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Corporate Responsibility Report 2009
Strauss Group

As an international food company, we believe it is our duty and responsibility to demonstrate leadership in our social and environmental performance. Being an integral part of our identity, Corporate Social and Environmental Responsibility ("CR") was selected as one of our six visionary goals. Therefore, we strive to uphold the highest possible standards in these areas and align our corporate values and activities with these standards in every aspect.

Corporate Responsibility in 2009

2009 was characterized by a global financial crisis and worldwide recession, which had its impacts on all parts of society and affected businesses of all sizes. This was a year that required us to confront numerous challenges on various levels and in different fields, including issues pertaining to our conduct and operations as a business in various aspects of Corporate Responsibility. During the economic recession, the goal we set for ourselves was to act so as to ensure the continued sustainability and growth of the company, while maintaining our most important assets – our employees and brands, and continuing to rigorously practice transparency and proper communication of the company's decisions and courses of action.

In terms of investment in Corporate Responsibility, we chose not to reduce budgets and, in certain cases, we even increased them, based on the understanding that the organizations, people and goals that we support are in need of our support even more during such a period, and based on our belief that if we continue to invest in these areas, we will emerge from the economic crisis stronger and more resilient.

Introduction and **SCOPE**

About the Report

One of the cornerstones of managing CR is the management and measurement of our performance in this field, and the implementation of a reporting mechanism. Accordingly we choose to publish a comprehensive corporate responsibility report every year. We view this report as a tool, designed to improve the dialogue we conduct with our stakeholders and to enhance our transparency in this field.

This is Strauss Group's third Corporate Responsibility report, prepared according to the GRI's third generation (G3) guidelines for writing CR Reports and, like the two previous reports, we have received a grade level A from the GRI, reflecting the maximal level of transparency. The report encompasses our company profile, strategies and policies, and performance indicators in the various fields which constitute our corporate responsibility. We intend to continue publishing CR reports on a routine basis and to constantly improve our performance, as well as the quality and scope of our reporting over the coming years.

Scope of the Report

Except where indicated otherwise, this report refers to all of Strauss Group's activities and presents performance indicators and data collected for the year 2009, with comparison data for the years 2007 and 2008 where possible and applicable. Most of the figures presented in this report that are specified in NIS, were recorded in the currencies of the relevant countries and later converted according to the conversion rate of December 31, 2009.

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



RESPONSIBILITY
SUSTAINABILITY

Statement by Chairperson of the Strauss Group, Ofra Strauss:

We are proud to publish Strauss Group's Corporate Responsibility report, which is an expression of the Strauss Way, our worldview as a company, and the range of activities and steps we have taken in the field of CR. The current report, which is published as the world is gradually emerging from deep economic crisis, highlights our robustness as a company and our deep commitment to the values of transparency, responsibility and caring. Our commitment is demonstrated, this difficult year more than ever, by our continued investment of extensive resources in the development of people, support for communities, and improvement in environmental quality, in adherence to the principle of "Beyond Compliance" that guides us in the belief that legal requirements only serve as the lower thresholds for us.

The global crisis only served to reinforce the principles that have guided the Strauss Group since its establishment. Corporations and companies the world over are increasingly committed to acting in a responsible, caring and ethical manner towards all their stakeholders. Therefore, I view this report as of supreme importance. The report constitutes a public declaration of the social and environmental obligations that we at Strauss Group take upon ourselves as an integral part of our founders' legacy and our worldview. It serves as a declaration of our company's commitment to reciprocal relations with all its stakeholders, relations that are not derived from direct economic goals, and to our being part of our environment, community and fabric of life. In fact, the very act of reporting is an expression of transparent conduct, which should be expanded and deepened in our lives in general, and in the business environment in particular.

We are proud of our long legacy of humanity and generosity, and have succeeded in transforming this legacy into the way of thinking of an ever-growing organization, which has transcended local boundaries. For us at Strauss, social-environmental responsibility is not just another issue or appendix to our business, but rather it touches the very root and core of our business. Our business dealings are guided and directed by an inner sense of responsibility towards people and towards the environment.

Our decision to enter the water sector, in a time of dwindling natural resources and shortage of proper drinking water throughout the world, is an apt reflection

of our vision. We are taking action in order to help make healthy and safe water accessible to numerous populations that do not have access to this elementary and basic resource by developing revolutionary water filtering and purification technologies. Recently, we launched the new Sabra plant in the US, which is the most advanced of its kind in the world, and was constructed from its foundations as a green, eco-friendly plant

that complies with the most stringent environmental regulations. As a responsible global food company, we work to constantly improve the quality and nutritional value of our products, and encourage a healthy lifestyle among the public at large. We attribute great importance to our role in setting new norms and high standards of awareness and of social and environmental responsibility – both in Israel and in the many countries in which we operate. As more and more companies integrate the issue of social-environmental responsibility into their spheres of operation, we view this as an important achievement.

As someone who believes in setting examples, I am confident that anywhere in the world where our people act in accordance with the principles of Strauss' Code of Ethics – similar ethical codes will be written by other companies, which together will create a new business culture.

Anywhere we build an eco-friendly plant – more will be built.

Anywhere we stand up for local farmers - solidarity and genuine partnership will be established, for the benefit of all.

Anywhere we encourage human diversity – the spheres of opportunity and tolerance will expand.

The road ahead is long, but I am confident that together, working in partnership, we will continue to advance and find more and more substantial and concrete ways of expressing our caring and concern for people, for a just society and for our planet.



Statement by President and CEO of Strauss Group, Gadi Lesin:

The past year, one of the most complex years in the global business world, set significant challenges for the world economy and for us at Strauss. Due to fastidious management and advanced preparations, we managed to successfully confront the global crisis, maintain our competitive standing and lay the foundations for our continued growth and expansion as a global company with Israeli roots.

This year, the report is published alongside with the global recovery from the economic crisis, and is even more compelling as a result. In 2009, we witnessed the increasing importance of the expectation placed on corporations and companies to act responsibly and transparently. Particularly during periods of uncertainty, it is of supreme importance to consolidate the trust placed in us by all the parties with which we come into contact – customers, employees, suppliers, authorities and the entire public.

This report is another step in the implementation of the Strauss Way. The primary significance of the reporting process is that it requires an annual assessment of our social – environmental performance, to be compared with the previous year's performance and the goals we set for ourselves. This is an opportunity to really take factual account of our activities in this field and, therefore, I perceive this report as a genuine work tool and engine for improvement.

Even during this year of crisis, Strauss has remained true to its values based on leadership, responsibility, transparency, reliability and ethics combined with social and environmental investment. I am especially proud that throughout this period, we have maintained the level of investment in our corporate responsibility sources, based on the understanding of the importance of this field, and awareness that a company that invests

in its corporate responsibility, even in times of crisis, will exit the crisis stronger, to the benefit of all its stakeholders.

In 2009, we significantly advanced our management in the field of corporate responsibility, enlisted professionals in the field, expanded our activities in the field of ethics and launched a hot line for calls in Israel and overseas. We have taken significant steps forward in the environmental field, with the opening of the eco-friendly Sabra plant, and other significant projects, and expanded our social investment while focusing on the issues of diversity and inclusion, which were selected as the corporate flagship issues for social investment. In the field of health, which touches on our core activities, our entry into the field of water and decision to invest in a business that deals with the supply of safe, high-quality tap water is further proof that our business development is also affected by our commitment to responsibility. We have regularly continued to develop products that contribute to a healthy and balanced lifestyle, while improving the nutritional values of our existing products.

I am confident that the humane and serious manner in which we manage CR has turned our company into an esteemed and stable company. Our growth potential is also closely tied to our ability to serve as a positive and significant agent in the world around us, to focus on and be part of it. Social and environmental responsibility is, in my eyes, an excellent way to examine and improve this ability, and we intend to continue to be faithful to Strauss' unique path, and to continue our journey for the benefit and welfare of all.



Statement by the Corporate Responsibility Officer of Strauss Group, Michael Avner:

For the third consecutive year, Strauss Group is publishing a Corporate Responsibility report for all its stakeholders, reflecting the Group's activities in this field, as well as our goals for future improvement. This is indicative of a trend that reflects the advanced implementation of a comprehensive managerial approach at Strauss Group, whereby transparency in all its actions towards its stakeholders is perceived to be of supreme importance. Strauss Group constantly acts to improve and implement optimal processes with regard to its impact on stakeholders, be it economic, social, environmental or other.

In the report before you, like previous reports, efforts have been made to give you a comprehensive and true picture that best reflects the organization's spirit and its actions in the various aspects of corporate responsibility. These efforts were facilitated by Strauss' increased activities in the fields of corporate responsibility, which have significantly grown over the past year, despite the sharp fluctuations in financial markets in Israel and worldwide, impacting our Group as well. During this period, the Group not only decided not to reduce its investments in corporate responsibility, but even to expand them, based on the awareness that a company that invests in this field, even in times of crisis, will emerge from the economic crisis stronger. Therefore, we launched a comprehensive ethics program that sets the highest ethical standards for our employees and suppliers, and we focused and increased our efforts to reduce our ecological footprint. As an international food company, Strauss is committed to improving the healthy life style and nutrition of women, men and children in the world and tirelessly continues to act to improve the nutritional benefits of our products. We have significantly raised the

level of involvement of Strauss employees in the community and the sums of donations. In addition, we have taken steps to improve the Group's management of corporate responsibility, and to advance our social-environmental impact by means of a comprehensive outlook and strategy interwoven with the Group's core activities.

As we look to the future, we can safely say that Strauss is a company that places immense emphasis on people, their dignity and rights, both in the workplace and in the community. We empower our work force, which totals approximately 13,000 employees throughout the world, and encourage them to create sustainable changes in their workplace and community, and cultivate a work culture in which competitive wages, safety, fairness and dignity are among the foundations of our success.

I invite you to learn about the Strauss Group by visiting the Internet version of this report that is divided into economic, social and environmental impacts, where you may find facts and figures, images and clips, and links to other informative documents.

I wish to personally thank all those who were involved in preparing this report, and hope that its readers will find it interesting and relevant.





Strauss Group
at a **Glance**

2009 Highlights

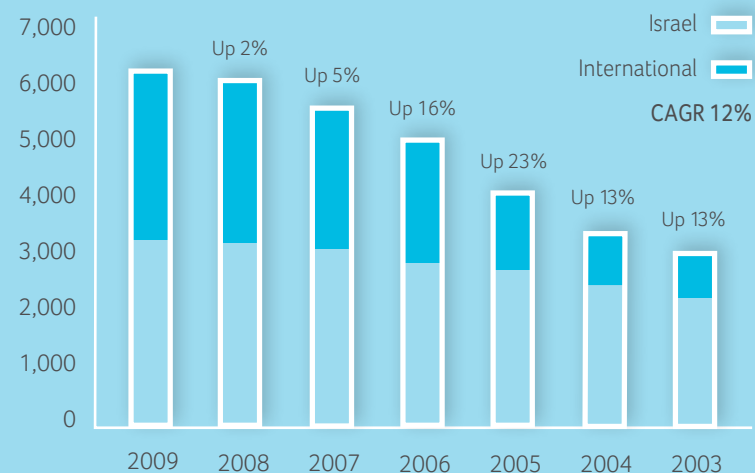
- **The second largest food and beverage company in Israel**
- **Leader in roast and ground coffee market in Israel, Eastern and Western Europe, and in Brazil, and is ranked as the fifth largest coffee company in the world (in terms of green coffee procurement)**
- **Strategic partnerships with global corporations in the food and beverage field (Danone, Pepsico)**
- **Employs approximately 13,000 employees in Israel and overseas (including contractor employees).**
- **Net turnover for 2009: 6.37 billion NIS, approximately 47% from operations outside Israel**

The company manages and develops its business with the goal of offering a wide variety of branded, high-quality food and beverage products to the entire population, designed for various consumption occasions and opportunities. The Group's products are sold on various commercial channels, including large retail chains, privately owned stores and supermarkets, convenience stores, workplaces, hotels, vending machines, and more.

In 2009, our activities grew by about 2.04%, generating a turnover of about 6.37 billion NIS, 47% of which stems from international operations, and our market value at the end of the year was over 5.98 billion NIS. We hold a leading position in the various markets in which we operate.

During this year, Strauss Group purchased Tana Industries Ltd. (Tami 4), the industry leader in the Israeli market in the development, production and marketing of purification, filtering, heating and cooling appliances for drinking water, for domestic and international markets.

Consolidated Net Sales (in millions of NIS)





World-encompassing business

Strauss Israel

Strauss Israel is the Group's home base and, at the end of 2009, accounted for 55% 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 Israeli consumer's most well loved products. Strauss holds 11.5% 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 fifth largest coffee company in the world in terms of green coffee procurement and, over the past six years, has become one of the world's fastest growing F&B companies. The company enjoys a leading position in the coffee markets in Israel, Central and Eastern Europe, and Brazil, and is ranked in first or second place in almost all markets in which it operates.

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. Leveraging the Sabra brand, and based on its extensive knowhow in the rapidly developing field of healthy lifestyles, Sabra has become a leader in the hummus

market in the US, with a 40% market share. Sabra is a partnership between Strauss (50%) and PepsiCo (50%).

Max Brenner

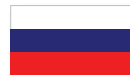
The Max Brenner Chocolate Bar chain is an innovative retail concept personifying the essence of the enjoyment and leisure trend. Currently, 30 Max Brenner Chocolate Bars operate throughout the world, in Israel, the US, Australia, Singapore and the Philippines. The company plans to open additional branches next year in Las Vegas and Boston.

Strauss Water

After three years of investment by Strauss (87%) in the H2Q water venture, in 2009, H2Q purchased Tana Industries Ltd. (100%), the manufacturer and marketer of Tami 4. During 2009, the water purification technology developed by H2Q was completed, according to American standards that are considered the most stringent in the world in the field of water standards. The water operations are part of the realization of the Group's vision in the field of water – to improve consumers' quality of life by developing unique solutions for quality drinking water for markets throughout the world, by 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 throughout the world to consume water of a higher quality.



Israel



Russia



Poland



Ukraine



Macedonia



Brazil



Phillippines



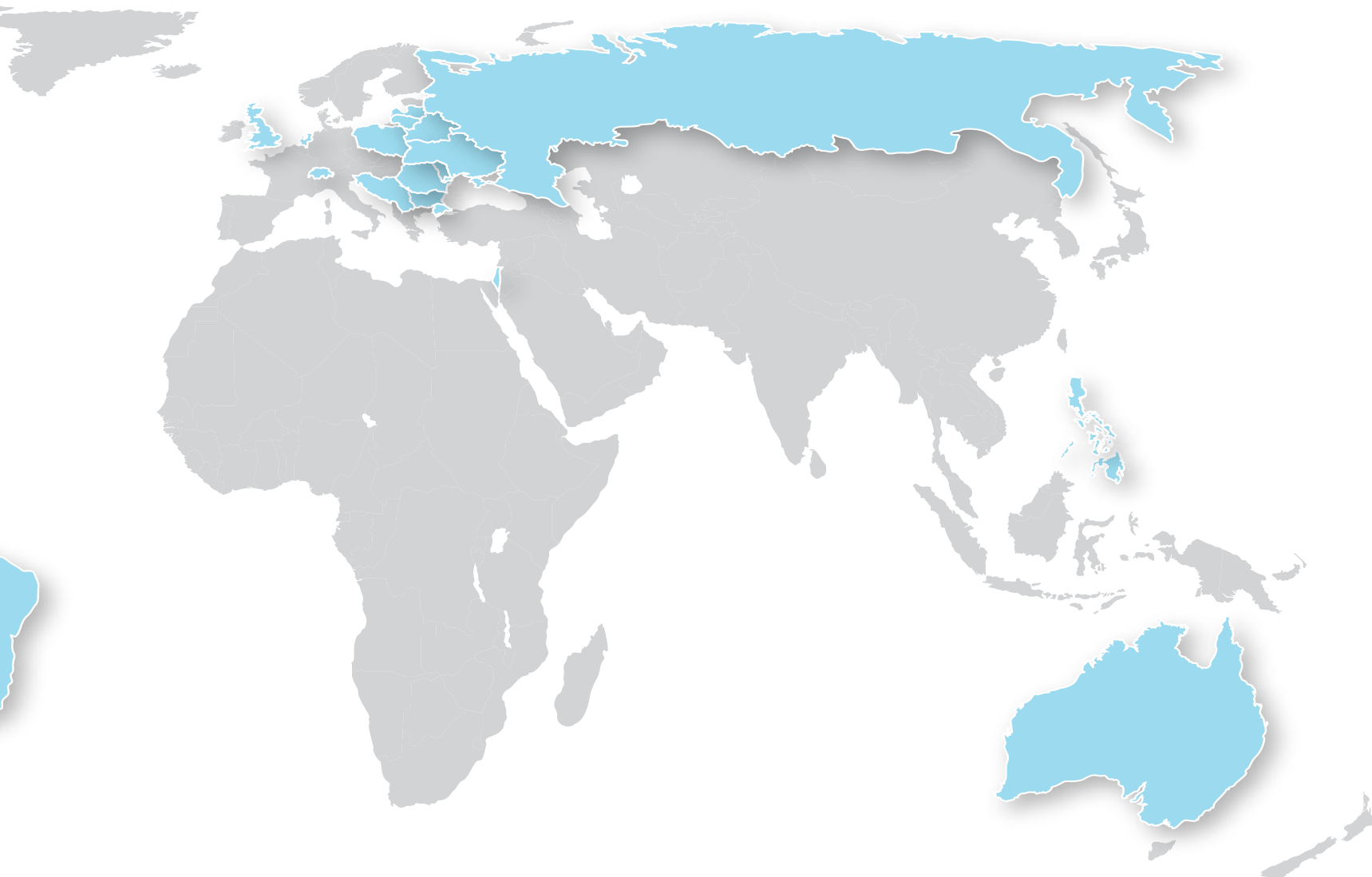
Singapore



Romania



Australia



Belarus



Montenegro



Albania



Kazakhstan



Switzerland



Netherlands



USA



Moldova



England



Serbia



Georgia



Lithuania

Our Main Brands







How it all Began...

Strauss 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 national success.

The story of Strauss 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 and other sweet snacks.

The two companies manufactured 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. Both companies demonstrated extraordinary growth over the years, which was reinforced by various investments and acquisitions.

In 1977 Strauss Diaries began collaborating with Danone, 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 was established in salty snacks, 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 roast 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.

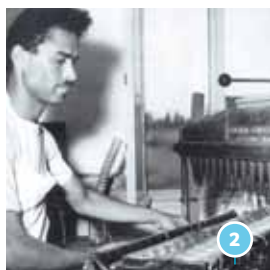
The paths of these two Israeli icons officially united in 1997, when Strauss acquired control of Elite that gradually led to a full merger between the two companies in 2004.

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.



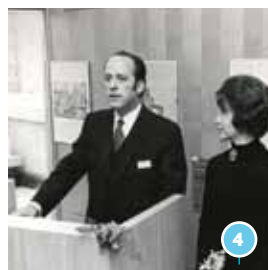
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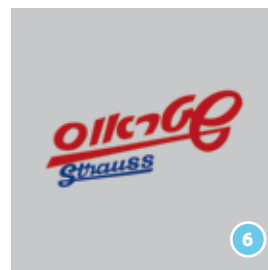
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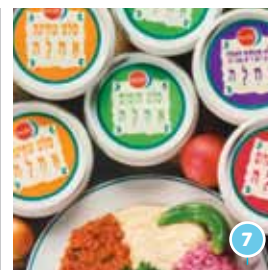
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5



6



7



1



2



3



4



5



6

1936

Hilda and Richard Strauss immigrate and found Strauss Dairy

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".

