, evaluating and managing our activities' impact on the community and the results of our investment.

Antitrust

In some of the markets within which we conduct our business, the market share we control is significant in size, and we are always aware of the power, responsibility and legal obligations stemming from this. We see ourselves as committed to playing by fair rules, complying with all legislation relevant to our business activities and demonstrating our integrity in everything we do.

In order to ensure our employees' awareness of their obligations and our expectations from them, we have prepared the Antitrust Business Conduct Procedure, and distributed it among all relevant employees in Israel (where our market share for certain products is significant).

This procedure covers our approach to antitrust issues, and the relevant legal requirements to which Strauss and its employees are subject, on both the criminal and civil levels, as far as our relationships with competitors, clients, suppliers etc. The booklet contains real life examples that clarify the relevant issues and explain the desired actions that should be taken.

Additionally, we have created a training program for instructing all of the relevant employees, to ensure their awareness to their responsibility and their understanding of the legal requirements to which they are subject. We regularly conduct workshops for the employees concerned with the subject, with the purpose of teaching them (through examples and informative presentations) how to deal with problematic situations they may face in the course of their work.

“We constantly work to be the leaders in every field in which we engage, and to meet the challenges we set for ourselves. We do this with the recognition that we are responsible for maintaining our integrity and complying with the rules of fair competition... We are committed to playing by fair rules in our relationships with our competition...”

The Strauss Code of Ethics



“As a woman working in a Company whose chairman is also a woman, and in which many key positions are led by women, I am glad to take daily action for the advancement of women's equality and empowerment in the community around us as well.”

Einat Braitman Shapira
Community relations and contributions officer

Environmental

Performance





“As manufacturers, we are aware of our impact on the environment and take full responsibility. We believe that adopting an attitude of environmental responsibility will help to maintain a sustainable environment for generations to come. For us, it is both a goal and a challenge to reduce our negative impact on the environment while enhancing awareness of this critical issue among our employees, suppliers and consumers.

...We undertake to endeavor to improve our environmental performance wherever we operate. We will act based on environmental awareness, combining environmental considerations into our decision-making processes. We will strive towards excellence in environmental conservation, both in product manufacturing & planning and in product life cycles. We will act so as to enhance awareness of the importance of protecting the environment among our workers, customers and consumers.”

From Strauss Group’s Environmental Policy

We are constantly taking steps to reduce our negative impact on the environment and are committed to continually improving our environmental performance in all the organization's units.

Our commitment to the environment is expressed, first and foremost, in our aspiration to constantly improve our environmental management processes. To this end, we formulated a corporate environmental policy.

This chapter describes our environmental performance in the following plants: Achihud Dairy, Yotveta Dairy, Nazareth Candy Plant, Safed Instant Coffee Plant, the Shavit fresh cut vegetables plant, Yad Mordechai Apiary, the Sderot salty snacks plant, the Carmiel Salads Plant, four distribution centers (as a single entity), the Max Brenner gourmet chocolate plant and Aviv Dairy. In our business units abroad, Strauss Coffee plants included in the scope of the report are our plants in Romania, Serbia, Bosnia, Poland and Brazil (5 plants).

In this year's report, nine additional plants were included beyond those in last year's report. In addition, the current report now includes reference to the issue of mileage, both from the air pollution aspect and from the aspect of the organization's carbon footprint.

Major elements in our environmental responsibility strategy:

- Prudent use of water and saving of this critical resource
- Reducing energy consumption in order to reduce emissions of pollutants and greenhouse gasses
- Reducing the amount of pollutants in the sewage in order to reduce soil and water reservoir pollution
- Proper treatment of waste, while reducing the quantity of waste, increasing the amount of waste for recycling, and reuse of waste designated for landfills
- Reducing the organization's carbon footprint
- Integrating environmental aspects and considerations into the product from the beginning of the product development stages
- Assimilating environmental and conservation values among our employees

Based on recognition of our responsibility towards the environment in which we live, and awareness of the importance of monitoring, control and management of our environmental performance, we have appointed an Environmental Manager at Strauss Israel this year. Among her numerous functions, she is responsible for: assimilation of the company's environmental policy, mapping and identification of negative and positive impacts of the organization's plants on the environment, mapping and evaluation of environmental regulations and laws applicable to the company's units, and provision of tools for integrative work by the company units in the field of environmental management.

In parallel, an Environmental Manager was appointed in Strauss Coffee to provide similar functions in the Strauss Coffee plants.



Environmental Management Standards and Infrastructure

In the Nazareth Candy plant, Achihud Dairy and Yotveta Dairy, an environmental management system is implemented in accordance with international Standard ISO 14001. The Logistics unit is currently undergoing the certification process for this standard.

In the Sderot salty snacks plant and coffee plant in Lod, the process of creating an environmental management system will begin this year. Over the course of coming years, the rest of the Group's plants in Israel will undergo this process, and within three years all Strauss Group plants in Israel will have an environmental management system compliant with ISO 14001. As part of this process, business units identify the legal requirements applicable to the plant, conduct environmental surveys, and set goals and targets on how to improve the system by devising environmental plans.

Financial Investment

In 2008, Strauss Group invested extensive resources in environmental issues. This investment is expressed both in acquisition of equipment, construction of a sewage treatment facility at Achihud, investment in overhead such as the appointment of Environmental managers in the various units as well as ongoing costs, such as materials for the maintenance of waste treatment facilities and prevention of emissions, employee training and more.

Investments in infrastructure to improve the Group's environmental performance and minimize the risks due to operations totaled more than 6.5 million NIS in Israel in 2008, with the Group's plants in Europe investing more than 50 thousand Euros (in improving the emissions system), and an investment of 240 thousand dollars in the Coffee plants in Brazil to improve the manufacturing process.