1951

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

1958

The world chooses coffee
Elite enters the coffee market

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

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

1973

Elite shares are issued on the Tel Aviv Stock Exchange

1982

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

1991

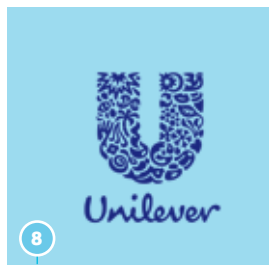
Elite establishes a coffee business in Poland

1991

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

1992

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



2005

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

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



1995

Unilever purchases 51% of Strauss Ice Cream

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

2007

Strauss-Elite is renamed Strauss Group

2009

Acquisition of Tana Industries Ltd., manufacturer and marketer of Tami 4

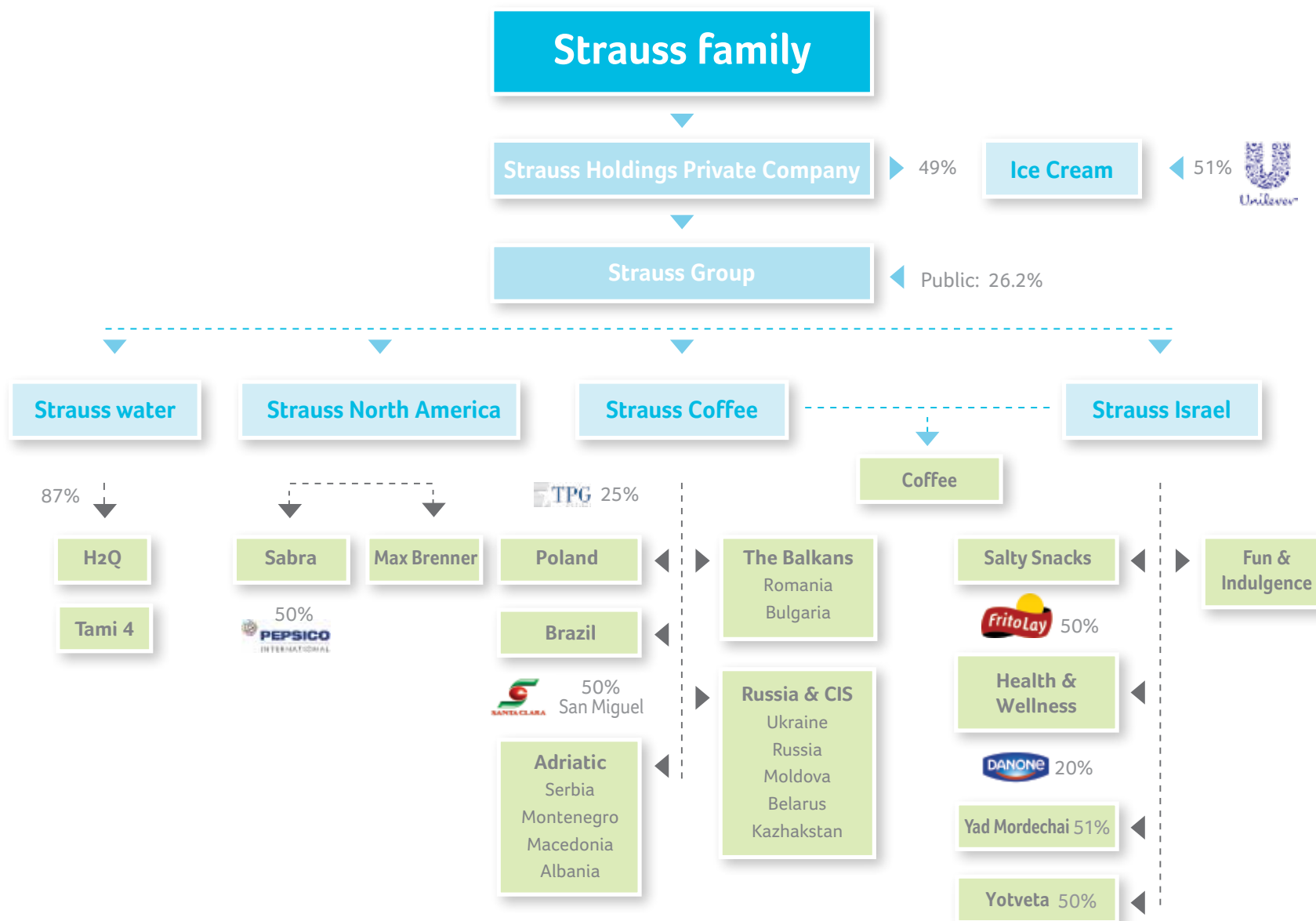
1995

Elite expands into the roast and ground coffee market in Romania

1998

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

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.

Diamond – the Group's New Strategic Management Model

During the first half of 2009, a new management approach was formulated at Strauss Group, which changed the mission of the Group's management and the work interface between the Group's headquarters and the companies in the Group. According to the new management model, the company is managed, at the strategic level, by the Group's headquarters, while responsibility for the operative management of the businesses is handed over to the companies. **The new management models enable the Group's HQ to focus on strategic issues at the Group level, and manage our businesses in a more controlled manner, with swift and effective decision making.**



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 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 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 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 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 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 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.

The economic crisis that affected the global business community in 2009 taught us that transparency and responsibility towards all stakeholders are critical for the proper operation of businesses, as we observed investment giants and leaders of the financial world collapse and, with them the money – and confidence – of customers, consumers and shareholders. We believe that proper management of our relationships with all of the Group's stakeholders, founded on trust, communications and transparency, are the core of our success and sustainability in the long term.

Maintaining Ongoing 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. Among others, our corporate communications serve to leverage Group activities in the field of corporate responsibility in order to help create transparency with stakeholders, create organizational commitment to promoting this issue, create greater awareness of the field among our managers and employees throughout the world, and to engage employees in advancing the issue by taking individual action.



As Directors, promotion of transparency and dialogue with Strauss' numerous stakeholders is always at the top of our minds. This report is an additional pillar in building trust in the company and its performance, and constitutes a significant tool for us, that helps manage the Group's performance in the field of corporate responsibility, and provides us with an overview of the Group's global activities.

Dalia Lev, Director

Our employees are the company's most substantial and important 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 employees. We hold periodic focus groups and feedback sessions at all corporate levels. Various communications channels have been put at the disposal of our employees, such as an internal intranet network, company brochures, local and global newsletters and more. We 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 case of a problem, and address these problems when necessary. For this purpose, we invest extensive resources in the operation of our Service Centers in Israel and overseas. They are always open to receive feedback from our consumers, to prevent or properly handle crises and cases of dissatisfaction.

Our suppliers are a very significant stakeholder for the Group. We conduct periodic meetings with major suppliers in order to communicate with them regularly about all relevant issues. In addition, we also hold an annual Supplier Conference whose goal is to serve as a platform for dialogue with our suppliers.

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, making an effort to understand 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 shareholders** fully updated and informed about what occurs in the organization, and provide them with access to 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 a foundation for creating trust and transparency.

Governmental authorities play a significant role in many areas and aspects of our operations. We place great importance on maintaining ongoing ties with the authorities, 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 in Hebrew and English for the **general public**. 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 relationships based on mutual trust.

Further information concerning our dialogue with 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

The Group's preparation for dealing with the repercussions of the global economic crisis

2009 was a year which tested the entire business world. The economic crisis that beset the world at the end of 2008 was one of the global business world's most challenging crises. No country managed to escape the impact of the economic crisis that was characterized by the collapse of stock markets in every country, frenzied currency fluctuations, with some countries nearing the brink of collapse.

The global economic crisis was also expressed and felt in the real economy, with low growth rates, decline in consumption and recessions that plagued many countries.

In September 2008, Strauss Group recognized that it was facing a very complex economic period. One of the harshest impacts of the crisis on the Group was the collapse of currency rates in some of the countries in which the Group operates, which effectively resulted in a decline in income from sales and a dramatic decline in profits and business stability.

In another context, the economic crisis taught the business community that transparency and responsibility are crucial to the proper functioning of businesses.

Strauss Group entered the global economic crisis in a state of financial and business robustness due to various processes we implemented over recent years. However, we had to prepare for various scenarios and cope with them in an optimal manner. In addition, the fact that some of the factors behind the economic crisis relate to a lack of transparency and irresponsible actions taken by various business organizations, led us to understand that in such a period, responsibility is of even greater importance.

The Group's management analyzed all possible repercussions of external

impacts on the Group, and initiated the preparation of action plans to address various scenarios, with an emphasis on scenarios for a deep recession and zero growth, so as to ensure that the Group would be prepared for any situation.

The challenging business environment required us to examine our functioning in all fields, including investment of resources in 2009, our cost structure and the Group's flexibility to swiftly respond to various scenarios.

Since it was difficult forecast the depth of the recession and the scope of impact on the Group, we decided to act responsibly and prepare in a proactive manner for the recession and decline in demands scenario in the work plan for 2009.

Our main objective for 2009 was:

Maximizing our future growth options while adjusting the organization's cost structure to the recession.

Strauss Group's highlights for 2009 were:

- Reinforcing our competitive standing while increasing our market shares in the sectors in which we operate.
- Increasing the Group's cash flow.
- Maintaining the 2008 profit level at least.
- Continued vigilance as we look to the future in order to prepare the Group for a rapid exit from the recession when it occurs.
- Improved efficiency in all fields - cutting costs, reducing investments in fixed assets.

Our guiding principle:

Reinforcing and retaining our most important assets—employees and brands:

1. Safeguarding our employees throughout the Group and explicit guidelines

What happened throughout the world?

- Economic uncertainty
- Collapse of huge global financial institutions
- Financial crisis of unprecedented scope and force
- Sharp declines in credit for businesses
- Collapse of stock markets
- Extreme fluctuations in currency rates in the world, including countries in which the Group operates
- Financial collapse of countries (including some in which the Group operates)
- Decline in growth rates
- Laying off of thousands of people
- Decline in private consumption
- Development of a global recession

to the CEOs of all the companies to submit work plans that include a reduced costs platform, with minimal damage to employees.

2. Investment in brands that retain long term sustainability, while preparing for rapid growth at the end of the economic crisis. Accordingly, the Group made substantial investments, despite the recession and decline in revenue, such as acquisition of Tami 4, opening additional Max Brenner branches and more, and continued to invest in preparation for the “morning after”, even at the expense of short term profits for the Group’s shareholders.

3. Continued investment in corporate responsibility – indeed, in 2009, not only did we not reduce the scope of investment in corporate responsibility projects, but rather increased the budget designated for these projects. This decision was made in view of the condition of non-profit organizations and associations during the recession, and based on our understanding that the weaker populations that depend on our assistance during normal times are even more in need of this assistance during times of economic crisis. (For more details on this issue, please see the chapter dealing with corporate responsibility management at Strauss Group.)

Highlights of our cost reduction plans

We prepared a comprehensive plan to improve efficiency in all of the Group’s businesses, while continuing to invest in strengthening our most important assets –employees and brands.

We decided to begin with places where we identified surpluses and impact on senior management level.

- Reducing overhead costs by about 90 million NIS throughout the organization.
- Reopening of marketing and product development plans and adjusting them to suit a period of recession.
- Drawing up a detailed work plan for managing investments and cash flows.
- Cutting every possible activity, while not damaging the bottom line avoiding a process of dismissing employees, and acting so as to minimize any damage to our employees.
- Improved efficiency wherever this does not compromise demands and supplies.
- Attempt to develop a new mode of thought – “thinking outside the box”.
- Aspiration to manage operations during a period of recession while keeping in mind the “morning after”.

We acted so as to take all necessary steps to preserve the Group’s robustness and reinforce it, especially during such a period, and to safeguard our most important assets, headed by our employees, during this challenging period, based on our desire not only to successfully face the crisis, but to turn the crisis into an opportunity for the Strauss Group.

What are the impacts on the food sector?

- People spend less money
- Compare prices
- Seek cheaper alternatives in the same category
- Postpone unnecessary purchases or wait for opportunities
- Give up luxuries
- Purchase smaller quantities
- Purchase in discount stores

Steps Taken

to reduce Overhead Costs

Salary cuts for members of the Board, the Group's management and Strauss Israel's management.

Salary freeze for all Group employees and managers - with the exception of unionized employees with salary agreements.

Freezing of new employee recruitment except for replacement of existing positions, as well as cases in which recruitment is essential for accelerating realization of business objectives, while examining each case individually.

Substantial cuts to consultancy costs.

Cutting manager training and development costs while continuing to invest in training programs for improving worker expertise.

Cancelling the option for accumulating vacation days, a plan was put in place for realizing accumulated vacations by the end of 2009.

Postponing various company activities and events, and holding events in a more modest fashion.

Organizational efficiency improvements in the fields of communications, vehicles, travel, etc.

- Setting quotas for coverage of cellular phone costs.
- Eliminating use of cellular modems.
- Reducing fuel consumption in company vehicles.
- Cutting costs of overseas travel.

Reducing investments in fixed assets.

Negotiations with service and raw material suppliers.

Variety of steps taken to improve the efficiency and focus of marketing efforts.

Aggressive focus on the quality of products, in order to prevent the costs of returning of products, destruction of products and compensation to customers.

Aspects of operational efficiency improvement-

- Reducing and recycling the production rejects to prevent wastage and reduce waste.
- Energy savings - in two aspects - one, taking actions to cut energy consumption, such as replacement of light bulbs with more energy efficient bulbs, replacement of roofs with transparent roofs in order to utilize sunlight, sealing to improve cooling and heating. The second aspect is improved efficiency in energy costs. The two flagship projects in this context are installation of a steam boiler in Safed, and construction of the wastewater facility in Achihud, each at a cost of about 12 million NIS. (For additional information about these and other projects, please see the chapter concerning our Environmental impacts).
- Actions that contribute to cost cuts and to cutting our carbon footprint - constructing three Video conference rooms in order to save traveling costs.
- Opening a separate and special unit for technical acquisitions, which were previously handled by the general acquisitions unit, with each plant handling only local purchases. Concentrating this issue under a single department enables acquisitions that are more concentrated and larger, and this enables us to attain better conditions and a higher service level, in Israel and worldwide.

It should be noted that a significant part of the efficiency projects also created value, savings and investment from the environmental responsibility perspective, such as saving paper, energy, fuel, cooling and more. (For additional information, please see the chapter concerning our Environmental impacts).

Thus, by proper preparation, skills and a high level of commitment, against the backdrop of a world in which businesses collapse and thousands of people lose their jobs every day, we have succeeded in surviving the economic crisis without parting from our employees and without damaging the Group's brands or our bottom line.



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The Strauss Group has set as its goal during the economic crisis: not to hurt its employees and

their employment terms. In certain markets, the Group even took additional steps for the benefit of its employees. At the macro level, it was important to us to ensure that the company would remain resilient in the face of high level fluctuations in the commodities and currencies markets, by guaranteeing a sufficient level of capital and resources that will help us through the difficult period

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Shahar Florentz, CFO, Strauss Group





By combining groundbreaking technology, proven know-how in development and marketing solutions for consumption of high quality water in homes and businesses, and the Group's strategic capabilities, Strauss founded "Strauss Water". Strauss Water aspires to be a global company that supplies drinking water solutions. Several years ago we identified the drinking water sector as a strategic sector, offering a significant opportunity to improve the quality of life for millions of people throughout the world.

This sector fits in perfectly with the Group's overall business perception and vision. The water treatment industry is the fifth largest in the world. One of the severest global crises currently confronting the world is water shortage. The quality of water in the world is deteriorating, to such an extent that only 1% of the world's water

Strauss “Dives into the Water” – Strauss Water

is suitable for drinking, with 1.2 billion people throughout the world who do not have access to clean drinking water.

We at Strauss recognized a real opportunity in the field of water treatment at its consumption point, with the goal of enabling consumers in various parts of the world to go back to drinking safe and clean tap water. We view our actions in the water sector as combining social responsibility values with environmental commitment. In light of this, we formulated our water vision: **creating a leading international company in the field of water treatment solutions, that will enable consumers in various parts of the world to enjoy high-quality and healthy drinking water.**

The first stage on our path to realizing our water vision was taken in the first quarter of 2007, when Strauss Group invested in H2Q. For three years, H2Q developed a unique and groundbreaking water filtering technology, designed initially for domestic household use. In parallel, we were engaged in defining the proper business model for realizing our vision in this sector.

H2Q created a technological and scientific breakthrough, and our investment in the company is another expression of Strauss' faith in Israeli science and in the ability to create a daring business vision, based on technology, that is both global and implementable.

The product of our investment – the world's most advanced water filter. This is a compact and easy to use purifier, more capable of treating a wider range of water pollutants than any other product now available in the market: H2Q guarantees safe and healthy water at a cost equal to simple household filters.

The way to ensure safe and healthy water – compliance with the most stringent standards.

After three years of investment by the Group in the management of the H2Q venture, alongside the Group's other businesses, Strauss Group took another significant step in 2009 – purchasing full ownership of Tana Industries Ltd., the manufacturer and marketer of Tami 4, which was selected as the most suitable partner for the process.

Tami 4 is a leader in the Israeli market in development, production and marketing of tap water purification, filtering, heating and cooling appliances for the household and institutional market. Tami 4 led a breakthrough when it succeeded in penetrating the household market with a designated water bar, positioning itself as a genuine and accessible alternative to household consumption of bottled water.

We believe that integration between H2Q, the unique technology offering safe and healthy water, and Tami 4, a leader in the development of drinking systems for consumption points, combined with the proven experience and capabilities of the Strauss Group in turning products that are successful in the Israeli market into success stories in the international market, will make us a leading international player in the water sector.

The combination of Strauss and Tami 4 enables us to swiftly establish our entry into the water sector in Israel and worldwide, and build the infrastructure for realizing Strauss' vision in the field of water, with the synergy between the water sector and Strauss' businesses being natural and clear, particularly when this pertains to the world of coffee and the world of health and quality of life.

Tami 4 has become part of the Strauss Group and we believe it will constitute one of the Group's major growth engines in coming years.

The water sector is closely linked to our promise "to enrich people's quality of life by creating wonders out of basics", and there is indeed nothing more basic than water, which is essential for all of us. We view the development of suitable technology for drinking water solutions, for the home and workplace, as a way to improve the lives of millions of people worldwide, and is thus a continuation of our realization of the visionary goal in the field of social – environmental responsibility.

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Tami 4's Family Bar is our solution for water consumption at the consumption point. Every year, when a family consumes water through this bar, it saves planet Earth waste at a volume of more than 1,000 plastic bottles, and the carbon footprint stemming from them.

Rami Ronen, CEO Strauss Water

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Savings over
1,000 plastic
bottles





Corporate
Responsibility
Management



We view our corporate responsibility as an integral part of our business strategy and vision, the goal of which is to create long term sustainability for our company and continuity of our heritage over all the years of our existence.

Accordingly, we manage CR just like any other business or strategic initiative in our company, through an orderly and structured system, beginning with the company's Board of Directors and continuing through each one of our business units and Group companies.

Since its establishment, Strauss has founded its activities on values – family values, ethical values and social values. We have always managed our businesses with social responsibility. However, in recent years, due to the company's global growth and expansion, and changing trends in this field worldwide, we have recognized the need to manage corporate responsibility in a structured and organized manner, while merging it as an integral part of the company's vision and business core.



In 2005, Strauss defined six visionary goals, and has since worked continually to realize and 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. We 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 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 2010 (compared to 2005), with international operations constituting 50% of our sales.

Our visionary goals, which we redefine every few years, complete and complement the Strauss vision and values. This unique "Strauss Way" distinguishes the company and motivates employees and managers throughout the world. Our values are: "Daring and Caring", "Passion and Responsibility," and "Team". These values are based on our vision:

"Creating Wonders out of Basics".

One of our visionary goals is to successfully manage the group's social and environmental responsibility as an integral part of the Group's business strategy. We take pride in our responsible and caring conduct in all our activities – both in and outside the company – regarding all our stakeholders: shareholders, partners, suppliers, consumers, customers and employees. In order to transform our vision into reality, we have decided to treat this matter like any other business goal we set for ourselves, and to devote considerable attention and significant managerial resources to achieving this goal.

Corporate Responsibility Management

Board of Directors

The Group's Board of Directors has established a Corporate Responsibility Committee, whose role is to approve the Group's Corporate Responsibility strategy and oversee its implementation process.

Corporate Responsibility Officer

The executive officer responsible for Corporate Responsibility at the Strauss Group is a member of the Group Executive Team, Michael Avner, Chief Legal Officer of the Company and Company Secretary. The appointment of one of the most senior executives in the Group's management to this position is indicative of the importance we attribute to this field and its proper management on the very highest levels.

Social Responsibility and Community Relations Manager

At the beginning of 2010, Daniela Prusky-Sion assumed her position as the Group's Social Responsibility and Community Relations Manager. This is a full-time senior management position, designed to address the issue of fulfilling the visionary goal we set for the Group in the field of corporate



Our Corporate Responsibility Vision

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.

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Strauss Group, as one of the leaders of corporate responsibility in Israel, recognizes that professional managerial resources must be invested, alongside financial resources, in order to become one global company from this aspect as well. Through comprehensive and integrative management of CR, we wish to continue to set high performance standards, both on the local level and the international level, and position ourselves in the front line of companies leading the most advanced practices in the world in corporate responsibility.

Daniela Prusky-Sion, Social Responsibility Manager

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responsibility, in order to enable us to take the next leap in this field. As part of her role as manager in charge of social responsibility, she will be responsible for formulating the strategy and work plans that span the entire organization, their implementation and realization, in the field of social responsibility, ethics, social vision (diversity and inclusion) and Strauss Group's community involvement. All this will be performed while managing the interfaces between the Group's units and assimilation of the strategy and policies at global level.

Forums: Work Safety / Environment / Ethics Trustees

These forums are composed of senior professionals and experts specializing in the fields of health, safety, environmental issues and ethics, responsible for preparing work plans in these fields, and their assimilation in the relevant units.

Corporate Responsibility Forum

In order to establish effective collaboration and enable good communications and the flow of information between managers in the various units, in matters related to corporate responsibility, a forum was created that holds a conference once a year, during which views and information are exchanged, training courses are held, and enriching content is presented about the relevant fields of corporate responsibility.

Despite our extensive investment in the field, we feel that this is only the beginning. We are aware of the rapid changes in the world, and the daily challenges we face, and are committed to addressing any challenge in a consistent and coherent manner.



Maala Organization:

Business for Social Responsibility

Strauss is an active leadership-member in the Israeli Maala organization, a non-profit organization, which serves as an advocate, consultant, educator and facilitator in the field of social responsibility. (For more information, please visit the website: www.maala.org.il).

Strauss has been ranked as Platinum member in the Maala Social Responsibility Ranking, and has been awarded the highest rankings every year since the ranking system was first launched in 2003.



Annual Meeting of the CSR Forum 2009

As every year, the Annual Meeting of the CSR Forum was held in 2009. Members of the forum from various units in Israel and overseas participated in this meeting whose goals were learning, enrichment and sharing successes and challenges in various aspects of corporate responsibility.

On the agenda:

- Opening speech by Chairperson of the Board, Ofra Strauss, and the CR officer and Member of the Group's management, Michael Avner.
- Lecture by Talia Aharoni, Chairperson of Maala
- Discussion sessions according to topics: ethics, environment, safety and marketing.
- Lecture about environmental advertising and creating value from CR.



One of the most enjoyable aspects of working with the Strauss Group to promote and advance CR is the combination of strategic vision with the enthusiasm and personal commitment. Maala is following, with great appreciation, the Group's continual contribution towards advancement of corporate responsibility in Israel.



Momo Mahadav, CEO of Maala





Corporate Responsibility Day at Strauss – 2009

Focused on Community Involvement

As per the Group's annual tradition, as part of our commitment to promote and implement corporate responsibility issues throughout the organization and various business units, a CR Day was held in 2009. The concept behind holding this day on an annual basis, alongside ongoing routine work, is to convey the message that at Strauss, CR is an integral part of our daily conduct and work, and to communicate relevant content to employees and involve them in proactive activities.

2009 CS Day was held under the banner of community involvement. On October 15th 2009, in the company's sites in 10 different countries, 40 different activities were held simultaneously, all aimed at contributing to the communities in which we operate, and increasing awareness and involvement of our employees and managers in these communities.

Among the activities held in Israel and overseas –

- Packing food baskets and their distribution to underprivileged populations.
- Eco-friendly activities such as recycling workshops, cleaning beaches, and more.
- Fruit and vegetable picking for the underprivileged.
- Renovation of clubs for abused and endangered children, playgrounds, educational institutions, children's shelters and activities with children.
- Assistance for senior citizens in shelters.
- Participation in lectures dealing with social and environmental issues.
- Various workshops focusing on social issues, such as diversity and inclusion.





Corporate **Governance**

Strauss Group believes that observing **leading** corporate governance **standards** is one of the guiding principles of its operations. 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 and values such as commitment to **integrity**, transparency, public disclosure and **accountability** for our actions vis-à-vis all our stakeholders.

Board of Directors and Standing Committees

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

Audit Committee

The Audit Committee has 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.

Various reports are submitted to the Audit Committee dealing with different issues related to company operations. The members make sure to receive reports about actual operations on the ground level directly from employees in the relevant units.

Finance Committee

The Finance Committee supervises the financial activities of the company and oversees financial issues and risk management. It evaluates investments, reviews tax planning and determines policies for hedging transactions (raw materials and currencies).

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee deals with policy and strategy relating to human resources issues, management succession plans, remuneration and terms of employment. This committee also submits recommendations to the Board on proposals for the granting of share options and other equity based incentive programs.

Financial Statements Committee


In accordance with new regulations of the Israel Securities Authority, a special committee was established to examine the Group's financial reports and statements prior to their review by the Board of Directors.

CR Committee

This committee approves the policies, strategy and work plans in the field of social and environmental responsibility, and oversees their implementation.

Investments, Acquisitions and Mergers Committee

This committee convenes on an ad-hoc basis in order to discuss investments, acquisitions and mergers.

 **We at Strauss believe that strong ethical principles are the foundation of good corporate governance.**

Changes in the Group's Top Management

In 2009, several significant changes were made in the managerial echelons of the Strauss Group, including replacement of the Group's CEO, CEO of Strauss Israel, CEO of Strauss Coffee and appointment of a CEO for Strauss Water.

One of the central roles of the Board of Directors, as we at Strauss Group perceive it as we strive for long term sustainability, is succession planning for the company, and advanced selection of its managerial reserves. This is designed to prevent a situation in which the Group must cope with replacements of critical position holders in the organization without having a suitable potential replacement.

And indeed, an orderly succession planning process was initiated, with an emphasis on the position of the Group's CEO, under the management of the Board's Human Resources Committee and with the assistance of an external consultancy company.

As part of the process, the roles of the Group's CEO were defined, including differentiation of specific attributes of Strauss Group and the relevant requirements for each specific role. A group of potential candidates were identified. They underwent evaluation and examination processes, and the most suitable candidates were selected following several discussions held by the Human Resources Committee and the Board of Directors. Thus, when the announcement that the Group's CEO was stepping down was published, the Board was prepared to appoint a suitable heir, without an element of surprise or hasty action.

The process of communicating the replacement of CEOs was orderly, planned and structured, and was announced first to the Group's employees, shareholders, authorities and then to general public.

The appointments of the CEO of the Strauss Group, Gadi Lesin, CEO of Strauss Israel, Zion Balas, are appointments of people who grew and developed within the organization.

Ethics

We at Strauss believe that strong ethical principles 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.

Remuneration for Senior Executives

Annual compensation for executive officers 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 executive team, and the Chairperson of the Board sets the CEO's targets, which are approved by the Remuneration Committee.

Annual Performance Evaluation of the Board

The Board of Directors conducts an annual self-evaluation 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 about which Board members are asked: effectiveness of the Board's operation, and that of its committees, Board meetings and the dynamics within them, priorities and agendas for Board discussions, materials prepared in advance for the meetings, expectations from management and the CEO, proceedings and bureaucratic processes in the Board's work, conduct during meetings, depth of discussions and more. Following individual discussions with the Board members, all input and information is collected and presented to the Board for discussion and evaluation.



Risk management is another pillar in building managerial excellence. Managers capable of successful risk management, alongside management of opportunities, are the managers who will fulfill strategic goals and create long term business stability for Strauss

Ayala Getzovich, VP Strategy, Strauss Group

Membership 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, and helps to determine the organization's agenda and path, as well as that of social and environmental responsibility in Israel. Strauss is also a member of the UN Global Compact.

Risk Management

Structured risk management at the Group level - a significant new step according to the Board's requirement

In 2009, the Group's Board of Directors demanded that management begin a process of structured risk management at the overall Group level. This is a change compared to the previous situation, whereby risk management processes were conducted locally, at the unit and department levels.

The company's management was requested to implement an organization-wide, top down structured process, beginning with the definition and mapping of all the risks that may be relevant to the Group in its various fields of operation.

In order to conduct this mapping process, the Group's Strategy department conducted interviews with more than 60 people inside and outside the Group, including a substantial percentage of Board members and the Group's management, lower-level managers in a variety of sectors and disciplines, as well as business partners and other relevant external parties. After the interviews were held and a variety of materials were collected, the findings were analyzed and the various risk factors identified were mapped according to their risk level and ability to minimize their impacts. These risk factors were divided into categories, such as strategic risks,

financial risks, operational risks and legal risks.

In parallel, the members of the Board of Directors and management were requested to fill in a questionnaire in which they ranked the risk level of each one of the factors in the list, and the manner in which each risk should be managed.

The findings of the mapping process were presented to members of the Group's management and Board, in order to enable them to prioritize handling of the various risks and how to handle each field and sector. A similar discussion was conducted within the managements of the various units, and they will also select the risks to focus on, and the list will be determined according to their recommendations. For every risk included in the list, a work plan will be prepared and risk management will be conducted as part of routine business at Strauss.

These processes begun at Strauss constitute a long term program, and the goal is that each manager will be responsible for managing the risk in his/her field, and for periodic updating and reporting. We have created the structure for risk management in the Group, and formulated guidelines for the Group's risk management policy. This will be substantially accelerated and integrated into the Group's routine work processes.

Compliance and enforcement program

In 2009, the company launched several compliance and enforcement programs in the following fields: ethics, prevention of sexual harassment, work environment and employee rights, environment, work safety, information security and trade restrictions. The programs are implemented by managers of the Group's plants and sites, with semiannual reporting to the Group's Enforcement coordinator, and a comprehensive report to the Audit committee. The goal of the program is to ensure implementation of legal regulations and company procedures in these fields.



Ethics

Our Way from Values to
Actions

Strauss Group Values:
Daring & Caring
Passion

Team
& Responsibility





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.



Strauss' Code of Ethics

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 the foundations on which the Group's business operations are based. In our search for the Strauss Way, we realized how important it is to create a distinctive vision for Strauss, while embracing the legacy passed down by our founding families. That's why we have chosen a vision that enables us to achieve our business goals, while upholding our values. Our Code of Ethics is one of the tools used to express this Group's vision and realize it in our everyday work at Strauss.

Our Code of Ethics is a public declaration of our commitment to ethical, environmental and social norms, and our willingness to take upon ourselves standards that are higher than those required by law.

In 2006/7, the Group took an important initiative: formulating and implementing a comprehensive Ethics Program in all of the Group's units, in order to translate our vision and values into everyday actions, based on who we are and who we strive to be. Our Code of Ethics is a public declaration of our commitment to ethical, environmental and social norms, and our willingness to take upon ourselves standards that are higher than those required by law.

Our Code of Ethics was based on the concept that firm ethical norms 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 chose to lead the process on a cross-company basis and include as many employees and managers as possible, from all ranks and business units. The process is based on a spirit of team-work that stems from our heritage, vision and values, while reflecting the true essence of our identity and who we strive to be as a company.

Ethics Trustees in the various units

In each one of our business units, an Ethics trustee has been appointed, who employees may approach if they have a question, dilemma or complaint about an ethical issue and / or about the way the Code of Ethics should be implemented. In addition, an Ethics trustee is responsible for implementing the content of the Code of Ethics within the business unit in which he/she operates, for conducting training and refresher programs to the specific needs of the unit, and for implementing the annual work plan in this area.

Refresher training for the Code of Ethics

As part of the ongoing process of implementing the Code of Ethics, the goal of which is to preserve the living spirit of the code, the dialogue about ethical issues, and implementation of the values in the Code as they are reflected in the daily work of the Group's employees, we hold refresher courses in this field.

As part of the training sessions, which are conducted in relatively small, departmental forums within the business units, a meeting is held to discuss ethical issues, while connecting the rules to the business world on the one hand, and daily work at Strauss on the other hand. In each meeting, a discussion is held, during which employees raise issues and dilemmas they encounter in their work at the Group, and ethical dilemmas are presented, as well as general background about business ethics and various trends and cases related to ethical issues in the business world. In 2009, the vast majority of our units in Israel and worldwide underwent refresher courses focusing on ethics.

Strauss' Ethics Hotline – Our Center for Reporting Ethical Issues

In 2009, as part of our responsibility and commitment to an ethical work environment, the Group launched a hotline – a direct channel, over the phone or Internet, for calls relating to ethical issues and proper management, which will be accessible to all Strauss employees throughout the world.

The Ethical hotline constitutes an additional channel at the disposal of the Group's employees, in addition to the Ethical trustees in each business unit, to report any case of an action they believe to be improper, or a deviation from legal statutes, company procedures or unethical conduct by any party within the company.

By means of the Ethical hotline, company employees can relate and report a variety of issues, including discrimination and harassment, improper behavior, theft, violence or threats, breaches of policy, and more.

After comprehensive consideration and examination of this issue, and in order to enable company employees to submit anonymous reports if they wish to do so, it was decided that the hotline would be managed by an external company that is one of the world leaders in this field.

The Ethical hotline is open and accessible to employees 24 hours a day, in a variety of languages suitable for company employees in various countries.

During the initial stage, the system was launched in Israel, Poland and Romania, and following a review process in 2010, the service will be extended to all Strauss Group employees throughout the world.

Internal control of the implementation process of the Code of Ethics

In 2009, we conducted a comprehensive review process headed by the company's internal auditor, who examined the process of implementation of the Code of Ethics in the various units, the training programs and tools used for training purposes, ethical mechanisms, communication of the issue of ethics, work plans and the level of awareness and involvement of the Group's employees.

The examination included interviews and discussion with company employees and managers, review of documents, spot checks, and questionnaires filled in by company employees.

The internal auditor submitted a detailed and extensive report of his findings that was forwarded to the Ethics trustees and all pertinent parties, in order to draw conclusions and determine modification of the work plans and activities in the field of ethics.

Ethics corners, which are in place at every site throughout the company, enable employees easy and swift access to the Strauss Code of Ethics.





Strauss Group wins the Transparency and Ethics Shield awarded by SHVIL (Transparency International) for 2009

As part of events celebrating the 10th anniversary of Transparency International Israel (SHVIL), Strauss was awarded the Transparency and Ethics Shield award for 2009.

The jury, impressed by the Group's activities in this field, explained its decision: "Strauss Group, a leading international company, views the advancement of ethics, transparency, and social responsibility as an integral part of its operations, vision and business identity, and among other actions formulated a global Code of Ethics that is assimilated in the Group's activities throughout the world".



Economic Impacts

As a business entity, generating capital is cardinal to our corporate responsibility, even more so during a period of financial crisis and economic recession, which the entire world faced in 2009.

Our business activities generate income for many of our various stakeholders, including our shareholders, company employees, suppliers, customers and other business partners, government authorities in the countries where we operate, and society in general.

This chapter describes various aspects of the economic impacts on our stakeholders, and on the economic systems in the countries where we operate at various levels. Among other issues, the chapter presents the economic wealth we generated to the world around us during 2009, and the manner in which it was distributed among our stakeholders.

In a period of economic recession in particular, with many businesses collapsing and thousands of people losing their sources of livelihood, our understanding and recognition that our employees are our most important asset has only grown and intensified. In light of this understanding, and despite the need to prepare suitable plans to cope with the economic crisis, the recession and their repercussions, we made intensive and significant efforts to improve efficiency and cut overhead costs in 2009, with the guiding goal of reinforcing and preserving our most important assets – our employees and brands. Accordingly, we prepared a plan aimed at preserving our results, cutting costs in all possible activities, without initiating employee dismissals (for additional information, please see the chapter describing the Group's preparation for confronting the global economic crisis).

With regard to our involvement and investments in the communities in which we operate, we set ourselves the goal of not reducing the scales of the budgets we invest in these activities, based on our understanding that we must act responsibly and prevent, as far as possible, any damage to the organizations and people that they assist.

** The financial data contained in this chapter is relevant to the Strauss Group in its entirety.

Impacts on Our Stakeholder Groups

Consumers
Employees
Retailers, customers and business partners
Supply chain
Shareholders
Communities in which we operate
Governments
The Environment

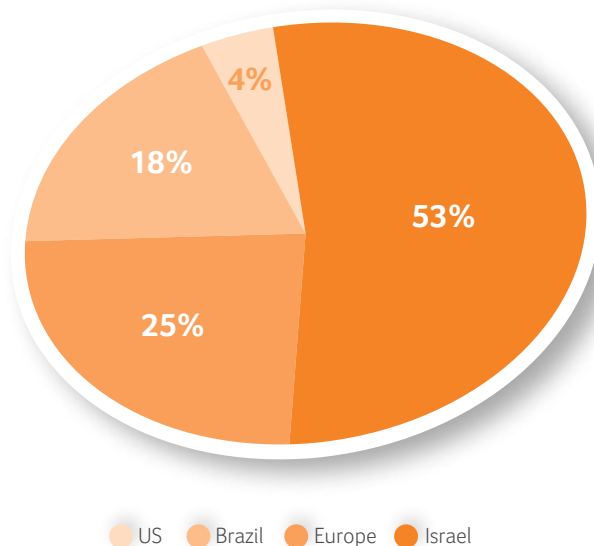
Wherever we conduct our activities, we strive to undertake a responsible role in society, maximize the advantages produced by our activity and minimize our negative impact. The following list briefly explains the nature of our economic impact on each of our stakeholder groups. More detailed information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

6.37 billion NIS.
Strauss Group
sales 2009

Our Consumers

In 2009, the overall income of the Strauss Group from sales totaled 6.37 billion NIS.

Following is the distribution of Group's income from sales by geographical regions



We constantly invest significant resources in promoting issues such as a healthy lifestyle and balanced nutrition as well as responsible advertising and marketing to our consumers. In 2009, we shifted some of our marketing efforts and directed them to various benefits for our consumers, such as increasing the volume of products in our packaging, and more.

11,659
Employee around
the world

1,126 million NIS.
Payments to employees

131 million NIS.
Social benefits
& pension plans

Our employees

We directly employ 11,659 employees around the world (not including temporary employees and contractor employees). In 2009, we paid a sum of 1,126 million NIS to our 11,659 employees worldwide (not including 1,412 temporary employees and contractor employees) in salaries, pension payments, national insurance and other social benefits. This actually means that our employees are the most substantial and largest beneficiaries of our economic added value. Out of this sum, a total of 131 million NIS were paid for social benefits and pension plans for our employees.

In 2009, during the economic crisis, we assisted our employees in various ways through this difficult period. Thus, for example, at Strauss Russia, new benefits were awarded to employees, including health insurance, improved catering services in the workplace, loans with no interest, and more. Another example is the Ukraine, which was even more severely hit by the economic crisis than Russia. While most other companies fired many employees or slashed their salaries, we retained our employees and even increased some of the salaries, to enable employees to support their families. We also took great care to pay salaries on time, although payment delays were common in the region during this period. We also gave employees loans with no interest, and additional benefits.

Retailers, Customers and Business Partners

Through our business activities, we generate income and profits for our customers and business partners and indirectly assist in creating additional jobs and diverse opportunities through clients and business partners in every location we operate around the world.

Our Supply Chain

In 2009, the Group paid a sum of about 4.46 billion NIS to its suppliers throughout the world for commodities, services and various operational costs. In 2009, we purchased products, services and raw materials from 17,280 suppliers worldwide. These purchases assist in supporting additional jobs in

the various communities in our areas of operation, and even beyond. The level of our impact on the suppliers varies according to the size of the supplier and our purchasing force, but anywhere we can make an impact, we encourage sustainability, social responsibility and ethical commerce.

Our Shareholders and our providers of credit and capital

We constantly strive to provide our shareholders with positive returns on their investment, based on our commitment to provide them with value. In 2009, we allocated dividends to Group shareholders totaling a sum of 200 million NIS.

Our providers of credit and capital received 86.68 million NIS in 2009, which were paid as interest to banks and other lenders.

The Communities in which we operate

Our activities materially impact the communities everywhere we operate, 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 members of these communities, focusing on diversity and inclusion issues. In 2009, we donated over 10.53 million NIS in cash and goods to organizations and individuals, as part of our activities in the various countries. This sum does not include work hours of our employees who participated in volunteer activities during work hours, in all our sites worldwide, throughout the year. The monetary value of these work hours is about 484 thousand NIS.

Governments

Our business has produced a positive impact on the economies of countries and regions 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 2009, we paid a total sum of 118.24 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 and subsidies totaling 4.48 million NIS.

The Environment

We are aware of our impact on the physical environment surrounding us. Therefore, we invest substantial resources in reducing our negative impacts and positively contributing to the long term sustainability of the environment and Earth's natural resources. In 2009, we invested in initiatives and processes conducted as part of the company's ongoing operation, with the purpose of reducing our environmental impact, particularly in our production facilities

4.46 billion NIS.
Paid for commodities,
services and operations

17,280
Number of suppliers
worldwide

200 million NIS.
Dividend to shareholders

86.69 million NIS.
Interest payment to banks
and lenders

10.53 million NIS.
Donations to the
community

484 thousand NIS.
Employee volunteers

118.24 million NIS.
Taxes to governments

4.48 million NIS.
Governmental subsidies
and grants





Social Impacts

Product Responsibility

Promoting a Healthy Lifestyle

As a leading, socially responsible food manufacturing company, Strauss is committed to promoting a healthy lifestyle. Strauss constantly works to expand the variety of products and consumption opportunities it offers, and activities that support a healthy lifestyle. The Group also promotes activities aimed at improving the access and availability of clear nutritional information so as to enable our consumers to make informed choices. As a leading, socially responsible food company, we are committed to this issue and remain updated on the newest trends.

2009 - Updating Strauss' health policy and adjusting it to dynamic changes

In 2008, we formulated a health policy as part of the strategic planning for our product lines, with the goal of enabling our consumers to choose a healthier life style. According to this policy, we are continuing to develop tools for implementing the principles of our health policy. Three pillars of our health policy, and improvements applied in 2009:

- **Expansion of the portfolio of products with improved nutritional values in a wide range of categories.**

Expanding the variety of products that address the demand for a healthy lifestyle. In addition, we invested in increasing the awareness of our consumers to the range of products with improved nutritional value.

Tools for implementation of this policy principle

In 2008, all of the Group's products were mapped using the NutriPass index, which examines each product's nutritional composition, determining a specific

grade, so as to classify all products into three health categories: Good for you, Better for you or OK in moderation. These classifications are based on the nutritional guidelines published by the World Health Organization for the purpose of maintaining a healthy, balanced lifestyle.

In 2009, we refined this tool even further and actually created a NutriPass that also measures the marketing and sales efforts we invest in each one of the products. Now, the nutritional grade is multiplied by the sales volume of each product, and the result is an index that reflects both our investment in nutritional improvements and the marketing-sales efforts we invest in the product. The purpose of this improvement is to enable measuring and internal incentives for investment in marketing support for products with improved nutritional values, enabling us to inform consumers about consumption options available to them for a healthy lifestyle.

We are continuing the trend we began some time ago of ensuring that all Strauss products contain no 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 preference for natural products or those containing a greater amount of natural ingredients. This program has two different aspects: offering a wider variety of natural products, based on natural ingredients, and increasing the percentage of natural ingredients in existing products.