Significant sums are also invested every year on an ongoing basis, with 5 million NIS invested in 2008 in Israel in the purchase of chemicals for the treatment facilities, salary costs for the employees in the field of environmental management, and more. Investment of 80 thousand Euros in ongoing costs were also made in the Group's plants in Europe, with 30 thousand dollars invested in the Coffee plants in Brazil to cover ongoing expenses.



“As part of a global company that is continually expanding, we were given a unique opportunity to significantly impact activities for the environment. Our spheres of influence begin in the operation of our manufacturing plants and reduction of their environmental impact. Next comes our influence on our employees. Assimilating environmental

values among the company's employees will lead to these employees implementing these values in their homes, among their families, neighborhoods, and thus the circle of environmental activities will expand.

I believe that activities for the environment will increase collaboration between industrial companies, between companies and academia, and between companies and environmental organizations. As part of these collaborations, our impact as a company on the environmental agenda will grow and expand. We will continually strive to improve our spheres of environmental impact and the results will speak for themselves.”

Ronit Shachar

Environmental Manager, Strauss Israel

Following is a description of our environmental performance for 2008, and where possible, we have included comparisons with previous years, divided into fields and issues relevant to environmental performance:

Reduced Water Usage

In 2008, the water shortage crisis in Israel intensified and grew even more severe than in previous years. We at Strauss are aware of the fact that water is a perishable resource that is becoming increasingly precious and rare all over the world, and in Israel in particular. Since the shortage of drinking water has always been a critical issue in Israel, we are investing great effort in reducing water usage and recycling water for cleaning purposes.

The Group's plants in Israel have set water consumption targets for 2008, and we are proud to report that actual consumption reached 95% of the targets that were set. In total, a decline of 3% to 25% in water consumption was recorded in all of the Group's units, compared to 2007. Some of the units reduced their consumption significantly, and three have even succeeded in using water produced during manufacturing processes for other purposes, such as cleaning.

All our business units place emphasis on measuring water consumption and on preparing plans for water savings.

Following are several examples:

- The Carmiel Salads plant installed water meters throughout the plant, implemented projects for optimizing processes that use water, and instituted a process of monitoring and management of this precious resource. The plant reported savings of 17% in its water consumption this year compared to last year.
- At Yotveta Dairy, desalinated water is now used for cleaning, and the total amount is about 1500 cubic meters a year. The Dairy managed to cut 10% of its water consumption compared to last year.
- The Safed Instant Coffee plant continues to save on its water consumption. This year the plant saved 19% of its water consumption compared to last year, due to existing projects and a new project for collecting condensation water from its thermal facility and reuse of this water to cool pump seals.
- The Coffee plant in Romania began to measure its water consumption, which it did not do in the past, and managed to cut the plant's water consumption by 25% compared to last year, primarily due to a reduction in leakages.

When comparing water consumption per ton of products manufactured during 2008, consumption decreased from 10.2 tons of water per ton of products in 2007 to 8.5 tons of water per ton of products in 2008.

Energy Consumption

We consider the reduction of our energy consumption to be highly important, as it can reduce emission of pollutants and greenhouse gasses while reducing the company's carbon footprint.

Energy consumption is composed of four main sources: electricity, LPG (liquid petroleum gas), diesel oil for manufacturing and natural gas oil (used primarily in the Group's overseas plants).

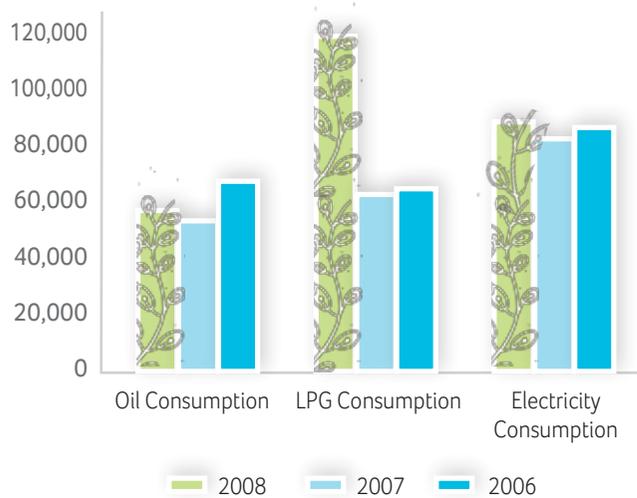
In most of the company's plants, an energy consumption survey is conducted once a year, in which the unit's energy consumption is examined and a future savings plan is prepared.

Following are some of the actions taken at our plants in order to increase savings in energy consumption:

- Yotveta Dairy utilizes the gas emitted from its sewage treatment facility. The gas replaces usage of purchased fossil fuel energy at a volume equal to 260 tons of fuel oil.
- The Coffee plant in Romania reduced its consumption of electricity by 10% due to improved efficiency processes.
- The Nazareth Candy plant cut its consumption of electricity by more than 10% due to various projects, including: insulation of chocolate containers, improved efficiency of the plant's cooling systems, insulation of hot water containers to prevent heat loss, replacement of its air conditioning system with a system that consumes less power, and more.
- The Salads plant in Carmiel has implemented several improvements that have led to significant savings in power consumption, such as usages of residual heat from the cooling systems instead of use of direct energy (gas).
- At the Achihud plant and coffee plant in Safed an emphasis was placed on more economical lighting systems and savings in unnecessary lighting, as well as correction of faults that caused energy wastage.
- At the Safed coffee plant, a coffee waste incineration project was initiated, and is projected to lead to 70% savings in the consumption of raw fuel at the plant.
- In the Achihud plant an anaerobic sewage treatment facility is under construction. As part of the facilities operation, biogas will be created and utilized to heat steam vats, and will replace about 30% of the plant's LPG (liquid petroleum gas) consumption.