2009 - A new tool for promoting our policy in the field of Healthy and Natural
In 2009, we created a new measuring tool that enables us to conduct in-depth examination of consumer perceptions and insights regarding the degree of health and naturalness of our products. For this purpose, we conducted an extensive healthy/natural survey among 2500 participants, who were divided into 3 population categories: youths, adult population, and mothers of children. Based on survey findings, we created a map of the variety of products that

reflects consumer perceptions related to the healthiness and naturalness of various food categories, which provides us with an index of consumer perceptions. Thus, we actually created a tool that encompasses consumer perceptions, awareness and knowhow about natural ingredients and natural products, as well as consumer preferences. This tool serves as the basis and defines priorities for improvements that we decide to make in our products, in order to adapt them to the demands and expectations of our consumers.

Increasing transparency and presenting nutritional and health information concerning our products more clearly and prominently -

this is designed 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.

World of Health and Wellness

Dairy Products

In 2009, we expanded our range of dairy products and cheese treats for children and toddlers.

Gamadim -

the only cheese treat with a unique composition of vitamins and minerals especially suited for children and toddlers when they begin to feed themselves. Proper nutrition is one of the most important factors in the growth and development of children. The Gamadim series, which contains a unique composition of iron, zinc, vitamins and calcium, was specially designed for children.

Gamadim is based on 5% cheese, with the addition of natural fruit puree, aimed at promoting and developing proper and healthy eating habits from a young age. Gamadim cheese has a unique composition of vitamins: A, B12, C, D, E, folic acid and minerals: iron, zinc and calcium, that are vital for proper growth and development.

Danone for Kids

In 2009, a new yogurt product with fruit was developed especially for children, combining the nutritional benefits of yogurt with the pleasure of fruit. The product's composition is unique, and enriched with calcium and vitamin D, which are of particular importance for building bones during childhood. The product, with new texture and packaging, is available in several options: eating it with a spoon, drinking it using the attached straw, or eating it directly from the container – all aimed at encouraging kids to consume dairy desserts with the benefits of yogurt.

Chocolate milk enriched with vitamins from Yotvata Dairy

In 2009, Yotvata launched a chocolate milk product enriched with even more vitamins and minerals than in the past. The chocolate milk is also available



in small bottles, to enable diverse consumption opportunities as well as to provide a measured quantity, enabling control of consumption volumes.

Ski Cheese and Strauss Cottage Cheese -

Ski Cheese and Strauss Cottage Cheese both combine several ingredients that contribute to building strong bones:

They contain much more calcium and vitamin D compared to most soft white cheese. There is 500 mg. of calcium in a 250 gram package of Ski Cheese and Strauss Cottage Cheese! And 2.5 micrograms of vitamin D3, the most active vitamin D derivative. These cheeses also have a high calcium-phosphorus ratio, the optimal amount of protein, and are enriched with the anti-oxidant vitamin E. This unique composition of vitamins, and the optimal ration of minerals (calcium and zinc) that is unique to Ski and Strauss Cottage Cheese – to ensure more effective absorption of calcium in the body, and the promotion of healthy bones.



Fresh Pasta

Ravioli meal – a balanced and healthy family meal

Strauss Group has expanded its operations in the fresh pasta market, in order to offer a range of alternatives for a hot, tasty and nutritious meal for the entire family, and launched a line of ravioli meals. Strauss' ravioli meals are an alternative for a family meal, and a healthy alternative to readymade food. 100 grams of pasta contains 9.5 to 12 grams of protein, and 102 to 183 mg. calcium, depending on the filling.

Vegetables

Salad Vegetable Medley

Based on awareness of the vital nutritional importance of fresh vegetables, we are constantly seeking ways to offer ready to eat, tasty, colorful and enjoyable salads.

At the end of the development process, we launched, for the first time in Israel, a range of vegetable salads with exciting additions – such as herb dressing or mix of nutritious seeds.

These products have reaped success and excited reactions among our consumers, and they are sold at reasonable prices. We view these products as a significant step in our contribution to the advancement of proper nutrition and health.



Healthy snacks

New line of energy bars - Shape - less than 100 calories per snack bar

Based on our recognition of the consumers' growing awareness of the importance of a healthy lifestyle, physical fitness and proper weight, we have developed the Shape line of energy snacks, that contains six snacks, each snack totaling less than 100 calories, two of which are sugar free, with a caloric value of only 58 calories. These snacks are composed of grains, enriched with iron, vitamins and nutritional fibers, and offer an enjoyable and flavor filled experience, while maintain a low calorie count.



Strauss constantly works to expand the variety of products and consumption opportunities it offers, as well as activities that support a healthy lifestyle. As a leading, socially responsible food company, we are committed to this issue and remain updated on the newest trends.



Amalia Haviv Messika,
Head Dietician, Strauss Israel

World of Fun & Indulgence

Chocolate fingers – a measured portion of chocolate

Our new chocolate fingers, with their unique combination of chocolate and milk, contain a substantial amount of calcium compared to other milk chocolate products – about 20 mg of calcium in each finger. The fingers contain surprises and flavors that children love to eat. These are measured portions that are individually wrapped, and are part of the Portion Control trend in the food sector in general, and in the Fun & Indulgence category in particular.

MUST Bazooka – Sugarless chewing gum

MUST Bazooka offers the well loved and familiar flavor of Bazooka gum, the renowned jokes, and bubbles – all in a sugarless chewing gum with no artificial food coloring.



Salty Snacks Division

Tapuchips Kids – nutritional improvement activities in the Salty Snacks division

In 2009, we developed the "Tapuchips" potato snack designed for children. According to internal regulatory rules adopted by Strauss FritoLay, dealing with marketing to children, and related to development of products intended for consumption by children, we are developing products with an improved nutritional profile compared to the norm in this category.

In a survey we conducted among mothers of young children, we found that they place great importance on non-fried products. We also found that it was no less important to mothers that the product's texture be suitable for children and their abilities.

The concept we developed is Tapuchips Kids, a baked potato chips snack, with a soft and melting texture, with no artificial food coloring, without preservatives, and with a significantly better nutritional profile from the point of view of calories and fats, compared to most products in this category. Thus, for example, the product contains 70% less saturated fats than regular Tapuchips. As part of the development process, and in light of consumer reactions, we have improved the product by reducing the amount of additives in the product, and removing the monosodium glutamate (MSG) entirely, since consumers perceive MSG as unhealthy.

The product, which is considered to be a great success, also complies with the stringent criteria set by PepsiCo for the Better For You category which, in the context of salty snacks, is considered an impressive achievement.

Around the world...

United States – Sabra Salads

In 2009, Sabra developed a line of natural, low fat, Greek style yogurt dips that are planned to be released in 2010. These dips provide a natural source of protein, calcium and vegetables. Sabra's hummus salads are also a natural source of protein and fibers, and the production process uses sesame oil containing fatty acids that are a significant contribution to healthy and balanced nutrition. Thus, for example, sesame has been found to be beneficial to the immune system and for its anti-oxidant properties.

Achla salads in Israel is engaged in improving the nutritional values of its products by transitioning to use of healthier oils, among other steps. (For additional information, please see the Group's CR report for 2008).



Hummus, eggplant and tahini salads have over time become everyday foods, served on every Israeli table. Since we recognize that products that we and our families consume on a daily basis should continually be improved in terms of ingredients and quality, we decided to upgrade the nutritional composition of all the hummus and vegetable salads. In an exceptional step, we replaced all of the soy oil in Strauss' Achla salads with canola oil, while

dramatically reducing the fatty acids in the hummus – from 23% to only 16%.

This step enables consumers, and particularly children, to receive all the nutritional and health values of canola oil, while retaining the well loved flavor and without increase in retail prices.



Tal Zoref, Manager of Achla salads, Health and Wellness Division, Strauss Israel



Product Labeling

We take great care to label products with their proper nutritional values, to clearly reflect the ingredients and nutritional information according in accordance with the law and the most stringent standards. For this purpose, we prepared the Strauss Packaging Guide that describes the specific criteria for the design of every product packaging. Before a product is launched, every new packaging undergoes a process of inspection by all relevant professionals (technologist, designer, dietician, etc.). The criteria include various parameters, some based on legal requirements, and some above and beyond these requirements, such as information related to allergies, portion size, nutritional value tables in all required languages, customer service symbol, and ensuring that all the information is legible and clear.

Working with Health, Nutrition and Lifestyle Professionals

As in previous years, in 2009 we expanded and deepened the scope of our work with health, nutrition and lifestyle professionals such as scientists, doctors, dieticians and trainers, with the purpose of disseminating knowledge and research findings concerning health and nutrition issues, and providing experts in the field with scientific tools and nutritional understanding of our products.

Among the activities in which we engaged - participation in major conferences for nutrition and intensifying working relations through personal meetings or joint work teams.

Thus, for example, one of the conferences in which we played an important role was the central scientific nutritional convention, Preventive Nutrition - Joining Forces - an international conference for Mediterranean countries focusing on the Mediterranean diet and its impact on health and quality of life. CEO of the Strauss Group, Gadi Lesin, participated in the conference, as a function of his role at the time as CEO of Strauss Israel, and was a member of the panel of leading food manufacturers that discussed the challenges and opportunities in the food industry in Israel, and spoke about the increasing phenomenon of obesity, and the actions taken by food companies with respect to this issue.

At the conference, Strauss Group also presented a unique tool that we developed to promote a healthy lifestyle named **“Proper Nutrition begins with the Strauss plate”**. (See details in this report).

Enhancing the health of children - Breakfast project in Southern Tel Aviv

For the fifth consecutive year, Strauss is a major participant in the Breakfast Project, conducted in collaboration with the Jewish Federations of Los Angeles and Tel Aviv Municipality. Within the framework of the project, we provide a nutritious breakfast on a daily basis for 700 children in underprivileged Southern Tel Aviv neighborhoods. In 2009, we worked to upgrade the nutritional value of the meals served to the children. This year, the breakfast, served every morning at the beginning of the school day, includes a sandwich with a thick layer of protein-rich spread (such as cheese, cottage cheese, egg, humus, etc.), a selection of vegetables, and a different dairy dessert every day (Actimel, yogurt drink, etc.).





Strauss Water



A new member of the Group's health sector

One of the severest sustainability crises currently confronting the world is water shortage. The quality of water in the world is deteriorating to such an extent that only 1% of the world's water is suitable for drinking, with 1.2 billion people throughout the world who do not have access to clean drinking water. This shortage impacts on both developed and developing countries. Thus, for instance, the US Environmental Protection Agency estimates that an investment of 300 billion dollars will be required to enable supplies of clean and safe drinking water to all residents of the US. An additional figure published indicated that about 7 million Americans a year fall ill due to contaminated water. In 2009, the Strauss Group founded Strauss Water, taking an additional step

towards the realization of the Group's vision in the field of health in general, and water in particular - **creating a leading international company in the field of water treatment solutions, which will enable consumers in various parts of the world to enjoy high-quality, healthy drinking water.**

This vision, as well as entry into the water market, are naturally linked to the Group's overall vision that includes improving consumers' quality of life, social responsibility and environmental awareness and, in particular, the field of health in which we are engaged on a daily basis and which holds a central place in our operations. For additional information about this topic, please see the Strauss "Jumps into the Water" chapter.

Strauss' Plate - Unique tool for promoting proper nutrition

As part of our efforts to promote a healthy lifestyle and proper nutrition, Strauss Group has developed a unique tool that allows the consumer to assemble a healthy and exciting meal, with balanced quantities to ensure a healthy lifestyle. The tool – a carton plate – displays in three stages the way to assemble a nutritious and enjoyable meal.

Stage 1 -

Bringing proportions back to the plate

Historical analysis of our diet reveals that over the years the plates on which we serve our food at every meal have grown in size and, with them, the quantities of food that we consume, to the point that the amount of food served both in restaurants and in homes have risen in accordance with the size of the plates, and these amounts are much more than we need for a full, satisfying and nutritious meal. One of the primary factors of people being overweight is the eating of food portions that are too big from an early age. Strauss' plate displays the correct proportion for a plate, which corresponds to the amounts of food we should consume at every meal in order to maintain the correct balance and proper portions.

Stage 2 -

Assembling a meal according to nutritional principles

In a colorful, friendly and tempting manner, the plate displays the correct way to assemble a nutritious meal based on the "quarter and three quarters" principle, according to which one quarter of the plate should contain protein such as dairy products, eggs, chicken, fish or meat, while the rest of the plate – three quarters, should consist of vegetables, fruit, beans, whole grains, etc. Printed on the back of the plate is a table of food groups, listing the types of foods in each group, the benefits of each type of food, and the recommended size of portions. Thus, the plate provides the user with significant and important information about a healthy lifestyle based on a proper choice of meal components.

Stage 3 –

Proper portion sizes

The plate is composed of two layers – two plates that rotate around one another, with the top plate displaying, in images and detailed text, the three quarters group of food, including: grains, vegetables, vegetable oils and beans, and presenting the variety of Strauss products in each category. The bottom plate fills in the missing quarter of the circle, so that each turn of the top plate reveals

Like other
wonderful things -
its greatness
lies in its
simplicity...



a different option from among the assortment of high protein foods to complete the plate. In this layer, several alternatives to meat and fish are displayed, including eggs and various dairy product alternatives – ravioli (includes grains), and various types of cheese, yogurt and egg product, presenting a variety of suitable Strauss food products. The size of the tool is the recommended size of a plate, and the food photos reflect the actual recommended size of the portions. Strauss' plate was distributed to various populations and as a work tool for dieticians and physicians at Preventive Nutrition - Joining Forces, the international convention of Mediterranean countries.





Consumer Relations

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

“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 in full recognition of our responsibility to justify the trust they place in us.”

The Strauss Code of Ethics



Consumer Relations in Israel

The goal of our consumer relations department

As we at Strauss Group perceive it, the goal and purpose of our consumer relations department is to focus on two aspects:

- **The first aspect** is directed externally towards the consumer. Our goal is to provide the best possible service to the full satisfaction of our consumers. In order to attain this goal, we continually work to improve our service to our consumers, while monitoring and controlling our performance throughout. Among other actions, we conduct consumer satisfaction surveys that call our consumer relations center in order to collect feedback and evaluations, and are always attentive to consumer comments in any channel through which they contact us.

We view relations with our consumers as the best way for us to keep in touch and conduct this important dialogue with our consumer public.

- **The second aspect** of the goal of the Consumer Relations department centers on actions and steps we take in order to learn about our consumer public, their preferences, the content of their comments, complaints and suggestions for improvement, and to draw conclusions from these comments so as to constantly improve. In order to realize this aspect of our goal, the Consumer Relations department also acts to maintain a stream of information from our consumers into our learning and control process, in order to draw conclusions and ensure constant improvement.

Our Service Center

Our Service Center is our most significant channel of communications with our consumers, and we invest substantial resources in its operation. The center is operated by Tikshuv Company on an outsourcing basis. The center is open from 8:00 – 22:00, and employs 50 call operators, three shift managers and a senior manager. This team handles over one thousand daily telephone or email inquiries. 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 a customer.

Each consumer inquiry is handled professionally and given our full attention in order to attain full consumer satisfaction. We benefit greatly from these conversations with our consumers and utilize the feedback or information we receive from them in improvement processes within the company.

The Consumer Relations department also employs coordinators; each coordinator is responsible for communications between the service center

and the various business units (each coordinator is assigned several units), including handling serious complaints and providing relevant information to each one of the units.

When a complaint is received, we take it very seriously. We have a clear and well defined procedure for handling complaints, which includes visiting the customer's home, picking up the product, and sending it for testing in an appropriate laboratory, as well as performing various quality assurance steps, followed by a prompt response to the consumer.

Actual example - How we learn from our consumers and constantly improve to live up to their expectation

Changes to the Chokolit Lid



Identifying and highlighting the problem

The follow up we conducted for complaints received from our Service Center emphasized dissatisfaction with the usage of the Chokolit product, a popular and well loved product for many years. We identified the problem as related to an earlier change in the Chokolit package lid. The feedback we received from consumers indicated that the package lid was difficult to open and inconvenient to use.

The process we undertook

After identifying the problem, we held internal discussions to focus on how to deal with the problem and provide consumers with a solution to the Chokolit package lid. We examined several options for correcting the lid so it would be more convenient and continued complaint follow up.

Finally, after finding the solution we felt was most appropriate, we verified that it did indeed solve the problem and completed the process with consumers who had contacted the Service Center by sending them letters about this issue, with an attached Chokolit gift coupon.

Results

Firstly, many consumers called the Service Center to thank us for attending to their complaint, solving the problem, sending them a personal reply and even a gift coupon for the product. Later, we conducted a survey among consumers who contacted us about this problem, and discovered that 80% of them had used the coupon they received and continued to buy Chokolit. Most of the consumers also indicated that the way their complaint was handled had a positive impact on their attitude towards Strauss and its products.

We attach immense importance to consumer satisfaction with both our products and the level of service we provide, and do our utmost to win consumers trust and confidence.

At Strauss Worldwide...



Sabra USA

320

monthly calls and email messages to Sabra On an average

69%

of all consumer calls are of a positive nature, with compliments about the Sabra brand and/or line of products.

18%

of calls deal with difficulty in finding Sabra products on the market.

6%

of calls are questions or suggestions relating to nutritional issues, such as Gluten, natural ingredients, preservatives, etc.

5%

of calls are complaints about issues related to our products.

2%

of calls deal with various issues not included in the above categories.

Max Brenner Chocolate Bar in Philadelphia, USA

At Max Brenner, we believe that the most important aspect of our responsibility is our direct relations with each one of our guests – our consumers. In this context, we ask ourselves what is important to each of our consumers – value, quality, speed, pleasant atmosphere and a sense that they made the right decision when they chose to visit us. This is what we aim to offer our consumers through our team and management and our responsibility to ensure that we meet these goals.

Our customer service policy is based on these beliefs, and we assimilate our service approach through our training of new employees, and by creating a set of tools that will help us find the most appropriate way to provide the best service we possibly can for our employees.

Thus, for example, one of our practices is to keep a “guest file” – when a customer contacts us via email or phone, we save the information about the customer’s call for monitoring and follow up handling, if necessary.

We take every customer call, complaint or suggestion for improvement seriously, thank the customer for the call or suggestion, and consider whether it is possible to implement them.

Strauss Coffee Poland

Since we implemented the ISO 9001 quality standard, we have tracked and documented the processes of handling consumer complaints and inquiries. Consumers communicate with us over the phone, via email, or personally. Printed on each coffee package is the company’s name, address and contact information, in order to provide our consumers with an open and accessible channel for information and feedback.

Each consumer inquiry is checked and examined individually and a reply is sent to every inquiry.

In 2009, we received 10 inquiries from consumers about various issues, compared to 13 in 2008, per annual production of about 20,000 tons of coffee.

Strauss Adriatic

Our goal - to ensure that consumer inquiries and calls are handled as swiftly as possible and in a satisfactory manner, and to prevent the recurrence of complaints.

Calls and inquiries are received by our call service center or over the Internet, or via any other channel, and a structured and systematic procedure is in place to receive and handle all types of consumer and customer inquiries that defines rules of conduct and handling for each type of inquiry or complaint, including appropriate documentation and follow up.

In addition, we conduct periodical monthly and quarterly reports about the

number and nature of inquiries, and these are forwarded to appropriate management parties for in-depth analysis and, in certain cases, are reviewed by a committee to draw conclusions and prevent recurrence in the future.

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 an ongoing, transparent and timely dialogue, especially in times of crisis that affect many of them.

Sometimes, despite all our ongoing efforts to make sure every product we manufacture is safe, healthy and of the best possible quality, unfortunate events or faults do occur. One of our biggest challenges in these situations is taking proper care of our customers and giving them the best possible service in times of crisis. We view a crisis situation as one in which a problem or fault is uncovered that may result in the company's inability to realize its promise from the point of view of product quality or safety, including cases of physical harm or a health hazard, or something that may be reasonably perceived as such by our customers.

Our inter-disciplinary crisis management team was trained to be prepared for any case in which there is even a very slight chance of a crisis, and acts in accordance with the Group's structured and systematic procedures. For additional information, please see the Group's CR report for 2008.

Like any consumer product company, the trust of our consumers is of supreme value, all the more so since we are a food production company.



In 2010, Sabra's Customer Service center will be outsourced and handled by Frito-Lay's Consumers Relations department. This professional service will enable Sabra to analyze consumers' questions and calls, and handle them quickly via the company's quality control processes.

Mike Spinelli,
R&D and QC Manager, Sabra



Our goal is to create an amazing experience for each and every one of our guests. In order to attain this goal, we are committed to ensuring that observance of our high standards is always our top priority. It is important for us to act in a structured manner, which expresses and manifests our professionalism and passion to our guests and team of employees. Creating such an atmosphere is at the very heart and core of Max Brenner - Creating a new chocolate culture throughout the world, while enjoying each experience.

Allan Beardslee,
Deputy Director General,
Max Brenner Restaurant, Philadelphia



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 in selecting these materials, and we are proud of our ongoing reputation and 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 have undergone tests according to regulatory requirements.

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 to the best of our ability, 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 on the production line, target the source of a problem and deal with it before the products leave the plant.

Responsible Marketing

“At Strauss, we have the utmost respect for each and every individual, and take a cautious approach in how our advertising and communications with the public is formulated and presented, in order to avoid offending anybody or giving any false promises or misleading information.”

The Strauss Ethical Code

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. Since 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, and do so above and beyond legal requirements.

Our compass is calibrated according our consumers' expectations, which are sometimes higher than the legal requirements with which we are required to comply. Our aspirations are not limited to being only right and just, or only complying with regulations, but are much higher – to be fair towards consumers of our products and to create long term trust by fulfilling our promises and standing behind every word we communicate – whether in relation to our products or as part of our advertising campaigns.

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



We also act responsibly towards our consumers over the Internet. In all our interactive operations, we are careful that the content of the messages we communicate to consumers is suitable for all ages, needs, and languages of our customers. We make sure that we are sensitive

in our communications with them, based on our sincere commitment to transparency, trust, and mutual respect.



Perry Levy, Interactive Communications and Content Manager, Strauss Israel

Marketing with Meaning

We have recently adopted a course of action that will take us one step forward – beyond fair, responsible and ethical marketing. We wish to give our target populations added value within the framework of our marketing processes, particularly with respect to children and teenagers.

Marketing with Meaning is a new marketing approach that is becoming common among companies, particularly those which promote CR. According to this approach, the messages communicated by the company are intended, among others, to increase awareness of significant and important issues, and in the context of food companies, to promote a healthy, positive, and proper lifestyle.

This trend is part of consumers' general requirement whereby brands that they consume, and companies that manufacture them, must be responsible towards their stakeholders. Thus, by consuming a certain brand, consumers wish to have a positive impact on the world.



Today's consumers are no longer satisfied with the basic and obvious benefits of the brands. They demand purpose and meaning from the brands. They demand that beyond the evident experience provided by the brands, through their consumption they will contribute to the community, environment and world in which they live, and thus will become better citizens.

Super brands that do not adopt "purpose and meaning" endanger their chances of being sustainable.



Ariela Weiss, Marcom Manager, Strauss Israel



An Example for Marketing with Meaning:

Doritos Campaign - “Teenagers Will Drive Differently”

This marketing campaign for the salty Doritos snack, in collaboration with the Teenagers Will Drive Differently project, dealing with raising awareness among teenagers of the importance of careful driving and road safety.

As part of the campaign, consumers were invited to enter the product's website, design packaging for Doritos, and write a road safety slogan, as part of a competition for the packaging that will be marketed on the shelves.

An interactive website was constructed for this purpose, inviting and assisting in the packaging design process, and ranking the designs in the competition. In addition, sponsorship was granted to Teenagers Will Drive Differently in high schools throughout the country, and resources were invested in cellular activities, including preparations for the theoretical driving exams held by the Ministry of Transportation, in a cellular banners campaign, in special visibility accessories for the project, and in a Web sponsorships campaign.

The goal of the campaign is to combine activities to promote product sales with increasing teenage awareness of this important issue that is so relevant to our lives – safe and responsible driving.

In the future, we plan to launch additional Marketing with Meaning campaigns in order to utilize these platforms for communicating positive and responsible messages to our consumers, particularly our young consumers.



Consumer Privacy

Consumer privacy is an extremely important issue for Strauss, and we make every effort to safeguard our consumers' privacy and to keep any information provided by them confidential. We of course comply with all applicable laws, rules and regulations concerning this matter. All personal information received through our Consumer Relations department is kept confidential and we do not make any use of it except in order to reply to consumers who contacted us with an answer or update about their inquiry, to share with them the changes we have made according to their suggestions, or for the purpose of satisfaction surveys relating to the service center, so as to continue to learn and improve our performance and relations with our consumers. We always make sure that we have all the required approval for mailings to various consumers, and the sharing of consumer information with any party outside the company is strictly forbidden.



In the promotion of sales of our products, we wish to integrate and fit in with the local atmosphere, on the one hand, and to assimilate the Strauss Way, on the other hand. Leveraging on our expertise

and passion, we manage our businesses responsibility and act in accordance with ethical marketing rules by communicating, to our target sectors, precise messages in line with Strauss products and values.



Ruxandra Petrescu,
Senior Brand Manager, Strauss Romania



Working at Strauss

According to the Global Survey*

3.88 the employees' level of commitment to the Group on a scale from 1 to 5

83% of the employees indicated that they were proud to work in our organization

79% expressed a high or very high level of satisfaction about working at Strauss

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 trust and attribute the greatest importance to the feedback they provide about the company and feelings towards their place of work. This chapter describes our practices and policies with regard to our relations with the Group's employees, as well as data about our performance in various relevant fields, including diversity, inclusion and equal opportunity, decent work practices and the health and safety of our employees in the workplace and of course human rights.

Unless otherwise explicitly noted, the data presented in this chapter applies to the following units: Strauss Headquarters, Strauss Israel, Sabra, Strauss Coffee (including Strauss Coffee HQ, Russia, Ukraine, Poland, Romania, Brazil, Strauss Adriatic and Strauss Commodities), Max Brenner (Israel and the US), Tami 4, totaling 11,585 employees out of the 11,659 people employed by the Strauss Group (not including contractor employees).

At Strauss, we are committed to being a people-oriented company in which our unique spirit and culture combine with our passion for growth and daring to change. We are a company that empowers individuals and teams, and encourages them to initiate and innovate... We endeavor to enrich human diversity and variety at Strauss."

The Strauss Code of Ethics



It is a pleasure and a challenge to work with a company that constantly raises the bar of corporate responsibility, and to share in the formulation of new norms – to live according to our values, while also giving to those around us. We at Sabra will continue to add to the beauty of diversity, by placing diversity

and social responsibility at the forefront. It is an honor to be part of a team that places such high value on people, the community and the world."

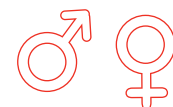


Pam Allen,
Human Resources Manager, Sabra

* We carry out an attitude survey once every two years, and therefore no such survey was conducted in 2009. Another survey is planned for 2010.



Employment Diversity and Inclusion Policy



According to the Global Survey*

72% feel that employees are treated equally

75% of the men expressed that position

68% of the women expressed that position

The global survey conducted within the Group in 2008* found that 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.

*We carry out an attitude survey once every two years, and therefore no such survey was conducted in 2009. Another survey is planned to be conducted in 2010.

Women at Strauss

Gender diversity in Strauss Group's Governance Bodies

The following table displays the number and percentage of female executives within the Group's governance bodies in 2008-2009, including its board of directors. As indicated in the table, there was no substantial change in the percentage of women in governance bodies in 2009 in comparison with 2008.

Percentage of Women Executives in the Group's Governance Bodies - 2009 vs. 2008

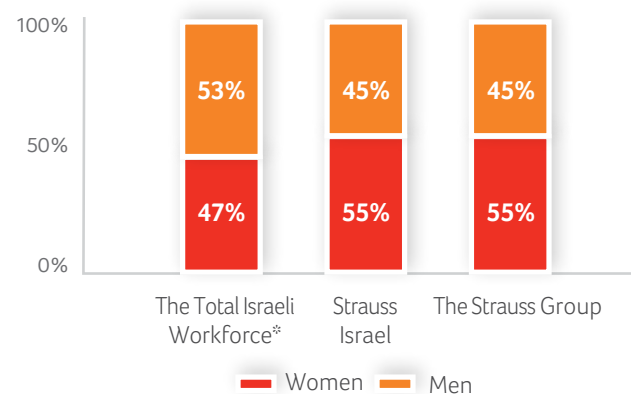
Governance Body	Total No. of Executives		No. of Women Executives		Percentage of Women Executives	
	2008	2009	2008	2009	2008	2009
Group's Board of Directors	11	11	4 (including Chairperson)	4 (including Chairperson)	36%	36%
Straus Group Management	8	8	1	1	12.5%	12.5%
Strauss Israel Management*	11	11	5	5	45%	45%
Strauss Coffee Management*	12	13	2	2	17%	15%
Sabra Management	7	8	1	1	14.3%	12.5%

* From among the female executives, one is a member of two governance bodies and was counted twice.

Female/Male Ratio in the Strauss Group

Based on the most current data published by the Israeli Central Bureau of Statistics, at the beginning of 2009, women comprised 47% of the Israeli workforce. As can be seen in the following chart, as of 2009, we at Strauss Israel and the entire Strauss Group pride ourselves on employing a 55% majority of women. This is in comparison to 2008 data – with the percentage of women at Strauss Israeli being 56%, and the entire Strauss Group – 45%.

Female/Male Ratio at the Strauss Group in 2009 Compared to the General Israeli Workforce (2009 Data by Central Bureau of Statistics)

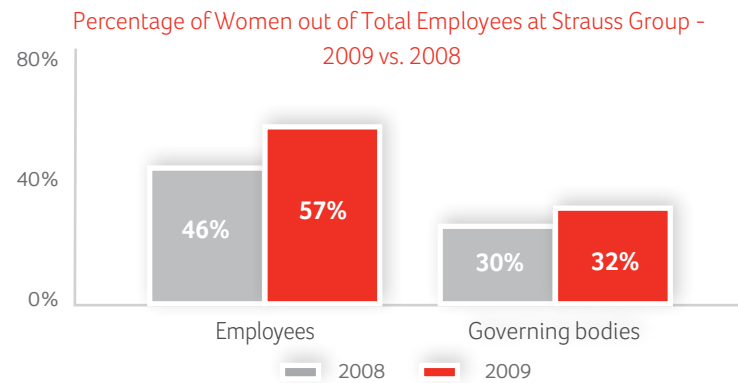


* The data on the Israeli workforce is from the 2009 survey published on the Central Bureau of Statistics' website.

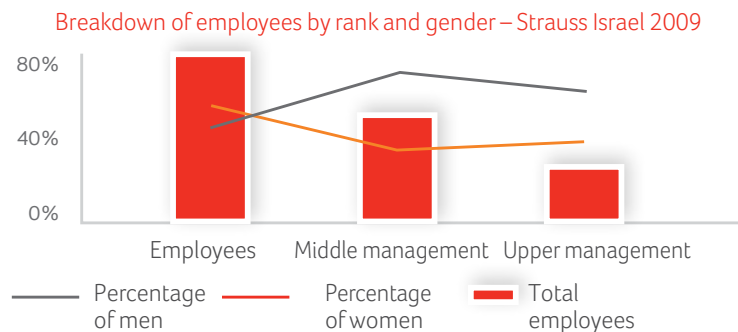
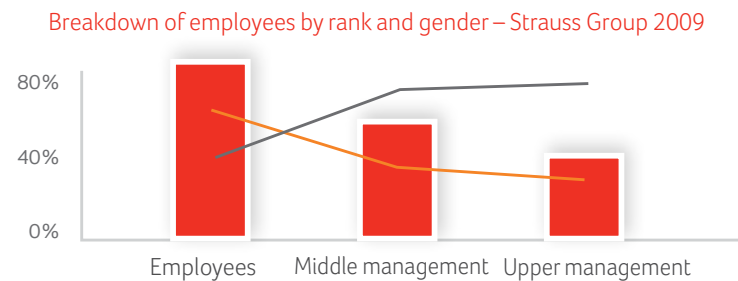
Female/Male Ratio in the Various Ranks of the Group's Units

The following chart represents the percentage of women in governance bodies compared to their percentage in the employee ranks for all of the Group's units that are included in this chapter of the report.

As can be seen on the chart, the women in the reporting units of the Strauss Group comprise 46% of the employee ranks and 30% of governance bodies.

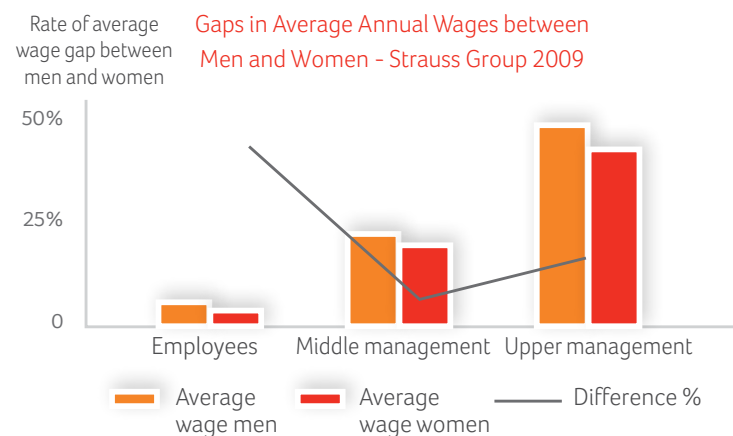
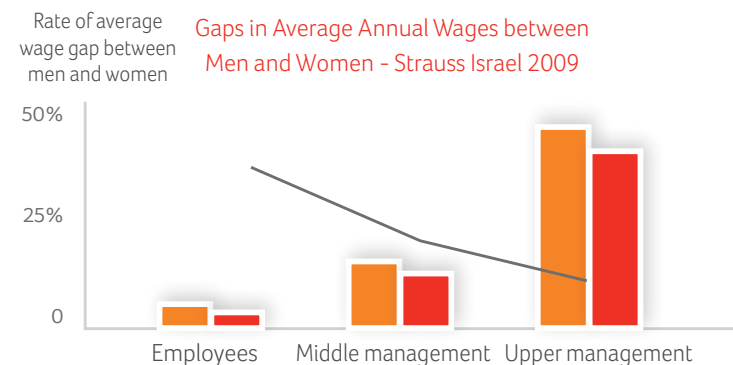


The following charts represent the Group's employees according to rank and gender. The upper chart represents Strauss Israel and the lower chart describes all Strauss Group units included in this chapter, according to rank – employees, middle management and senior management.



As seen in the two charts, the percentage of women (represented by the red line) decreases as the organizational rank increases, with the exception of senior management at Strauss Israel, where the percentage of women in senior management is higher than the percentage of women in middle management.

Average Wage Differences between Men and Women at the Various Levels
The following charts present the differences in wages between men and women at the various organizational levels. It should be noted that in light of the difficulty encountered in collecting the data, it was not possible to present data from Strauss Coffee HQ, Strauss in Russia and the Ukraine, and Max Brenner Israel. (All sums were converted to US Dollars.). The data refers to salary costs and not to employees' net salaries.



As can be seen in the above charts, and similarly to the data presented in 2008, in 2009, average women's wages were lower than men's at all ranks. However, in Strauss Israel, the gap between men's and women's wages decreased the higher the rank, while in terms of data for the entire Group, the gap was significantly smaller in the transition from employee rank to middle management, and increased, although to a slighter extent, in the transition to senior management, as opposed to 2008 data.

A survey conducted at Strauss Israel revealed that the gaps between men and women do not exceed 5% in the case of identical positions. The gap presented here stems 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

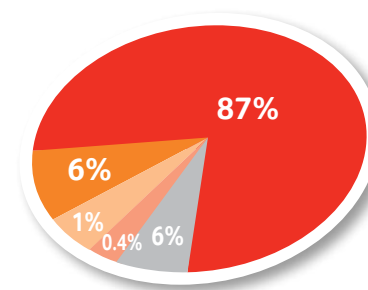
This section dealing with minorities relates only to our activity in Israel, within the framework of Strauss Israel. The definition of the term "minority" in other countries in which the Strauss Group operates is far more complex and, therefore, it was not possible to collect relevant data.

Minorities - Breakdown of Strauss Israel employees according to religious affiliation for 2009

The following charts depict the distribution of Strauss Israel employees in 2009 according to their religious affiliation. As can be seen, most Strauss Israel employees are Jewish, constituting 87% of total employees. The breakdown for the remaining 13% of our employees is as follows: 6% are employees who did not report their religious affiliation, 6% Moslem, 1% Druze and 0.4% Christian. It should be noted that no significant change has been recorded in comparison with 2008 data. There are no wage gaps between Jewish

employees and minority employees holding the same position and at the same organizational rank.

Breakdown of Strauss Israel employees by religious affiliation - 2009

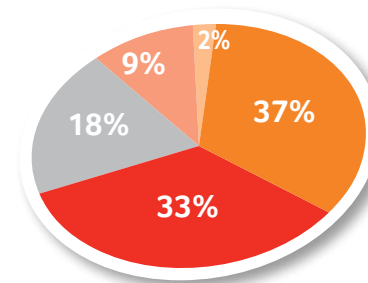


● Muslim ● Christian ● Druse ● Undisclosed ● Non Minority (Jews)

Age Groups

The following chart depicts the distribution of the various age groups throughout the Group's units included in this chapter. As seen, the largest age group in the Strauss Group are employees under the age of 30, which constitutes 37% of the employees of units included in this chapter. The next age group in size is 30-40, constituting 33% of the employees

Employee Distribution by Age Groups – Strauss Group 2009



● up to 30 ● 30-40 ● 40-50 ● 50-60 ● over 60

The following chart presents segmentation of the various ranks in the Strauss Group units included in this chapter – upper management, middle management and employees – according to the various age groups. For instance, as displayed in the chart, approximately 32% of employees, almost 48% of middle management, and approximately 28% of the upper management are between the ages of 30 and 40. Most of the managers in the senior management group (close to 50%) are between the ages of 40 to 50.

Employees Segmented into Rank and Age Groups – Strauss Group 2009

Rate out of total employees



Underage Employment

Strauss Group does not employ minors under the legal employment age in any of the countries in which 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 nor harm them in any way. We have no operations that risk incidents of child labor and no incidents of such nature.

Handicapped Employees

Based on the data at our disposal, the total number of handicapped employees out of 5,136 employees in Strauss Israel, in 2009, was 37. In our other units in various sites that are included in this chapter (6,449 additional employees), we employ 75 employees 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 that have not been reported or recorded. In any case, we do our best to offer equal employment opportunities to people with special needs, welcome them into the Strauss family and are committed to carrying out the required site adjustments so as to allow them to integrate properly into the organization and ensure that they can work comfortably.

Hiring Employees from Local Communities

As a policy, wherever we operate, we hire local employees, in all ranks and positions. Following is a chart representing the percentage of ex-pat executives in the various units included in this chapter. Out of a total of 676 managers in the various units (senior and middle management), 18 employees are Ex-Pat, i.e. are not part of the local community, and they constitute about 2.7% of all managers in the Group.

676

a total of 676 managers in the various units (senior and middle management)

18

employees are Ex-Pat, i.e. – are not part of the local community

2.7%

constitute about of all managers in the Group

	Strauss Israel	Strauss Coffee	Strauss Water	Sabra	Max Brenner USA	Total
Total managers	312	253	27	65	19	676
Ex-Pat managers	0	10	0	6	2	18
Percentage of Ex-Pat managers	0.0%	3.9%	0.0%	9.2%	10.5%	2.7%



We provide our employees with proper remuneration for their work and proper work conditions.

Strauss Code of Ethics



Diversity and Inclusion at Strauss Group

Over recent years, the Strauss Group has formulated its social vision focusing on Diversity and Inclusion. The vision reflects our view of the uniqueness of every individual or sector in society, the respect we have for these differences, and our efforts to create from them a rich and colorful weave—for the benefit of all.

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, nationality, origin, personal background and other attributes that distinguish one person from another. 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.

Since then, we have focused our Diversity and Inclusion efforts on the cultural

aspect. This meant raising our employees' and management's awareness, understanding and openness, based on the conception 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 willingness to accept, appreciate and be patient towards anyone who may be different.

Among other things, with the goal of increasing our employees' awareness of these issues, this year's activities were included and reported in our corporate communication at its various levels: internal magazines, media announcements and incorporating the subject into a variety of areas and infrastructures.

We are continuing to develop programs, tools and processes that will make Strauss 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.

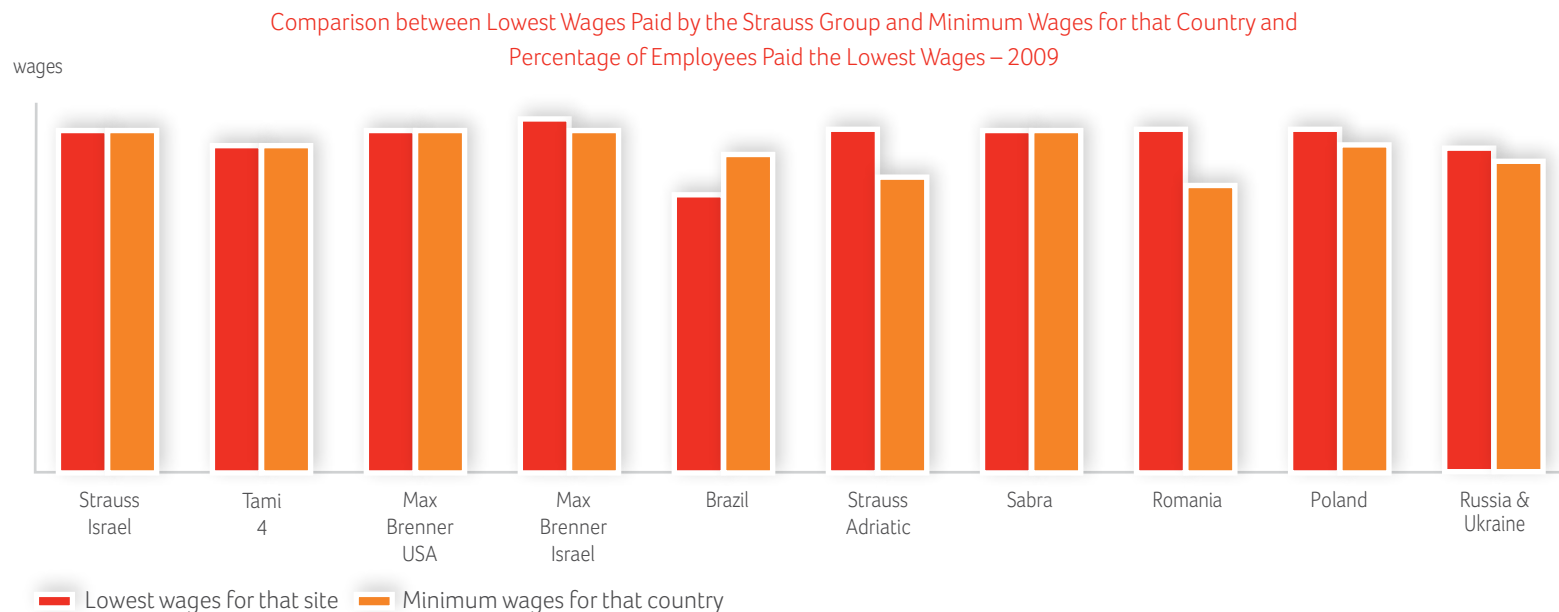
Labor Practices and Fair Employment

The following pages provide detailed information and charts that present the practices implemented by our company as far as complying with work and employment laws and providing our employees with fair employment in diverse fields and, in many cases, above and beyond the legal requirements.