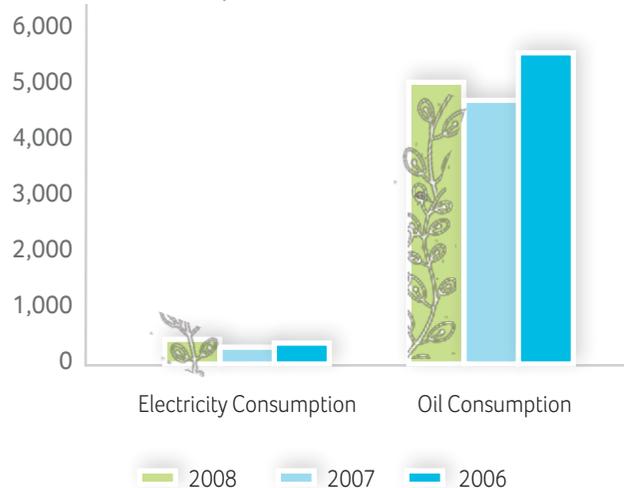
The following diagram describes energy consumption in the plants for 2006 - 2008.

Energy consumption – Israel (thousands of KW per year)



The diagram presents the consumption of the different kinds of energy (electricity, fuel oil and LPG) in thousands of kilowatts, representing energy consumption in Israel only. It is important to note that in 2008 additional data was included, which was not reported in previous years, and makes it difficult to compare

Energy Consumption – Israel (kWh per Ton Product – Annual)

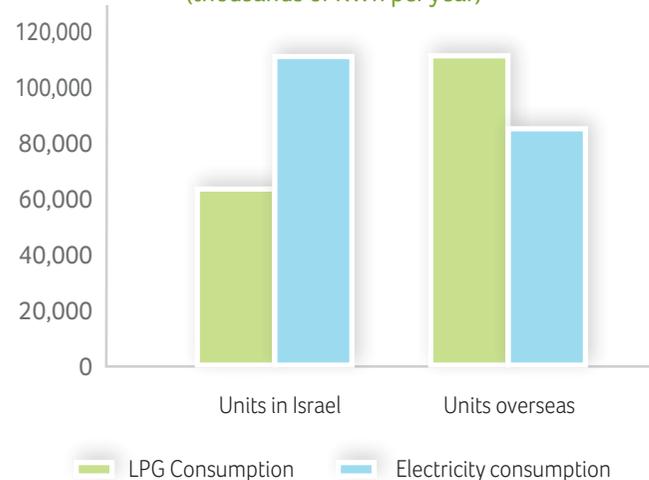


these years. As can be seen in the diagram, in 2008 electrical consumption grew slightly, compared to a higher increase in LPG consumption. It is important to note that the transition from electricity to gas contributes to improved air quality.

The electricity consumption diagram shows that the plants' efforts proved productive and that general energy consumption dropped in 2007 by almost 9% compared to 2006.

Examination of energy consumption per ton of products manufactured by the organization shows that energy consumption in 2008 rose, compared to 2007. Strauss Group has set as its target to improve performance in this field over the coming years.

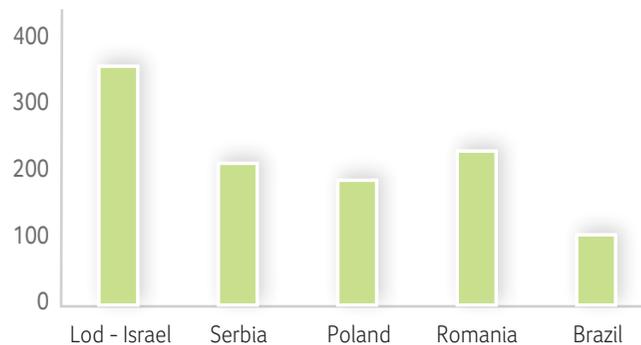
Corporate Energy Consumption 2008 (thousands of KWh per year)



The above diagram presents the Group's overall energy consumption divided according to units in Israel as opposed to units abroad (Europe and Brazil). It indicates that the total electricity consumption of our plants overseas is greater than that of our units in Israel. Yet when the division is based on consumption of energy per ton of products manufactured in each region, electricity consumption abroad is lower per ton of manufactured products: 0.33 thousand KW per ton of products manufactured abroad compared to 0.59 in Israel.

A comparison of the energy consumption due to roasted and ground coffee product manufacturing between our various units in the world provides interesting additional data, as presented in the following diagram:

Electricity consumption per ton of manufactured products (2008)
– Roasted and Ground Coffee Plants (KW per ton of products)



This data indicates great variance between the different units producing roasted coffee products. Over the coming years, we will endeavor to study the issue of energy consumption throughout the organization in order to improve our overall performance in this field, by adopting existing solutions from one unit in other units.

With a view to the future, we recognize the significant advantage in using alternative energy (solar energy, wind energy, etc.) and are acting to introduce these technologies into our production sites. At the same time, we are defining targets for the various sites as well as the entire organization in order to reduce electricity consumption in particular and energy consumption in general.

Air Pollution Reduction

Production processes at our plants require the use of energy for baking, roasting and other processes that require heat. The plants use electricity, liquid petroleum gas (LPG) and fuel oil for the operation of different ovens and steam vats.