Minimum Wage

The following chart presents a comparison between minimum wage and the lowest wage paid to employees in our reporting units. As can be seen, with the exception of Brazil, in none of our reporting units do the lowest wages rank lower than the defined minimum wage for that country. In most cases, the lowest wages we pay are higher than the country's minimum wage. In Brazil, about 1.5% of employees receive wages that are lower than Brazil's minimum wage, but it should be noted that these are students working as interns and, therefore, this is not a violation of the law.

Strauss is ranked 8th in the list of preferred employers
In a survey conducted in Israel by the business information company BDI, in collaboration with TheMarker newspaper, dealing with the 50 Best Companies to Work For, Strauss was ranked in eighth place in 2009.



Strauss Coffee Poland - Reliable Employer of the Year - 2009

Strauss Coffee won the Reliable Employer of the Year award in the prestigious competition held in Poland for the sixth consecutive year, initiated by one of the most prestigious media organizations in Poland's economic sector.

The goal of the competition is to distribute information, encourage the development of applications in the field of human resources, advertising and professional solutions for team management, with an emphasis on the importance of investment in human resources, and focusing on the connection between human resource policies and financial achievements.

Companies were evaluated based on fair and reliable employment practices, with an emphasis on employment terms, including payment of salaries on time, providing social benefits, and internal and external assessments of the company (including assessments by government parties, local councils, business organizations, parties in the community and company employees).

Strauss Poland was ranked among the elite group of employers as a great company in which to begin a long term career.



The company's success is the fruit of the work of employees and managers. Thanks to their professionalism and extensive involvement, we have succeeded in building a thriving business in which the company's core values - Daring and Caring, Passion and Responsibility - are transformed from words to actions.

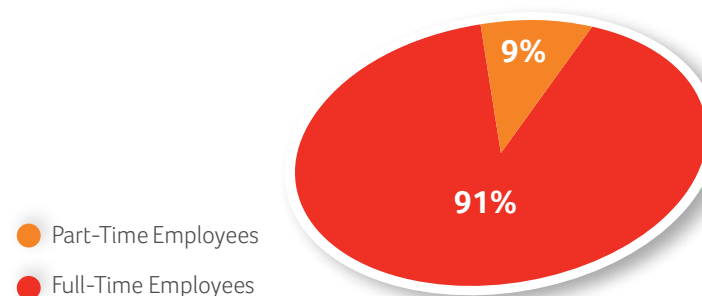


Jacek Kazimierski, CEO Strauss Coffee Poland

Full Time & 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 2009. The data indicated that 91% of the Group's employees are employed on a full time basis, as opposed to 9% who are part time employees.

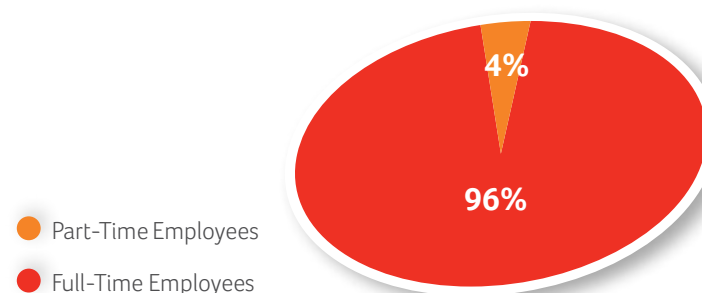
Full Time and Part-Time Employees at Strauss Group - 2009



Temporary and Permanent Employees

The following chart represents the percentage of permanent and temporary employees in our business units in Israel and overseas that are included in this chapter. The rate of our temporary employees is 4%. At Strauss Israel we employ contractor employees, whose wages are paid by subcontractors, and are therefore not included in the data presented here. Below, you can find data concerning the contractor employees employed at Strauss Israel and other units.

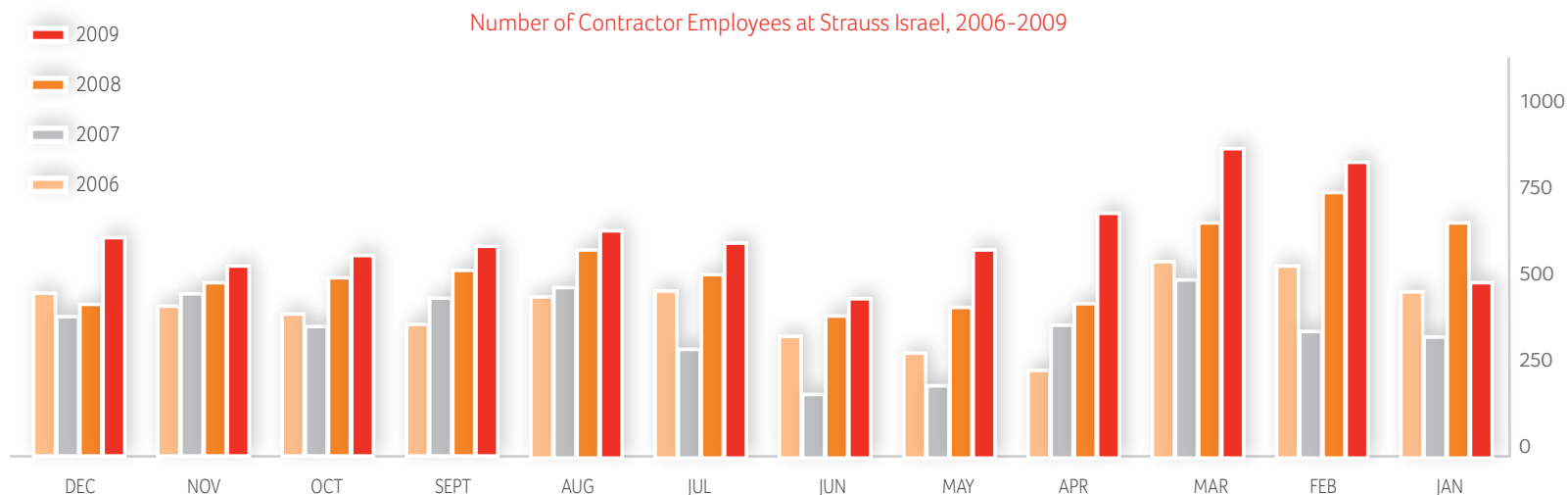
Breakdown of Permanent and Temporary Employees – Strauss Group
(not including Strauss Israel) - 2009



Contractor Employees

Strauss Israel

The following chart represents the number of contractor employees employed at Strauss Israel in the years 2006 to 2009, by calendar months.



As shown in the chart above, the average monthly number of contractor employees in our workforce at Strauss Israel in 2009 was 410 (compared to an average of 367 per month in 2008). The lowest monthly number of contractor employees was 249 (compared to 182 in 2008). The number of contractor employees rises annually during and/or prior to months in which major Jewish holidays are celebrated (such as August/September for the high holidays and March/April prior to and during Passover). During these periods, the volume of work rises and we must hire extra employees. Other instances in which we may hire temporary personnel from contractors are: replacing employees on maternity leave, or any other leave of absence, manning a temporary position for a short term project, or new activity that has yet to be finalized, employees hired for trial periods prior to permanent employment etc.

In general, we are making significant efforts to reduce the number of contractor employees at Strauss Israel, with the goal of making as many contractor employees as possible Strauss employees. To that end, we have established an internal procedure, whereby a contractor worker is not to be employed for a period longer than six months, unless specifically authorized, and that re-employment

of the same employee is allowed after a cooling period of no less than nine full months following termination of employment.

However, 2009 data indicates a certain increase in the number of contractor employees employed by Strauss Israel. This trend is due to changes in the mix of new employees hired in 2009, so that more junior and professional lower rank employees were hired, who are routinely employed at first by personnel companies for a trial period before they become Group employees.

Although Strauss is not legally responsible for 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 require every personnel contractor we work with to sign a contract ensuring compliance with labor laws for all contractor employees. In the future, we intend to establish control mechanisms and monitor contractors' compliance with these contracts.

Overseas

In the rest of our units overseas, with the exception of Strauss Israel, the average monthly number of contractor employees employed in 2009 is 1,335.

Investing in the Career Development and Skills of our Employees

In order to attract and retain the talented employees we need, we invest 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 the company's units, and we plan to expand them to the entire Group in the near future. We conduct annual performance and career development reviews for all our employees.

Freedom of Association

Strauss acknowledges and respects its employees' freedom of association and right to join labor unions and to engage in collective negotiations. Many of our employees in Israel are signatories of collective labor agreements, and most of our employees in Brazil, Russia and Ukraine units are members of labor unions. Strauss safeguards 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 negotiations, and we intend to maintain this status quo in the future.

Employee Turnover

During 2009, a total number of 4,333 new employees joined Strauss Group's business units that are included in this chapter, out of which 1,911 were women and 2,954 were under the age of 30. Additionally, 3,275 employees terminated their employment, out of which 1,424 were women and 2,221 were under the age of 30. These figures indicate an unusually high level of turnover compared to previous years. One of the reasons for this higher turnover is that this year the data includes companies that were not included in previous reports, some of which are characterized by high employee turnover due to their field of operation (such as Max Brenner and Tami 4). Another reason is significant structural changes in some of our overseas units.

“



Work at Sabra, of the Strauss Group, with employees and managers that I respect and whose company I enjoy, makes me feel good. The way I am treated makes me feel that I am valued as an employee and a person who is important to the company.

”

Mary Stewart,
Team member/Operator, Sabra



Employee Benefits

Strauss Israel provides its employees with social and employee benefits above and beyond the legal requirements. Among the benefits given to Strauss' employees in Israel are health care, savings and retirement funds and additional social benefits. We provide pension plans and recreation pay for all our employees, as well as education funds based on their position and seniority. Our health and welfare benefits include free 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 camps and kindergarten in some of our business units. Our employees at our overseas units included in this chapter are provided with social and employment benefits based on the laws of their respective countries and, in some cases, beyond the legal requirements. Thus, for example, our employees at Sabra USA and Brazil enjoy healthcare and dental insurance that are not legally mandatory.

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 them. 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 ability to function as a business corporation and establish mutual relations with one another. We are committed to maintaining and protecting legally established human rights, and see this as an integral part of our daily lives. As a multinational company, we are committed to respecting and encouraging the protection of human rights in each and every country in which we operate.



“

We are committed to providing our employees with a safe and healthy work environment, and all the equipment and know-how required for this purpose.

Strauss Code of Ethics

”



Work Safety, Health and Hazardous Materials

Our Commitment

We, at the Strauss Group, are committed to providing our employees with a safe and healthy work environment. For this purpose, among other actions we take, we routinely conduct maintenance and improvement activities in all company units, aimed at protecting the safety and health of our employees, and the resources and facilities they use to fulfill their tasks. In addition, we continually conduct activities to assimilate health and safety processes among our employees in all the Group's units. Our objective is to incorporate a culture of safety among our managers and employees in all units, to significantly reduce the incidents of work related accidents on the one hand, and increase "near accident" reporting (an important indicator of preventive actions and implementation of a culture of safety in the organization), on the other hand. Our goal is encourage a clear trend of continuous improvement as far as reducing work related accidents and injuries, improving employee awareness of health and safety procedures and their implementation, drawing conclusions and constant learning for the purpose of improvement.

In order to achieve the objective we set ourselves, we took several cross-organizational steps in 2009, as well as additional activities in various company units. This chapter describes the actions we have taken and the processes we implement, as well as data about our management of workplace health and safety at Strauss Group. In addition to Strauss Israel, the chapter also presents facts and figures about Strauss Coffee and Sabra.

Strauss Group's Work Safety and Health System

At Strauss Israel's general Quality headquarters there is a Health, Safety and Hazardous Materials manager who is employed full time and reports to Israel's general Quality System director.

Among his other responsibilities, the Health, Safety and Hazardous Materials manager is responsible for creating, developing and upgrading the health and safety system, while applying mechanisms for evaluation and control of safety and health performance, raising awareness for work and conduct rules aimed at preventing work accidents and occupational diseases, and creating a safe work environment. In addition, each one of our Israeli plants has an internal officer who is responsible for all matters related to employee health and safety at his/her plant (the scope of the job depends on the needs and legal requirements, and is in accordance with the size of the plant). The safety officer in each plant reports to the Health, Safety and Hazardous Materials manager at the Quality System HQ.

The plants in the Group's units overseas that are included in this chapter, also have a safety officer employed on a full or part time basis, according to the specific needs of their respective plant. The officer's duty is to handle any matter related 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 issue of health and safety is entrusted a relevant senior officer, such as the Operations manager.

Cross-organizational activities in the field of work safety and health - 2009

Over the course of 2009, several cross-organizational activities in work safety and health and hazardous materials were conducted by the Group, including allocation of a substantial percentage of the entire 2009 budget (0.5% in Israel, 1.15% in Strauss Coffee Poland, 1% in Strauss Coffee Romania, and 3.8% in Strauss Adriatic) towards advancement of this issue, and for various initiatives in this field.

Safety, health and hazardous materials is constantly developing field at Strauss Israel and, in 2009, we conducted numerous activities relating to various aspects thereof. Among these activities were actions taken in the company's HQ to assimilate safety and work culture processes, such as implementing safety requirements in welfare activities, conducting safety training sessions for new managers and employees, and more.

We also conducted various types of inspections at the company's plants in Israel, such as inspection of the enforcement of safety and hazardous material laws and procedures, safety inspections to identify risks and hazards, and noise and lighting testing. Following these inspections, work plans for improvements were drawn up. Additional activities conducted in the field of hazardous materials included holding an internal toxins controllers course, training sessions dealing with relevant issues and implementation of corporate procedures, setting objectives and writing work guidelines according to need.

We also carried out a variety of activities, such as safety inspections in various divisions, activities focusing on preparations for emergencies, including emergency procedures and emergency practice drills. These activities were reviewed so as to draw conclusions and implement improvements, set and apply corporate safety measures and indexes used to measure on a monthly basis, including indexes for the number and frequency of work related accidents, etc., learning processes and conclusions from work accidents and safety events, creating a training program in the various fields, establishing a processional forum of safety trustees, investment in the purchase of equipment, protective gear and machines in the various units and more.

Following is a table describing the safety and health system in Strauss Group units included in this chapter:

Business Unit	Person in charge of worker safety and health in organization	Scope of employment	Answers to...	Work health and safety committee
Strauss Israel	Safety & hazardous materials manager and safety controller in each unit based on needs and requirements of the law.	In most cases – full time employee. In some units, the safety controller works part time, depending on the size and complexity of the unit	General quality system manager at Strauss Israel.	Duties and authority: clarification of the reasons and circumstances of accidents and recommendations for prevention; recommending safety improvements and consulting in setting safety rules; receipt of reports from safety trustees and coordination of their activities; accompanying the work supervisors during tours of the plant.
Strauss Coffee Poland	Safety and health controller	Part time	Operations manager, responsible for all health & safety issue in the unit	Composed of a health & safety expert, physician, and HR representative.
Strauss Romania	Safety and health experts, with support of an external consulting firm specializing in safety and health.	Part time, with the support of external services	Supply chain manager	Composed of the Supply chain manager, safety & health engineer, shift managers, maintenance manager, external health & safety consultant and warehouse manager.
Strauss Adriatic	Safety engineer responsible for safety and health, security and fire safety.	Full time'	Supply chain manager	Composed of a range of position holders in various fields, such as HR, production manager, safety manager and more. Among its roles is to review the Health & safety field and submit improvement recommendations in these fields.
Strauss Russia	The plant's chief engineer is responsible for safety issues, according to local legislation. This person is certified by state authorities.	Part time	CEO	Overall responsibility for overseeing the field of health & safety in the plant is that of the supply chain manager and HR department.
Brazil	The production division is divided into 4 activity areas. There is a safety controller in each area, who reports to the safety engineer in charge of all operations in Brazil.		The safety engineers reports to the HR and Infrastructure manager	Two committees deal with work safety & health issues – an internal accident prevention committee, composed of a range of position holders, and its goal is to prevent accidents and illnesses and promote a healthy & safe work environment. The 2nd committee – the Fire Unit – is composed of a range of position holders, and its role is to engage in fire prevention activities and deal with incidents of fire.
Sabra	A manager in charge of this field	Full time	The operations manager reports to the head operations and supply chain manager, who reports to the CEO	Safety Committee

Reporting and Monitoring Mechanisms

Each plant or logistic site submits monthly reports focusing on several safety indexes. Periodically, statistical analysis of the data is performed, and a corporate report is generated based on the data. The monthly safety indexes include: number of work accidents, frequency of work accidents, loss of work days due to work accidents.

In addition, management and the safety committee in each unit reports: work accidents and injuries, near-accident reports, noise control, monitoring of training, execution of equipment testing according to requirements. Safety indexes and reports are generated at the corporate or unit level, according to need and relevancy, and are used as the basis for decision making and safety improvements in the organization.

Education & Training

Based on our understanding of the importance of employee awareness with respect to occupational safety and health, and of in-depth familiarity with all the rules and safety procedures applicable to their respective duties, we conduct safety, health and hazardous materials training sessions, and continually examine their implementation. Training activities are held according to a corporate training program, and the sessions are held in each unit after adapting them to the type of activities in each unit.

Strauss strives to be at the professional forefront of safety in the workplace, and therefore conducts training programs required under law, as well as enrichment topics and new study subjects.

The training held in our various units includes, among others, the following subjects: first aid, general safety, noise pollution, working with dangerous substances, safety in chemical laboratories, personal safety equipment, machine protection, fire extinguishing, emergency crew training, safety in warehouses, altitude work and more.

During 2009, we also held safety courses and training workshops, such as a three day internal corporate course to train toxin controllers, a laboratory safety training day and more.

Additionally, in 2009 we began to implement an incident analysis methodology, following training and accompaniment of the safety coordinator and parties involved in investigating safety incidents.

Work Accidents and Injuries

Among the most important objectives we set for 2009 was the goal of reducing the number of work related accidents throughout our operational network (this refers to work accidents resulting in the absence of an injured employee for more than 3 days). As a result of our continued activities to improve the safety level, a 7% reduction in the number of work accidents was recorded in 2009, compared to 2008 (5 accidents less in total). We also noted significant improvement in the loss of work days due to accidents, when comparing 2008 to 2009 – in 2009 there were 30% less days of absence from work as compared to 2008.

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 extensive resources and work tirelessly to reduce the number of accidents in every unit.



Over the five years I have worked at Strauss Group, I have observed continual investment in safety and health issues in the work environment. Thus, for instance, in recent months the company has begun implementation of the voluntary OHSAS 18001 standard for Work Health and Safety.”



Luciana Stoian, Work Health and Safety expert, Strauss Romania.

The following chart represents the incidents of work related accidents and resulting loss of workdays in the various units included in this chapter, with a comparison between 2009 and 2008:

Business Unit	Number of Employees		Number of Work Accidents / diseases		Total Number of Absences as a Result of Work Accidents		Number of Deaths as a Result of Work Accidents / Diseases	
Year	2008	2009	2008	2009	2008	2009	2008	2009
Strauss Israel - Operations and logistics	1,950	2,160	93 (65 in operations and 28 in logistics)	76 (65 in operations and 11 in logistics)	1560*	1,025	0	0
Strauss Coffee Poland	441	431	7	4	258	107	0	0
Strauss Romania	401	365	0	0	0	0	0	0
Strauss Adriatic	292	265	0	2	0	26	0	0
Strauss Russia	193	145	0	0	0	0	0	0
Brazil	3001	3570	--	76	--	3,788		0
Sabra	299	350	--	12	--	326		0

* This figure differs from the figure published in the 2008 report since, this year, we included additional units in our data collection, and the current figure also includes the number of absences in these units.

Integrating Safety into the operational excellence processes as part of Gemba Walks at the Strauss Achihud Plant – Assimilating a Culture of Safety

The concept behind the Gemba Walk is physical presence on the ground where work is conducted – the production floor or logistic areas, etc., and collection of information – in this case in order to improve safety by visiting the premises, direct and informal observation of employees who are directly exposed to everything that happens, witness all the activities and become aware of the condition of the facilities and equipment at all times and in real time.

The program is implemented via regular tours conducted once a week, with tour participants including people from relevant management teams, such as the operations manager or member of the department's management, department manager, team manager and safety controller. During the tours, members of the team conduct frank conversations with employees on the production floor, with the goal of receiving information about various safety aspects related to their production work. The dialog is open, without the worker sensing that he or she is under examination or may suffer any ill consequences due to what they said. Thus, for example, the worker is asked what aspects does he/she think could be improved with regard to safety and the work environment (work interface with maintenance in handling equipment, need for additional safety equipment or tools to improve ongoing work safety, etc.). The goal is to receive from employees information they are exposed to on the ground, with the worker being the center and focus, and leading the conversation to issues that interest the worker and are important to him/her.