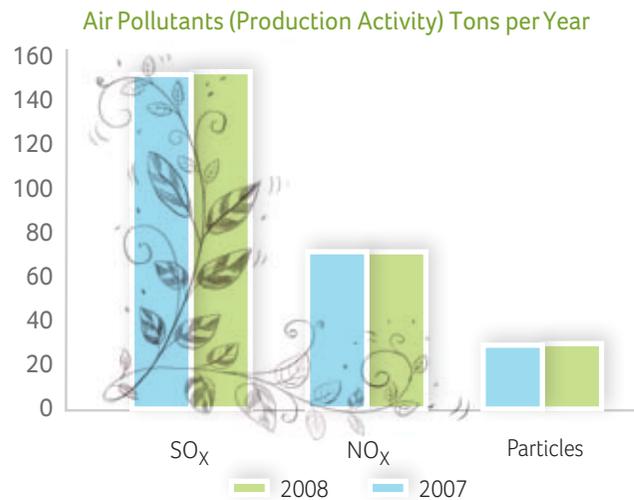


The Group's plants abroad use natural gas for production processes, which significantly reduces air pollution. In Israel, usage of natural gas has not yet been implemented, and this depends on the provision of suitable infrastructure by the State.

The Group's plants overseas currently use more than 7 million metric cubes of gas. In the future, we will also monitor the consumption of natural gas and attempt to reduce consumption of this energy source as well.

When fuels and electricity are used, various air pollutants are emitted into the air (particles, nitrogen dioxide NO₂ and sulfur dioxide SO₂). Plant smokestacks are monitored at least once every 2 years and various actions are taken to reduce emissions into the air: unique additives are used in the work process, improved functioning of the steam vats, less use of fuel oil and fuels, and proper maintenance of the facilities.

The following diagram describes emissions of major pollutants into the air, as a result of energy consumption, in units of ton pollutant per year. Examination of 2008 results indicates that they are almost identical to 2007 results (the slight differences are due to the inclusion of overseas plants, most of which use natural gas, so that their polluting impact is lower).



Ozone-Depleting Substances

Cooling fluids are essential substances used in the food industry. They are found in cooling systems and office air-conditioners, but most of them are found in the cooling systems in the dairies and in the giant warehouses at the distribution centers. Today, use is still made of Freon 22, an ozone-depleting gas, and we are currently working to replace it with gasses that are friendlier to the ozone layer.

This year we have set ourselves the goal of collecting reliable data from all the units that use gasses for cooling. We learned that in 2008, we added 19 tons of Freon to the cooling systems in all our units (in Israel and abroad). This data constitutes a significant increase compared to previous years (approx. 10 tons in 2006 and 6.7 tons in 2007), which is explained in the more detailed reports by the units.

Sewage Treatment

In most of the Group's plants, most of which are located in Israel, the issue of sewage is the most central issue for the organization's environmental impact.

Roasted and ground coffee plants (in Israel and overseas) have a limited impact on this important environmental issue, although they must also deal with the flow of sweetened water into rivers and wells in some of our units abroad.

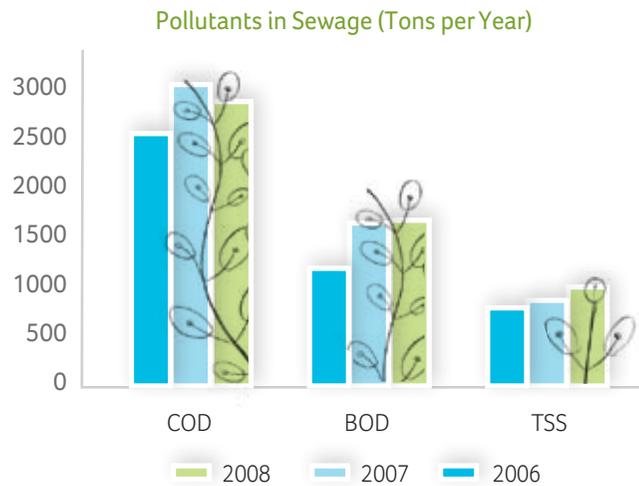
By its nature, the sewage created in food production plants requires the treatment of a considerable organic load. The units in the organization handle sewage by establishing dedicated treatment facilities at the plants and by transferring fluid sewage to regional treatment facilities. During treatment of sewage sludge is created. Most of the sludge is transferred by the plants for recycling (animal feed), and in some cases it is shipped to landfills.

The plants are required to comply with stringent requirements set by authorities, and endeavor to do so via establishment of a testing system for the sewage transferred for treatment by the authorities. Examples of activities in this context include:

- **Achihud Dairy** - a special facility for the treatment of sewage, at an investment of 2 million USD was constructed. It is designed to address the problem of organic substances and oils in the Dairy's sewage.
- **Nazareth Candy Plant** - the treatment facility underwent an upgrading and renovation process in 2008, and will undergo further improvement during 2009.
- **Yad Mordechai** - the sewage treatment system is currently in final planning stages.

The following diagram describes the emissions of the major pollutants into the sewage (tons of pollutants per year). These pollutants represent the organic substances that flow into the sewage.

COD (Chemical Oxygen Demand for chemical decomposition of organic substances) and BOD (Biological Oxygen Demand for biological decomposition of organic substances) indicate the amount of organic substance in the sewage, and represent the pollutants emitted by the plant. TSS (Total Suspended Solids) values describe the amount of solids in the sewage. The goal is to reduce the quantities of these substances in the sewage.



We are aware that based on the data presented in the diagram above we have not succeeded in attaining significant achievements in the reduction of organic pollutant in 2008.

Another important challenge faced by a small number of the Group's plants is the reduction of the sodium content of their sewage. Sodium that flows into the sewage originates from cleaning solutions that we use, that ensure the cleanliness of production lines and quality of our products. Since treated waste is used for agricultural irrigation in Israel, there is a limit on the permitted sodium level.

We hope that the significant investment we have made over the past two years in sewage treatment will bear fruit in 2009, and that upgrading our treatment facilities and tightening of controls over coming years will lead to a significant drop in the quantity of pollutants. To achieve these goals, operational targets in this area were set for the managers of the larger units, and they will be evaluated for their achievements.

Waste Treatment

Waste management is an important aspect of our plants' environmental impact. We endeavor to reduce the quantity of waste generated by production processes, and reuse and recycle waste that is produced.

Through redesign of our product packaging, we reduce the weight of packaging, and this reduces the weight of the waste produced after consumption of our products.

Local legislation applicable to our plants in Europe requires the units to meet defined recycling targets for most types of waste produced by the plants.

In 2008, we made progress in the area of waste separation, collection and recycling. The various units applied recycling programs that included placement of dedicated bins for different waste, identification of alternative sources for waste absorption, and intensive training of employees on the subject of waste separation and recycling.

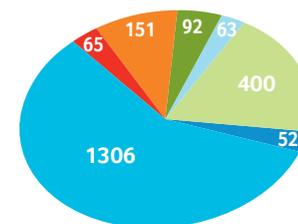
In previous years, monitoring of the amounts of waste transferred for recycling and burial in landfills was deficient, and it was impossible to receive reliable data in this field. In 2008, there was a significant improvement in control and reporting, and some of our units began to track this issue. Over coming years we plan to complete implementation of monitoring and establish a systematic method.

Waste that is transferred for recycling and reuse includes plastics, empty packaging (laminates), cardboard, paper, wood and metal, as well as process by-products such as coffee pulp, wafers, etc.

Part of the plants' waste serve as animal feed, thus saving the need for waste burial and the waste of land resources, while also achieving savings in the use of new raw materials for animal feed. Today, it is estimated that around 7,500 tons of waste are removed from the production sites to authorized landfill sites, and that more than six times that amount (47,000 tons) is directed for recycling and reuse.

The following diagram presents the quantity of packaging materials transferred for recycling, totaling 2,129 tons. In addition, it should be noted that more than 45,000 tons of product waste (in addition to packaging – rejected products, residue and by-products of the production process) are transferred for recycling and animal feed.

Recycling of Packaging Waste (Ton) – 2008



Hazardous Waste

As a rule, Strauss plants do not manufacture hazardous waste, and the by-products of our activities are not dangerous. In cases where hazardous waste is generated, this is due to the use of expired detergents or various maintenance substances, neon bulbs and batteries.

In total, we estimate that as a result of our activities, around 2.7 tons of hazardous waste were created in 2008. This year, units have begun to collect data about the removal of this type of waste, and therefore the reported quantity for 2008 is higher than 2007 (which was 1 ton). We estimate that the data presented here is inclined downward, due to faults in the data collection process. Next year, improvements will be implemented in the data collection system, and this will enable us to present data that is more reliable.

As required by law, hazardous waste is removed from production sites to the hazardous waste site at Ramat Hovav, a central site for burial of hazardous waste approved by the authorities in Israel. Hazardous waste is collected in the units in a controlled and sign-posted manner. Emphasis is placed on proper storage that will not cause land and water resource pollution.

Use of Hazardous Materials

Our various units use materials defined as hazardous for cleaning and maintenance purposes.

In 2008 data was collected about the use of these types of substances in order to set targets for improvement over coming years.

In continuation of the activities we began in 2007, this year we continued to map hazardous materials, identify our compliance with legal requirements for marking these materials, and placement of signs and written instruction for handling these materials in cases of spillage, to prevent ground and water reservoir pollution.

In all units in which use is made of hazardous materials, we control their quantities and comply with the requirements set by authorities.

Use of Materials

Raw materials used in the manufacturing of various products are subject to constant control by the company's production planning units. Naturally, the goal of reducing the use of raw materials is economically motivated, but this goal also contributed to improvements in environmental performance. Strauss applies a Lean Production methodology in an attempt to reduce the consumption of raw materials and packaging, while preserving the product quality and safety.

In 2008 we attained significant improvements in the consumption of packaging materials. Reducing the use of packaging materials cuts costs, on the one hand, and contributes to environmental protection on the other hand by consuming less resources and creating less waste.

Following are several relevant success stories:

- In a project aimed at reducing packaging weight, the weight of waffle packaging was reduced from 325 gram per cubic meter to 300 grams. The weight of the cake cover packaging was reduced from 420 gram per cubic meter to 400 grams, as well as reduction in the weight of cardboard packaging. Reducing the weight of these packages resulted in a decline of about 80 tons in packaging material weight for the products included in the project. Additional projects are currently under way, with the goal of continuing this trend.
- The Coffee plants in Israel also tackled the issue of changes to packaging, reducing packaging weight, and providing refill solutions in flexible bags instead of glass jars, thus reducing the quantity of glass jars. The weight of Chocolit packaging was also cut by replacing the tin packaging with plastic packaging. Saving in packaging materials for the projects included in the project totaled 340 tons of packaging.
- Changes to Chocolit packaging also included design of cone shaped packaging, which also reduced the environmental impact of transporting empty packaging, since it is now possible to transport more packages per volume unit compared to the old packaging. At Achihud Dairy, product packaging weights were reduced, resulting in savings of 36 tons of packaging for products included in the project.



“The Packaging Development department at Strauss Group views its impact on environmental performance as a paramount value and critical factor during packaging planning and design. We work tirelessly to reduce packaging weights, cut energy consumption in the various processes, and transition to environmentally friendly material wherever possible”.

Shira Rosen
Packaging Development Manager
Strauss Israel





Our Carbon Footprint

Strauss constantly works to reduce emissions of greenhouse gasses caused by its various activities. At the end of 2008, we decided to set this target as part of the operational goals in Israel for 2009.