The process was initiated by the personnel of the safety system who harnessed the plant's management, and is currently conducted as part of operational excellence processes.

Worker participation increases their involvement and commitment, based on a desire to improve the work environment. The level of candor and openness during the Gemba tours is high, and tour findings are communicated to employees, as well as monitoring of progress and handling of the issues raised.

Highlights for the Gemba Safety Walks

- **Handing the “stage” over to the worker** - asking open questions that enable a worker to explain difficulties, what needs to be improved, etc.
- **Searching for the System** - recurring incidences of common problems, system-wide problems, interface problems, etc.
- **Demonstrating interest and caring about occurrences on the ground and employees** - by asking questions and expressing real interest in the employees' sense of pride and desire to continue to improve.
- **Reinforcing good conduct** - giving positive feedback such as: the area is clean and orderly, and explaining why it is important.
- **Tools for implementation** - documentation and use of control panels.
- **Responding to worker comments** - during every tour, to ask what progress has been made since the previous tour, and if any changes have occurred.
- **Collating the material and follow-up** - distributing a summary of each tour to relevant parties in order to share information and setting actions for execution.

The program is currently implemented in Strauss' Achihud plant, but we plan to extend it to additional plants over the coming years.



The Gemba process improves worker health & safety, the atmosphere and sense of partnership in improving safety in the place where we work every day



Vladimir Zilberg, Safety & Security Coordinator, Strauss Achihud Plant





Suppliers & Ethical Procurement

Our Suppliers

Strauss Group purchases products and services from 17,280 suppliers worldwide, and aims to build long lasting relationships with them based on shared values and sustainable processes. We view our suppliers as the company's business partners, and base our relations with them on trust and mutual responsibility. On one hand we acknowledge that as a large and powerful company we have obligations and responsibilities towards our business partners. 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 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

Strauss Code of Ethics



The development of our company would not be possible without good cooperation with our vendors. In negotiations with our business partners, we always put strong emphasis on honesty and observance of fair play principles. This is the only way to create sound, long term relationship, beneficial for both parties.



Justyna Rednicka, Logistics Manager, Strauss Coffee Poland

We strive to work with a diverse range of suppliers and contribute what we can to support weaker players in the areas where we operate, such as suppliers in peripheral and developing areas and companies that hire people with special needs. The economic recession in 2009 hurt businesses of all types including some of our suppliers. We endeavored to help our suppliers overcome the difficulties and remain active in the business arena.

We also make an effort to implement a policy that aims to increase the scope of business 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 with whom we conduct business are required to adopt the highest quality and safety standards such as ISO and HACCP (Hazard Analysis Critical Control Points - food safety methodology that identifies, manages and monitors all critical control points in the production process).

Ethical business dealings constitute 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.

Code of Ethics for Strauss Suppliers

Examining criteria for ethical conduct as part of the supplier evaluation process
In 2009, we began to implement a program for evaluation of suppliers, including evaluation of ethical conduct. The supplier evaluation process is part of the strategy in our relations with the Group's suppliers. As part of the evaluation process, we

examine several parameters, including quality, service, pro-active approach, effective cost, transparency, and more, with each parameter constituting a percentage of the overall evaluation score, after verifying compliance with the threshold requirements that we set.

The evaluation process is thorough and comprehensive and even includes an audit at the supplier's site. The process is based on a methodology for setting a score for each one of the parameters, with the final score consisting of the scores that reflect the supplier's performance within the framework of our working relations with the supplier.

As part of the process, we have sent the group's suppliers our Code of Ethics, according to which Strauss requires its suppliers to act in accordance with high standards of business conduct and various ethical aspects.

Our appeal to suppliers also states that **Strauss expects its suppliers to conduct themselves according to the Group's policy and rules of conduct, and if they fail to do so, this may result in termination of relations between Strauss and the supplier.** The Group's suppliers are required to sign the Code of Ethics for suppliers and comply with its content, and we reserve the right to examine and demand suitable approval and conformation from the supplier as a condition for continuation of business dealings.

The issues contained in the Code of Ethics for Suppliers, based on compliance with law, are: employment of employees and the work environment, health & safety, environmental quality and business integrity.

So far, 120 suppliers (out of the 150 we contacted) have signed the code. Within the framework of the supplier evaluation process, this is one of our requirements. To date, 23 suppliers have undergone full supplier evaluation. By the end of 2010, a total of 40 to 50 suppliers will have completed the full evaluation process.

Ethical Procurement and Fair Trade Coffee

We believe that 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 proper employment conditions.

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

Over the past 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 that do not cover the cost of production, have taken a social and environmental toll. 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 proper employment conditions. Furthermore, we believe that protecting the environment and conserving energy are core elements of sustainable coffee production.

Economic viability, including reasonable earnings for all people involved in the coffee supply chain, constitutes the basis for social and environmental sustainability. Therefore, we have decided to advance this issue, and express our commitment through the procurement of coffee that is produced through such processes.

The Sustainable Coffee Supply Chain – Strauss and the 4C

As described in the CR report for 2008, Strauss decided to join the 4C organization (Common Code for the Coffee Community Association) in order to collaborate in the advancement of a responsible coffee supply chain and acquisition of sustainable coffee.

4C 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 in continuously increasing coffee sustainability. The objective of the organization is to foster sustainability in the "mainstream" green coffee chain and to increase the quantity of coffee, meeting basic sustainability criteria related to the following aspects – decent employment, human rights, environment protection and economic viability.

We joined 4C several years ago, and began to purchase sustainable coffee through the organization. Recently, Tres Coracoes, our joint venture in Brazil, also joined the

organization. Like 4C, we believe that promoting and encouraging sustainability in the coffee sector is a productive, competitive and efficient way to improve the economic conditions of people who are engaged in coffee growing, processing and commerce.

Naturally, purchasing fair trade coffee via this organization raises the coffee purchase costs, and requires payment of a membership fee according to the volume of purchases from the organization. We accept these additional costs as part of our commitment to promote an ethical supply chain in coffee production, according to the principles of the organization and rules of participation in the initiative.

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

As described in our previous CR report, in 2008, Strauss purchased 1,000 tons of sustainable coffee through the 4C organization, which constituted about 1.6% of Strauss' total coffee procurement for 2008, which totaled 63,000 tons.

In 2008, our goal for the next three years was 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.

In fact, in 2009, Strauss purchased 1,654 tons of sustainable coffee through the 4C organization, which is 3% of our total coffee procurement in 2009, with the exception of Brazil. Thus, we successfully met the goal we set ourselves, and even surpassed it. Like many other large companies around the world, we are not currently able to purchase all of the coffee we need from socially responsible suppliers, due to the higher costs, which we do not wish to pass on to our consumers. However, we are 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.



1,654 tons
sustainable coffee





The overall quality of Strauss Group's milk producers improves hugely every year, from all aspects: ... upgraded infrastructure, animal welfare, cleanliness and maintenance, milk safety, safe milking interface... Full control of all the production processes, safety of cow nutrition, environmental quality and cultivation of the surroundings. These achievements, directed by Strauss and encouraged by our incentives, are attained through full collaboration and intensive efforts by milk producers. This was demonstrated during the inspection conducted by representatives of the European Union, who examined Strauss' dairies in Achihud and the dairy of Kibbutz Rosh Hanikra. The inspectors were impressed by the high level of dairy management, the quality of the milk, and the control of the milk production process. This proves that our joint efforts to attain uncompromising quality has borne excellent fruits even according to the most stringent international standards.

Gadi Frydeks, Milk supply and producer relations manager, Strauss Achihud Plant



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Social – Environmental responsibility in the supply chain - Proper treatment of animals by Strauss' milk producers

As a company producing milk and dairy products, one of the most important aspects of responsibility and ethics in our supply chain is the quality of treatment of animals from which products are produced, in this case – cows in various barns and dairy farms throughout the country from whom we purchase milk for our production processes. Several years ago, as part of our commitment to supply good, high-quality products to our consumers, we prepared a Milk Quality Guide, which is a code – a set of quality objectives and guidelines for milk quality – from the cowshed to the dairy. The code was forwarded to all milk farms from which we purchase milk, and it prescribes basic guidelines for the maintenance of cowsheds and handling during the milk production process for everyone who supplies milk to our dairies. The Milk Quality Guide includes rules for proper treatment of animals by Strauss' milk producers, and each and every milk producer with whom we deal must personally sign the code, accept its conditions and comply with them, as a condition for doing business with Strauss.

Brief summary of a milk producer's commitment - from the proper animal treatment convention:

- To act in accordance with the Prevention of Animal Cruelty Law (1994): "A person will not do any harm to an animal, will not be cruel, will not abuse it in any way..."
- To provide proper treatment, to prevent unnecessary suffering and to act for the welfare of cows and calves throughout their breeding, maintenance, treatment, milking, and transport from place to place.
- Raising mammals and calves will be conducted in proper, clean and well ventilated conditions.
- During milking, cows will be treated properly, with milking performed in shaded areas, without the use of a stick and unnecessary shouting.
- Milking cows will be housed in a spacious, dry and drained area, with means to relieve heat during hot seasons.

- Any surgical medical treatment of cows will be performed using local or full anesthesia, according to the recommendation of a veterinarian. Transportation of animals will be performed in an authorized vehicle, without causing the animals any unnecessary suffering.

We also conduct monthly inspections of cowsheds to ensure that our guidelines and requirements are implemented. During inspections, a long and detailed checklist of parameters are examined, including aspects related to treatment of animals, such as cleanliness, maintenance, management of animal medication, examination of their environment and more. Strauss' Milk supply and producer relations manager, who is responsible for coordination between Strauss and milk producers, visits each of the cowsheds at least once a month to conduct an inspection. This manager usually visits dairies that are properly managed twice a month, while his visits to dairies that require attention and assistance are more frequent, and include consultancy and aid.

Inspections conducted by Strauss' Milk supply and producer relations manager are very thorough and based on a scoring system, with cowsheds that achieve high scores in the inspections being rewarded also in the price paid for the milk purchased. We have business relations with dozens of dairies and are meticulous about compliance with all legal and standard requirements, and conformity with our guidelines in all matters pertaining to the quality and management of dairies in general, and treatment of animals in particular, as a condition for doing business with us. We will not have business dealings with a milk supplier who does not comply with the standards that we require and / or does not give animals proper and decent treatment. On the other hand, milk suppliers who comply with all the criteria receive monetary rewards in order to encourage and constantly improve the quality of their milk production processes and cowsheds.

We meticulously comply with legal requirements and uphold the rights of animals to receive proper and decent treatment, and prevent unnecessary suffering as part of our responsibility – both towards our consumers - to supply them with clean, high-quality and premium milk produced through an ethical process, and towards society and the physical environment – to uphold the rights of helpless animals that are the source of the milk that we manufacture and market in our products.



Inspection of Security Service Suppliers to Prevent Violation of Employment Rights

Strauss Group employs a large and substantial number of security companies, security centers, patrollers and professional and experienced security guards at its sites in Israel as part of the services employed via outsourcing.

The contracts with these suppliers require them to explicitly comply with standards that we set in matters relating to upholding employees' rights. This is aimed at preventing violation of employees' rights and situations in which employees do not receive their full rights according to law. We select our suppliers carefully, and even employ suppliers who are costlier in order to ensure proper rights. Yet, from our point of view, demanding this undertaking from suppliers is not enough. In order to examine conditions ourselves, and to take full responsibility for this issue, we employ a security supervisor whose primary role is to deal with guards and security personnel we employ on an outsourcing basis, and to uphold and protect their rights.

The security supervisor is responsible for managing the needs of guards and security personnel, verifying that required training is carried out, checking that they have the proper uniforms and equipment, including areas that require special equipment to cope with cold and difficult weather conditions, inspecting the guard stations and their conditions, such as an emergency call button, drinking water, toilets, etc.

The security supervisor also regularly and routinely checks the salary slips of guards employed by security companies in order to verify that they receive full payment and all benefits owed to these employees. The security supervisor also helps resolve personal problems, such as vacation days, work hours, holiday gifts from the employer, etc.

In addition, once a quarter we request and receive from each supplier a letter from his accountant, confirming that he has paid the guards he employs according to law.

Our Society

Strauss' Involvement in the Community where we operate

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

Strauss Code of Ethics

Strauss' vision of our involvement in the community in which we live

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 around us. This chapter describes Strauss' involvement in the communities in which we operate, and provides information concerning Strauss' relationships with these communities.

Our commitment to the community has expanded from a family heritage to the spirit of an entire corporation. This commitment is based on a long tradition of caring, concern and community involvement – values that have been part of the company from its very beginning. Today, as a large global organization, our presence as a large and socially involved company has an economic, social and regional impact. We are aware of this impact and have chosen to focus our activities on places where it is most needed. Our plants and sites in Israel are scattered throughout peripheral regions and constitute an important economic and social factor in the development of these regions.

Our social investment strategy

The Group has defined its social focus and adjusted it to the developing trend in the world in this field. We have selected diversity and inclusion as the issue that will direct our path of social responsibility, also to be expressed

in other social projects that we initiate alongside, promoting this issue in other spheres.

The global economic crisis that we have faced since the end of 2008, has negatively impacted all strata of society and business. Therefore, and in order to minimize damage to the company and the thousands of families supported by it, we were compelled to take various steps to cut costs and certain resources. However, in light of the difficult economic circumstances in Israel and worldwide, Strauss Group decided not to reduce the community investment budget, but rather increase the budget allocated for this purpose, based on an understanding the various communities, and especially those that are aided by social organizations and associations, are in even greater need of assistance during this period.

"We act so as to empower the communities where we conduct our business, and encourage our employees to personally take part in the social activities that we initiate."

Strauss Code of Ethics

2009 marks a significant increase in the percentage of employees involved in activities for the benefit of the community, and expansion of activities throughout the country

2008 was devoted to formulating a uniform and focused corporate policy for the Strauss Group pertaining to social investment in the community linking our community involvement to our core business operations and our vision. Based on these principles, we have endeavored to convert the various community projects in which we invested during the past year, focusing on diversity and inclusion, which are the focus of Strauss' social investment, from the perspectives of community and donations.



Jasmine portal is not “just another nice initiative”, but rather a real step forward, capable of initiating a series of significant changes in the business world, in Israeli society, and in the lives of many women...

...I hope that the Jasmine portal and activities will help us break down barriers, overcome fear and prejudice and create a society in which everyone contributes their unique abilities and viewpoint towards attaining prosperity.

Statement by Chairperson of the Strauss Group and President of Jasmine, Ms. Ofra Strauss



The goal we set for 2009 was that each of our units in Israel would participate in a project and adopt a community partner, each project relating to some aspect of diversity and inclusion. Another significant goal we defined was to significantly increase the extent of volunteer work by Strauss Group employees, as well as their personal involvement in various projects in the communities surrounding our business units.

And indeed, when we sum up our activities in 2009, and from an overall view of these initiatives, we take pride in having realized the goals we set for ourselves:

The number of volunteer hours in the Strauss Group has increased dramatically, at a rate of nearly 100% compared to the previous year: In 2008, the total number of volunteer hours was 4,516, while in 2009, we reached 8,459 volunteer hours by Strauss employees.

Moreover, as detailed below, in 2009 we achieved wide and very diverse deployment of Strauss Group's social involvement network, to such an extent that in nearly every town in which we have a site or plant our employees are involved, in one way or another, in the surrounding community. In

our overseas business units, community involvement is also an important and significant part of our activities and, in most of our units, community activities are conducted – whether through volunteer work, donations, or a combination of the two.

With the exception of isolated units, each Strauss Group unit conducts regular and organized activities within the framework of community involvement projects, based on our social involvement strategy.

In addition, of the 29 business units in Israel, 6 units have been regularly involved in community activities for over two years.

Diversity and Inclusion as the focus of our community involvement

We chose diversity and inclusion as the issue that will lead us down the path of socially responsible management, and will be expressed, among others, in the social projects we initiate. Following are several examples of our flagship projects that express our commitment to diversity and inclusion and constitute hands-on realization of what we perceive as a value in the business world.

Strauss' major community partners as part of its policy of investment in diversity and inclusion:

Strauss supports Jasmine and its activities to empower businesswomen in the Jewish and Arab sectors

Jasmine, the Association of Businesswomen in Israel, is an umbrella organization established to leverage the economic potential of Jewish and Arab businesswomen.

The association represents and promotes economic leadership by businesswomen in both the Jewish and Arab sectors, and comprehensively addresses the needs of businesswomen - representing them before policy makers, advancing their business activities via business networking, providing know-how and creating an extensive marketing network and joint consumer club. Collaboration between Jasmine and the Strauss Group began three years ago. The Group's Chairperson, Ms. Ofra Strauss, was appointed President of the association. 2009 marked a significant step forward in collaboration between Strauss and Jasmine, with Strauss playing a more central role in assisting the organization and advancing its goals. Among others, an orderly mechanism was set up to help advance businesswomen in Israel; assistance in fund raising as well as planning the annual conference was provided, as well as assistance with creating the Jasmine Portal.

Jasmine Portal

The portal was donated to the organization, with the assistance of Strauss suppliers and enlistment of various professionals in the Group in the fields of marketing, communications, multimedia, etc. The purpose of the portal is to serve as a showcase for the organization, enabling communications between thousands of women, both businesswomen and women who wish to open their own businesses and require assistance and support. The portal enables businesswomen to establish a social network that supports them and helps them to receive reliable and comprehensive information, exposure to and dialogue with women in the same situation. In the portal, every business owner can create her own website, which will serve as a virtual stage providing exposure and contributing to the international expansion of her sales volume.



Strauss and the Be'Atzmi organization – continuing our joint path

Be'Atzmi organization assists underprivileged populations by offering them opportunities of integration into the work force. We view this NGO as a significant partner in the realization of our vision of involvement and investment in the community, based on our deep commitment and identification with the values that the organization promotes, and on the belief that this is the right way for us to contribute our share to the community around us.

Strauss' support for Be'Atzmi is expressed both in the personal involvement of the highest ranking executives in the Group, that provide strategic assistance and contribute their know-how and experience, as well as in monetary and monetary-equivalent donations. Activities include:

- Strauss Group supports and accompanies the Mifne (Turning Point) employment advancement program operated by the organization in Acre and Hazor Haglilit, focusing on assisting women and underprivileged populations in finding employment. Strauss is the organization's business partner in this program, operating now for three years.
- Strauss Group contributes dairy products, salads, candy and snacks to Be'Atzmi volunteers throughout the year.
- In January 2010, Be'Atzmi organization held a professional conference under the heading "Business Diversity – Professional Asset". The Strauss Group was a senior partner in the conference's production, and hosted the conference in its offices. Strauss executives spoke at the conference and presented a model for integrating underprivileged populations into the work force.

Additional Community Activities in which Strauss is involved

Following is an overview of the community involvement activities in which our business units participate throughout Israel. We cannot, of course, present all of our community activities here, but this summary offers a general overview of the scope and fields of our activities.

Cross-organizational activities in Israel

- Collaboration with Shanti House in the publication of a recipe book.
- Collaboration with Leket Israel association - packing food parcels for the underprivileged in collaboration with volunteers.
- Joint project with Amdocs - packing "sweet bags" for boarding school children – packing bags that Amdocs company supplies with candy and various products that we provide and giving them to children who have been removed from their homes to boarding schools.
- Organizing blood and marrow donations throughout the organization.
- Encouraging community activists through business collaboration with them as company suppliers or enabling them to sell their products in company sites.
- Corporate CSR day focusing on community involvement - for more details, please see the CR Management chapter.