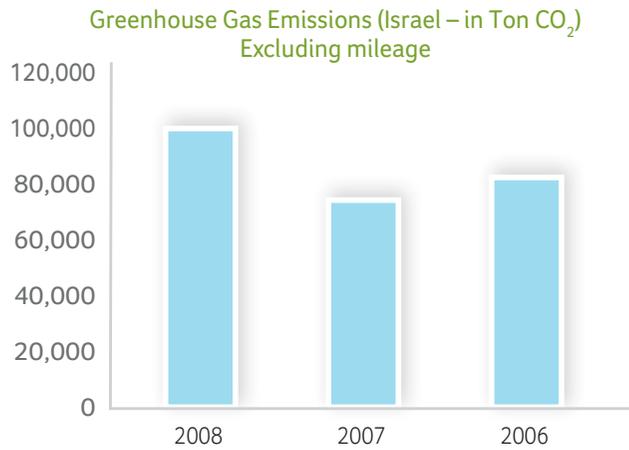
We are aware of the impact of our production and handling activities on global warming and climate change, and are also aware of the effect of these changes on the activity of our plants: the rise in raw material prices following floods and heat waves, the reduction of manufacturing activities due to the depletion of clean water sources, the rise in production costs due to the rising price of electricity, etc.

This year, we have set for ourselves an additional challenge in this field by including mileage (gas & fuel consumption by company vehicles) in our emission calculations. Mileage includes the transportation of products from plants to logistic centers, from logistic centers to customers, and travel in private vehicles.

Emissions of greenhouse gasses by Strauss in 2008 totaled 120,000 tons in terms of CO₂ (including mileage). Since in previous years we did not include transportation and mileage in our calculation, this figure is significantly higher compared to previous years.

Not including mileage, greenhouse gas emissions for 2008 totaled slightly more than 95 thousand tons, in terms of CO₂.

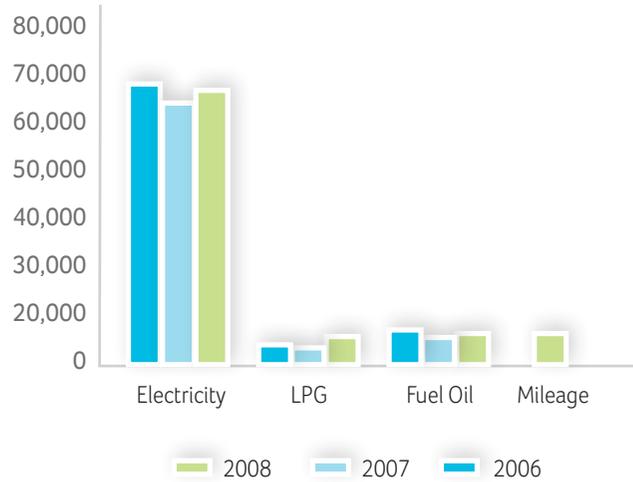
The increase compared to 2007 is explained by both additional reporting by units in Israel that did not report last year, and by the lack of clear targets in this context and measurements for improvement purposes, which began to be assimilated in the operational targets for 2009 in Israel.



The following diagram presents greenhouse gas emissions according to emission sources (for units in Israel only):

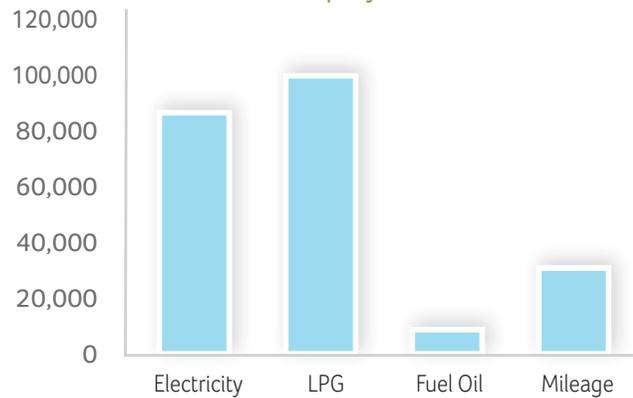


Greenhouse Gas Emissions (Israel) by Sources – in Ton CO₂

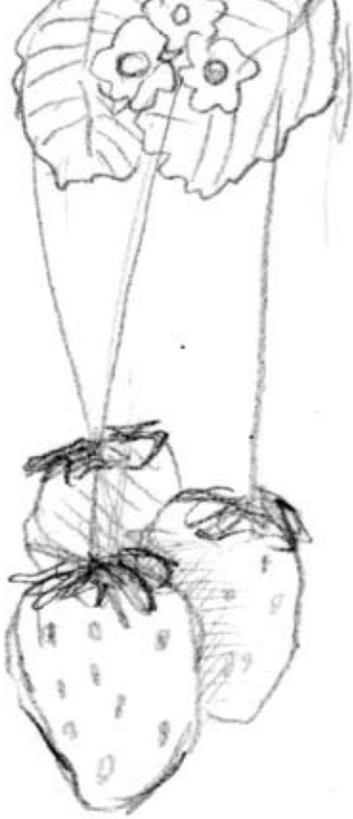


The following diagram presents the carbon footprint of all the organization's units. We have as our goal for coming years the greatest possible reduction of our carbon footprint.

Emission of greenhouse gasses (in Ton CO) - Entire Company - 2008



The major challenge we set for ourselves is to reduce greenhouse gas emissions from direct sources (fuels and combustion processes) and indirect sources (electricity). Reduction will be attained by improving the efficiency of production processes and usage of energy, improved efficiency of transportation processes, and changes in the awareness of our employees.



Environment Innovation - The Safed Instant Coffee Plant for a Greener Environment

We are currently installing a steam vat at the Safed Instant Coffee plant that will generate energy from coffee waste, instead of producing energy using polluting fuels.

Coffee waste, that to date was shipped to landfills, will be transported into the designated vat that was designed by the plant's engineers. The heat created by the incineration process will be channeled to generate steam for the plant's use.

Thus, steam will not be produced by burning fuel oil, as

was the case in the past, and this will result in savings in the amount of fuel oil purchased by the plant.

The motivation behind this step was the desire to cut fuel oil and transportation costs, and reduce the cost of transporting waste to landfills. In parallel, from the environmental standpoint, emission of pollutants from both the smokestack and trucks will be reduced, and we will produce less waste and bury less waste in the ground. An additional and significant added value of this project is the reduction of noise in the residential area in which the plant is located.



We believe that adopting an approach of environmental responsibility can contribute to achieving a sustainable environment for coming generations. Therefore, our goal and challenge is to reduce our negative impact on the environment, and increase the environmental awareness among our employees to this critical issue.

Goals for the future...

We are constantly working to find ways to improve our environmental performance. Among the goals we have chosen to focus on over the coming years are:

- Reducing our carbon footprint through cutting the energy consumption in our plants, reducing fuel consumption in our vehicles, and reducing the amount of waste in our plants.
- Continued reduction of the weight of our packaging and products.
- Establishment and expansion of the organization's environmental management system.
- Assimilation and reinforcement of environmental culture among our employees, suppliers and customers.





Future Goals



Our Consumers

- To keep improving our products to our consumers' satisfaction
- To increase product diversity for consumers while highlighting health and wellness
- To improve the nutritional value and labeling of our products
- To provide the best possible service to our consumers
- To decrease the amount of crises and cases of consumer complaints and dissatisfaction
- To maintain responsible marketing, advertisement and consumption messaging



Our People

- To provide a diverse work environment
- To hire, compensate and promote fairly and equally
- To enhance diversity and inclusion
- To improve the health and safety condition of our facilities and increase employee training and awareness
- To reduce the amount of work-related accidents
- To protect all of our employees' rights, treat them with respect and help facilitate personal and career growth
- To always be the best workplace we possibly can



Our Business Partners

- To maintain ethical outsourcing and procurement processes
- To develop processes for evaluating our suppliers' social and environmental performances and influence them to adhere to social and environmental responsibility
- To create a diverse range of suppliers and business partners
- To support local and periphery suppliers and service providers
- To keep conducting our business and relations with our partners with integrity



Our Environment

- To improve our environmental performance and reduce our negative impact in every relevant field
- To create processes and systems enabling us to monitor and manage our environmental impact
- To improve our performance by reducing emission of pollutants into the air, decreasing contaminants in our sewage and reducing energy consumption and greenhouse gasses



Our Communities

- To create and implement a unified and focused community investment policy based on our business profile and visionary goals
- To use our power and influence to help improve our world and the lives of people in it, especially in the areas of our activity and expertise
- To establish mechanisms enabling us to better monitor, evaluate and manage the impact of our operations and investment in the community



Our Society, Government and Shareholders

- To abide by the laws wherever we operate
- To be a fair and honest player in all markets we operate in
- To keep improving, developing and innovating in order to continue creating value for our shareholders





Communicating our CR Report to our Stakeholders

Our CR Report is a channel for creating dialogue with our various stakeholders concerning all relevant issues while enabling us to present our achievements and set goals and plans for improvement.

We intend to effectively communicate these issues via open dialog with mutual communication and feedback, both internally and externally, to all our different stakeholders, and according to each relevant target audience.

Our CR Report will be communicated throughout the Group in a top-down manner, starting with our Board of Directors and the Group Management Team, down to the management teams in all our business units. In our discussions pertaining to the report with any team or forum, we will stress the key issues relevant to each specific audience, present our conclusions and continue to conduct an open dialog to analyze achievements, goals for improvement and work plans for the future.

Externally, we plan to present our CR Report to external stakeholders including our shareholders, our business partners around the globe, social organizations and the general public via the media.

We place great importance on feedback and invite all our readers to give us their valuable opinions and comments concerning all issues detailed in this report.



Contact us with with questions/
comments regarding the report:

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4.13	Memberships in associations or advocacy organizations and/or national/international support organizations	55, 81, 121
4.14	List of stakeholder groups engaged by the organization	36-40
4.15	Basis for identification and selection of stakeholders with whom to engage	36-40
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	36-40
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	36-40, 60-65, 86-88

Part 2: Management Approach

G3 DMA	Description of management approach to various impacts on the organization	Reference
DMA EC	Management approach to economic impacts	68
DMA EN	Management approach to environmental impacts	128-129
DMA LA	Management approach to labor rights	96-97

G3 DMA	Description of management approach to various impacts on the organization	Reference
DMA HR	Management approach to human rights	106
DMA SO	Management approach to the organization's social impacts	118
DMA PR	Management approach to the product responsibility	74-76

Part 3: Performance Measurements

Performance Indicator	Description	Page	Performance Indicator	Description	Page
Economic					
EC1	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	68	EN5	Energy saved due to conservation and efficiency improvements	131-133
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	71, 138-139	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	131-133
EC3	Coverage of the organization's defined benefit plan obligations	68, 105	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	131-133
EC4	Significant financial assistance received from government	68	EN8	Total water withdrawal by source	130-131
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	102-103	EN9	Water sources significantly affected by withdrawal of water	N/A
EC6	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation	68, 115	EN10	Percentage and total volume of water recycled and reused	130-131
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operations	101-102	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro-bono engagement	80-81 118-125	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	None
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	68	EN13	Habitats protected or restored	None
Environmental			EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	None
EN1	Materials used by weight or volume	136	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	None
EN2	Percentage of materials used that are recycled input materials	135	EN16	Total direct and indirect greenhouse gas emissions by weight	138-139
EN3	Direct energy consumption by primary energy source	131-133	EN17	Other relevant indirect greenhouse gas emissions by weight	138-139
EN4	Indirect energy consumption by primary source	131-133	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	138-139
			EN19	Emissions of ozone-depleting substances by weight	134

Performance Indicator	Description	Page
EN20	NOX, SOX, and other significant air emissions by type and weight	134
EN21	Total water discharge by quality and destination.	130-131
EN22	Total weight of waste by type and disposal method	134-136
EN23	Total number and volume of significant spills	134-135
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	136
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	None
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	None
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	135-136
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	None
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	138-139
EN30	Total environmental protection expenditures and investments by type	130-139
Social: Work environment		
LA1	Total workforce by employment type, employment contract, and region	96-106
LA2	Total number and rate of employee turnover by age group, gender, and region	105

Performance Indicator	Description	Page
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees by major operation	105
LA4	Percentage of employees covered by collective bargaining agreements	105
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	N/A
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Partially reported 109
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	111
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	None
LA9	Health and safety topics covered in formal agreements with trade unions	None
LA10	Average hours of training per year per employee by employee category	Partially reported 110 105
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	105
LA12	Percentage of employees receiving regular performance and career development reviews	105
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	96-104
LA14	Ratio of basic salary of men to women by employee category	99

Performance Indicator	Description	Page
Social: Human Rights		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	None
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	114-117
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	None
HR4	Total number of incidents of discrimination and actions taken	None
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	None
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	None
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.	None
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	None
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	None
Social: Society		
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	118-125

Performance Indicator	Description	Page
SO2	Percentage and total number of business units analyzed for risks related to corruption	53-55, 60-63
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	N/A
SO4	Actions taken in response to incidents of corruption	None
SO5	Public policy positions and participation in public policy development and lobbying	None
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	None
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	None
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	None
Social: Product Responsibility		
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	75-76, 90
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	None
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	79
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	None

Performance Indicator	Description	Page	Performance Indicator	Description	Page
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	87	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	None
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	90-91	PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	None
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes (Additional)	None			

Criteria for Levels of GRI-G3 Implementation

Implementation Level	C	C+	B	B+	A	A+
Type of reporting required	Reporting required according to G3 regarding the company's profile	Reporting must include: 1.1 2.1 - 2.10 3.1-3.8	Report has undergone external control	Reporting required for all the criteria listed for level C and in addition: 1.2 3.9, 3.13, 4.5-4.13, 4.16-4.17	Report has undergone external control	Identical to requirement for level B
	Reporting required according to G3 relating management approach	Not required		Reporting about management's approach to each indicator category		Reporting about management's approach to each indicator category
	Performance indicators according to G3 + specific performance indicators for sector	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.		Respond on each core G3 and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.
						Report has undergone external control

* Addition according to sector in last version.

UN Global Compact Index

The following index explains how our principles reflect the principles of UN Global Compact, and provides references to the relevant pages in the report where additional information about each subject is provided.

UN Global Compact Principles	Strauss Approach	Where can it be found?	Cross Reference to GRI indicators
Human Rights			
1. Businesses should support and respect the protection of internationally proclaimed human rights; and	We value human rights as the very foundation underlying our ability to function as a company. We are committed to upholding and protecting all human rights set forth in the law and see this as an integral part of our daily lives. We also believe that as a multinational company we have an obligation to respect and promote human rights in the countries where we operate within the spheres of our capacity as a commercial organization.	96-106	HR1-9
2. make sure that they are not complicit in human rights abuses.		96-106	HR1-2, HR8
Labor Standards			
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Strauss acknowledges and respects its employees' freedom of association – to join labor unions and to engage in collective bargaining and in fact, a substantial portion of our employees take part in such activity. Strauss honors all of its agreements and commitments towards labor unions.	105	HR5; LA4, LA5
4. the elimination of all forms of forced and compulsory labor;	Strauss has never, nor will we ever take part in any operations involving forced or compulsory labor.	106	HR7
5. the effective abolition of child labor; and	Strauss Group employs no minors under the legal employment age in the respective countries where we operate. We will not do anything to violate the rights of children, take advantage of them or harm them in any way.	101	HR6

UN Global Compact Principles	Strauss Approach	Where can it be found?	Cross Reference to GRI indicators
6. the elimination of discrimination in respect of employment and occupation.	The Strauss Code of Ethics states: "We grant equal opportunity to all and encourage occupational diversity and personal development". In 2007 Strauss Group formed its social vision, the focus of which was determined to be Diversity and Inclusion. We are currently in the process of creating a detailed work plan and defining targets for improvement of our performance in this field.	97	HR4; LA2, LA13, LA14
Environment			
7. Businesses should support a precautionary approach to environmental challenges;	As manufacturers, we are aware of the impact of our actions on the environment and take full responsibility for them. It is our understanding that adopting an attitude of environmental responsibility will help to maintain a sustainable environment for generations to come, and our company views the reduction of our negative impacts on the environment and the enhancement of our employees' awareness of the issue as a goal and a challenge.	126-141	4.11
8. undertake initiatives to promote greater environmental responsibility; and		126-141	EN5-7, EN10, EN13-14, EN18, EN21-22, EN26-27, EN30
9. encourage the development and diffusion of environmentally friendly technologies.		126-141	EN2, EN5-7, EN10, EN18, EN26-27
Anti Corruption			
10. Businesses should work against corruption in all its forms, including extortion and bribery.	Our Code of Ethics states: "We conduct our business with a commitment to maintain the highest standards of management, with integrity, credibility and reliability, professionalism and fairness..." We have had no cases of corruption or bribery and we will always work against the existence of such events.	53-55, 60-63	SO4



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We hope that this report will help to improve our dialog with you and in turn help us to become a better company.

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