Salad plant in Carmiel

- CIL- CLI – Sandwich for each child every day – donation of food products for preparing sandwiches for underprivileged children
- Employment of Tzalmon prison inmates

Tafnit – Logistic Center in Haifa

- Sponsoring an absorption center in Haifa

Human Resources HQ (Joint resources unit)

- Sponsoring a home for female ex-prisoners in Tel Aviv

Coffee HQ

- Sponsoring Migdalor (multidisciplinary youth center) run by Elem association in Petach Tikva

Corporate Financial Center

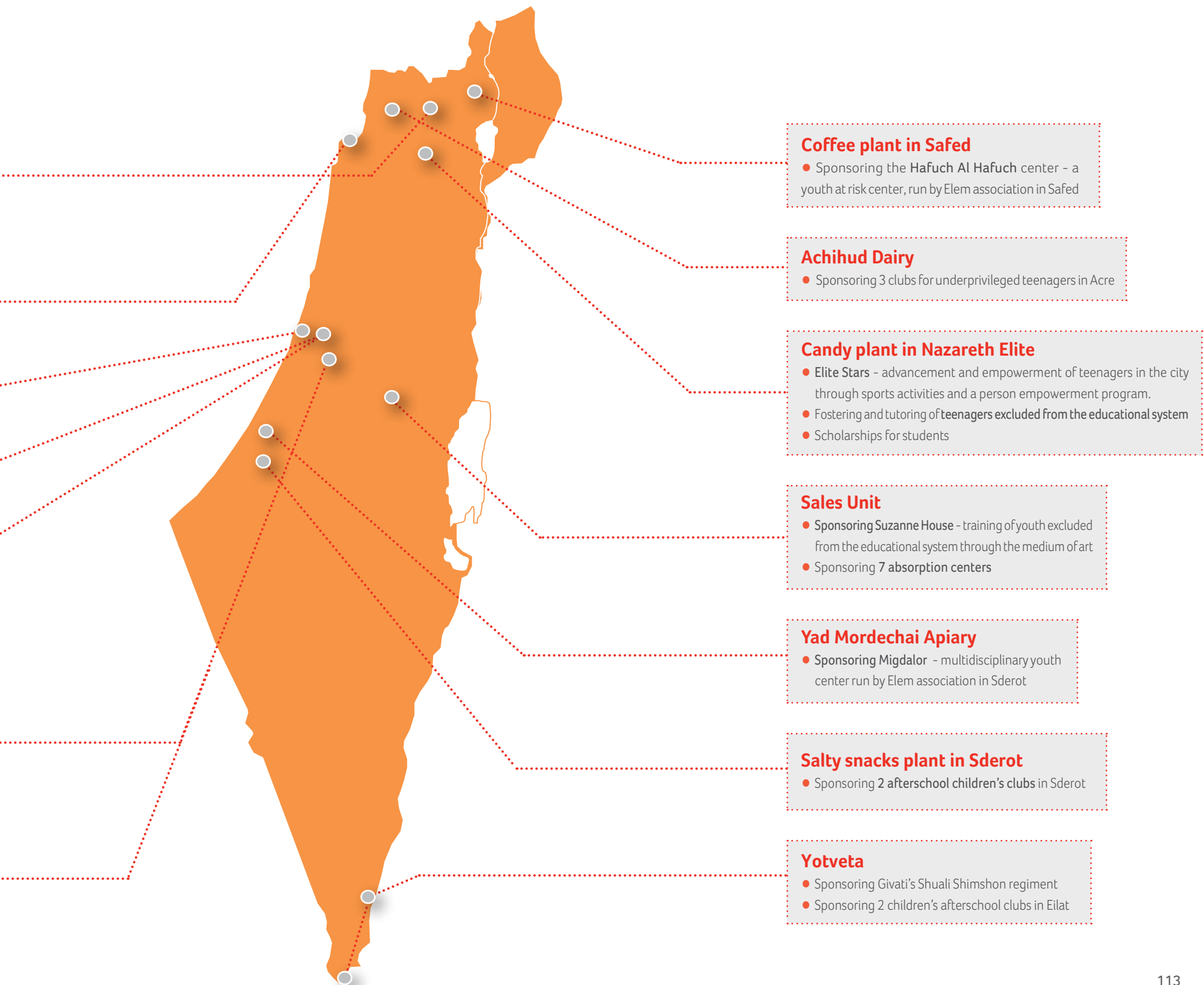
- Sponsoring a Nitzan association club in Petach Tikva

Tafnit – Logistic Center in Zrifin

- Employment of inmates from Ramle prison
- Fostering teenagers with special needs at Tomers school
- Vocational incubator project – see more details below

Coffee plant in Lod

- Sponsoring a senior citizens center in Lod



Vocational Incubator at Strauss –

Example of a Community project in the field of diversity and inclusion

The vocational incubator project implemented at our logistic center Tafnit in Tzrifin, in collaboration with Tevet association, is an example of how diversity and inclusion are put into practice.

Project goals

To find a way to help populations that are motivated to work, yet find it difficult to integrate into the job market (in this case, immigrants from Ethiopia) to receive the tools and training that will enable them to find stable, high quality employment with the potential for advancement over the long term, through short and focused theoretical and practical training.

How it all began

The process began following contact by Tevet association, an organization operated jointly by the government and the Joint, engaged in finding occupational solutions as a way to address the problem of poverty in Israel. Moshe Reiani, VP of the Supply Chain at Strauss Israel, warmly adopted the project and enlisted the HR and logistics team in the supply chain.

Preparations for program implementation

Strauss' HR and logistics personnel defined recruitment needs, the attributes required of candidates for participation in the program, and the learning

needs and skills required for work. They also underwent a professional workshop held by the Joint on the subject of the Ethiopian community, focusing on recruiting employees from this sector of the population. The workshop provided them with professional tools, enabled them to identify essential traits, learn about differences in mentality, barriers, etc. Before launching the recruitment process, a brochure by Strauss and its partners in the project was distributed in the relevant areas, the major criteria for candidates being having a family and desire and willingness to integrate into a workplace, as well as basic knowledge of Hebrew. Eight candidates were selected from among the candidates evaluated.

The program

The five week study and training program was held at the Tafnit logistic center in Tzrifin, and included familiarization with computers, occupational Hebrew, English, math, simulations of situations at a workplace and included lessons about Strauss, such as orientation in the organization, work safety, etc. The candidates were also acquainted with the work stations and work

environment, and various jobs in the workplace. During training, the candidates received a full salary and hot meals, work clothes and everything they needed for the course.

Project results

According to the original plan, four of the eight candidates that underwent training were supposed to be recruited for work at Strauss. In fact, six of the candidate found permanent work at Strauss Group, with the other two finding work in another company. Employees that were trained and designated in advance for a specific job when recruited are more focused on learning their job, their absorption process is quicker and smoother (both socially and from the point of view of their professional performance) compared to other new employees recruited through accepted channels. Managers in the field report that they are highly satisfied with the employees, and they have real potential for promotion, with some already having been promoted.

Next stage - Plans for the Future

Once the pilot program was successfully completed, we wish to advance to the next stage of the project. In order to “get the message out” and expand the scope of activities, we held a round table with logistics personnel from several leading companies in the market, which were very enthusiastic about the model and participation in the project. We therefore plan to open a new program, in which each one of the participating companies will define its needs from the employees that will be recruited for work, the conditions, and the candidate profile, and based on these joint recruitment will be performed. We plan to contact various relevant parties, such as learning centers for new immigrants, welfare offices, etc., and conduct a screening process to find suitable candidates and carry out the process on a much larger scope, with general studies and training being held at the Tafnit logistics center, and on workdays, specific workplace training will be conducted enabling each candidate to integrate into the workplace designated for him or her.



100 Ambassadors is a program initiated by Moshe Reiani, VP of the Supply Chain at Strauss Israel that began in 2008 and set a 5 year goal, according to which by the end of 2012, the supply chain will include no less than 100 managers and employees who are regularly involved in activities for the benefit of the community. The aim is that using the “pass it on” method, managers and employees will get the message out to their friends at work and other social spheres, getting more and more people involved in the communities in which they live.

Current status

Currently, two years after the program began, there are 35 managers in the supply chain who are active in an ongoing basis in various community involvement projects, and who run various groups of volunteers and activities inside and outside the organization, and additional managers and employees are constantly being enlisted.

100 Ambassadors

How it all began?

Five year objective for the
supply chain in the field of
community involvement

Among the projects:

- Vocational incubator project (see details above).
- Young business leadership – in collaboration with MIL, a project in which Strauss sponsors groups of young business leaders in Druze schools in Yarka and Acre.
- Aid to children with special needs.
- Work with prisoners as part of a rehabilitation project in preparation for their reintegration into society when they are released.
- Baking lessons for girls at an afterschool club in Acre.
- Activities with teenagers in a youth at risk club.

In the future...

Our objective is to reach no less than 100 ambassadors – representatives of the Strauss Group who are actively involved in various initiatives for the benefit of the community, and attract others to join them, while expanding the Strauss assistance network.



The project I chose to participate in is Young Business Leadership. I work with a group of male and female students at the Yarka School for Sciences, and help them in the advancement of their social venture. The experience of working with these young people is amazing, and is a wonderful opportunity for me to offer my professional and managerial know-how to advance the venture chosen by the group. My involvement provides the group with real experience, and not only theoretical experience, in advancement and management of projects. I am happy to be part of a group of managers that inspires and contributed to their surroundings and in return receives an amazing learning experience from the group, as well as personal enrichment”.



Racheli Oz,
Outsourcing Acquisitions Manager,
Strauss Israel

Community Involvement Overseas

Strauss CIS

- Donations and volunteer work at a home for children in need, including materials for renovation of the home, clothes, toys, food, organizing educational events and more.
- Participation in the national project for the advancement of handicapped youth - the Light of Hope festival, whose goal is to find and help develop young talents among this population, and to contribute to increasing awareness of this population.
- Campaign to donate blood for children's hospitals
- Aid and volunteer work at the World War II Veterans organization - every year on Liberation day (9th of May).

Strauss Adriatic

- Donations and volunteer work at the Drinka Pavlovic home for abandoned children - food, parcels for the New Year, language lessons and more.
- Financial assistance for three families in order to finance operations and medication.
- Donations of cash and products to various humanitarian organizations.
- Donation of 1,300 Kg. of short term coffee products.
- Monetary donations to hospitals, schools, kindergartens, the Jewish Agency, Israeli Embassy, Cerebral Palsy association and more.

Strauss Commodities AG

Aid to the restoration of the natural habitats of local wild animals that were harmed as a result of industries in the region (as part of the Group's CSR day).

Strauss Coffee Poland

- Funding of the Pedro's Cup athletics competitions, as in previous years, in order to encourage a healthy and active lifestyle and give the young generation in Poland an incentive to be physically active.
- Donation and volunteer work at a home for children from broken homes (mainly children of alcoholics), managed by nuns, including renovation of a nearby house and turning it into a school for the children.
- Raising worker awareness for the importance of blood, marrow and organ donations in emergencies.

Strauss Romania

Volunteering at a home for senior citizens, including spending time with residents as well as donation of products, giving them coffee and a sweet treat.

Sabra

Donation and volunteer work at a club for underprivileged youth, including donations of money, products and assistance in painting and renovating the club and its surroundings.

Brazil

Numerous activities in collaboration with a wide range of institutions in the fields of health, education, culture, assistance to seniors and more.

Financial and in kind donations to various social causes

Despite the economic recession we faced in 2009, we never stopped giving the financial support that our partners in the community need and we have even increased these budgets. We provide financial assistance to various projects and parties whose activities interface with various issues we have decided to focus on as part of our commitment to diversity and inclusion, including : healthy lifestyle, food donations, education and culture, personal empowerment, empowerment of women and more. Following is a partial list of projects we have continued to participate in over the past year:

- We contribute to promotion of **diversity and inclusion** in various educational and academic institutions, including expanding the options available to new immigrants and minorities through education and enrichment in various fields. Thus, for example, we fund scholarships at the **Sam Spiegel Film and Television School**, designated for financing the studies of new immigrants and minorities who aspire to a career in cinema, as well as scholarships to the **Hebrew Reali High School in Haifa** for students of Ethiopian descent. Strauss also operated an **employment project for prisoner rehabilitation**, in which Strauss employs rehabilitated prisoners in the Tafnit logistics center, enabling these prisoners to receive professional training, wages for their work and various benefits, and this serves as a source of employment for them in preparation for their release from prison. A number of these prisoners have already been received as fully-fledged employees in the company.
- **Strauss Health Institute** - in the field of promotion of healthy lifestyle, which, as a food company, we value highly, as we do our role in encouraging science, education and research in this field, we continue our extensive activity for raising awareness and increasing research in the field of nutrition and healthy lifestyle.
- **Food Donation** - we view the **donation of food** as a natural obligation for us that is self evident due to our field of business and, therefore, continue to donate short term products (products whose expiry date is relatively short) on a regular basis throughout the year to two large organizations – **Leket**

Israel and Latet, which supply food to dozens of associations and people in need throughout the country. In addition, we regularly donate high quality food products to numerous organizations that support soldiers, teenagers, children and adults, to organizations that encourage immigration and organizations involved in the empowerment of women.

- **Promoting education and culture** - we view these fields as an important way to create opportunities for young people, especially those who come from underprivileged homes. Therefore, during 2009 we continued to provide donations of money and scholarships to various educational institutions, with emphasis on supporting women of low social-economic class, in order to allow them to get an education and develop capabilities which will help them find employment opportunities as well as personal empowerment.
- **Advancement of personal growth and empowerment** - We at Strauss believe in personal empowerment, self-help, and each person's ability to take charge of his or her own future. We strive to create platforms for supporting methods that will assist people of disadvantaged backgrounds to build their self confidence and acquire skills that will help them find stable employment, attain independence and support themselves in the long run. To this end, we have chosen to establish a lasting partnership with the **Be'Atzmi** organization, as described above, that is engaged in changing the employment map in Israel by promoting and integrating underprivileged populations in the work market.
- **Strauss Water's Mifalon (Small Plant) - Rehabilitating occupational project for special populations.** Strauss Water's Mifalon (Small Plant) was founded ten years ago in Kibbutz Netiv Halemd-Hei. The Mifalon is responsible for assembling, packaging and shipping replaceable parts for water dispensers that are sent to customers every 6 months. The Mifalon employs 40 employees, including retired members of the kibbutz and surrounding towns, and youths who are members of the Zoharim organization that helps addicts through the drug rehabilitation process.





Strauss Group's
Environmental
Performance

Strauss Group is committed to continually improve its environmental performance in all the Group's units, and to taking extensive action to reduce other negative impacts on the environment. Strauss Group aims to increase operations for the benefit of the environment in various fields, such as reducing air pollution, recycling waste, investment in projects aimed at reducing the use of water and energy resources and more.

Our commitment to the environment is expressed in two major aspects: the first – establishing and assimilating environmental management processes, and the second – taking actions to reduce our actual environmental impacts, based on the Group's environmental policies:

“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 increasing awareness of this critical issue among our employees, suppliers and consumers.

We undertake to endeavor to improve our environmental performance wherever we operate, while complying with all legal environmental requirements.

We will act based on environmental awareness, combining environmental considerations into our decision-making processes.

We will strive for 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 environmental quality and protection among our workers, customers and consumers.”

This chapter describes our environmental performance in Israel in the following plants: Achihud Dairy, Yotveta Dairy, Nazareth Candy Plant, Safed Instant Coffee

Plant, Ground Roasted Coffee plant in Lod, the Shavit fresh cut vegetables plant, Yad Mordechai Apiary, the Salty Snacks plant, the Carmiel Salads Plant, four distribution centers (as a single entity), the Max Brenner gourmet chocolate plant and the Aviv Dairy. Our environmental performance overseas, included in this chapter, covers the Strauss Coffee plants in Romania, Serbia, Bosnia, Poland and Brazil (4 plants).

This year's report places special emphasis on the carbon footprint of the entire organization, which was selected as Strauss Israel's central objective.

Major elements in our environmental responsibility strategy:

- Prudent use of water and conservation 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 ground water 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 its initial development stages
- Assimilating environmental and conservation values among our workers



Management of our of environmental performance

Strauss Israel placed special emphasis in 2009 on advancement of the environmental issue in Israel, and set strategic objectives in this field.

As part of the process, Strauss Israel's management set several strategic environmental goals for the next five years:

- Reduction of water consumption per product ton
- Reducing of greenhouse gas emissions
- Reducing waste and the weight of packaging
- Manufacturing sustainable products
- Constructing an eco-friendly, green distribution center

In addition, Strauss Israel continued its comprehensive process of establishing managerial infrastructure for environmental management, training of workers and managers, assimilation of the environmental policy within the company, mapping and identification of negative and positive impacts of the company's plants on the environment, mapping and evaluation of environmental regulations and laws applicable to the company's units, and providing tools for integrative work by the company units in the field of environmental management.

In parallel to the work carried out in Israel, as of 2009 a senior manager was appointed to take charge of the environmental issues related to our coffee plants in the world, and establish a management system parallel to the system implemented in Strauss Israel.

8.5 million NIS
Improvement of environmental
performance in Israel

9 million NIS
Ongoing handling of
environmental issues in Israel

Environmental Management Standards and Infrastructure

Operational excellence and environmental performance

In 2009, Strauss Israel initiated an extensive process aimed at improving the operation and functioning of the company's plants. As part of the process, environmental issues related to plant operations are reviewed and assimilated. Review of environmental aspects is conducted in collaboration with workers that raise environmental issues related to their work stations, and suggestions for reducing these environmental impacts. Thus, we initiate processes that lead to prevention of environmental damage and increase environmental awareness among workers and managers.

Environmental Standards and Reporting

In 2009 Strauss Israel prepared uniform procedures for major processes in its environmental management system: planning and execution of environmental surveys, handling of deviations, including breaches of legal requirements, execution of enforcement inspections, environmental communications (internal and external), monitoring and measuring, and more.

One of the central tools utilized for this purpose is the Monthly Quality Report, which includes measurement of the environmental impacts of each unit in Israel, and of the entire organization in Israel: carbon footprint per ton production, water consumption per ton production, Kg. waste per ton production, recycled waste per total waste, and more.

The report enables us to track and monitor each unit's environmental performance compliance with the objectives set for the unit at the beginning of the year.

At the end of 2009, similar methodology was prepared for reporting by the coffee plants overseas, and implementation commenced several months ago.

Environmental Management System ISO 14001

The Nazareth Candy plant, Achihud Diary, Yotveta Dairy, Coffee plant in Safed and Coffee plant in Romania comply with ISO 14001. The Logistics



2009 was the first year that Strauss Group managed environmental issues in a centralized manner. We established joint work processes, appointed environment leaders in each of our production and logistics sites in Israel, began to assimilate the process of self enforcement, and much more.

One of this year's marked features was the activities of various professional teams. Some focused on environment management, while others impacted on environmental performance.

Expanding the sphere of influence and action in this field is the first step in the central challenge we set: to assimilate environment values among the company's workers, and express these values in the daily work and actions of each and every one of us.

Ronit Shachar, Environment Manager, Strauss Israel



Existing technologies and work method do not enable production and supply of products without zero impact on the environment.

Reducing the negative impact on the environment is only possible with the support and backing of the organization's senior management, allocation of resources enabling use of technologies, equipment and work processes that are as environmentally friendly as possible, as well as continual and persistent efforts to raise environmental awareness throughout all the ranks in the organization.

Improving environmental performance indicators is vital for the organization's business survival and fulfillment of our obligations towards our workers, families and the community in which we operate today, for future generations.

Eran Shor, Environment Officer, Strauss Coffee



unit and the Salty snacks factory currently undergoing the certification process for this standard.

According to our perennial work plan, over the coming years the remaining Group plants will begin the standard certification process, which includes identifying the legal requirements relevant to the plant, conducting environmental surveys, and setting goals and objectives for system improvement by preparing environmental plans.

Financial Investment

In 2009 Strauss Group invested more than 8,500,000 NIS in Israel and 2,000,000 NIS in the Group's plants worldwide, in order to improve our environmental performance. This investment is expressed in acquisition of equipment, investment in projects to reduce usage of resources and cut the amount of

waste in our plants, as well as reducing our greenhouse gas emissions.

Additionally, in 2009 we invested about 9,000,000 NIS in Israel and 500,000 NIS in the Group's overseas plants in ongoing handling of environmental issues, and in materials for maintenance of waste treatment facilities and prevention of emission of pollutants into the air, worker training, wages paid to the environmental quality system workers, laboratory tests, etc.

Environmental Performance

Following is a detailed description of our environmental performance in 2009, and when possible, comparison of our current performance with previous years, divided into fields and issues that are relevant. Performance is presented for both Strauss Israel as well as the entire organization.



Water Conservation

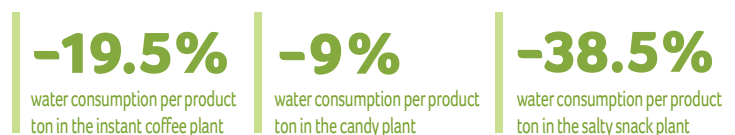
In 2009 emphasis was placed on water conservation, particularly in our plants in Israel. As a result of the hard work of teams in various plants, impressive achievements were recorded in reduction of water consumption per ton of manufactured products.

2009 Achievements

At the salty snack plant, overall water consumption was reduced by 36%, and water per ton of products by 38.5%. Savings were achieved due to system-wide efforts by all - from management to workers. The major milestones leading to this result were:

- Establishment of an organizational structure for implementing the work plan, headed by the plant manager.
- Installation of water meters, measuring and calculating the gaps between actual water consumption and planned consumption, according to survey data.
- Identification of major water consumers and major deviations.
- Appointment of work teams and preparing work plans to reduce these gaps.
- Media campaign aimed at workers, referring to the familiar television campaign – Israel is Drying Up.
- Management of the project by the plants' managements.

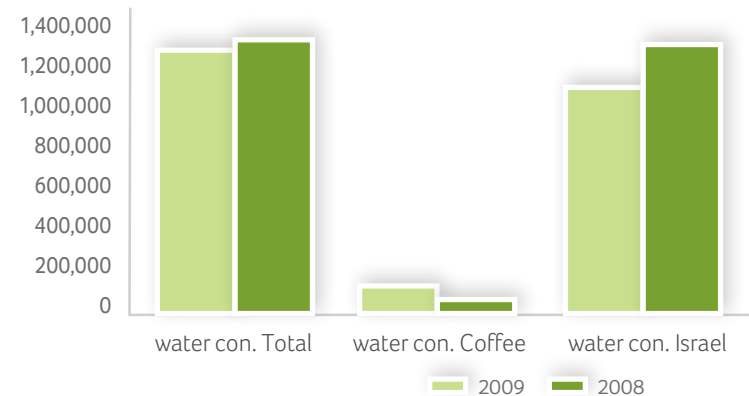
The **candy plant** succeeded in reducing its water consumption per ton of products by 9%.



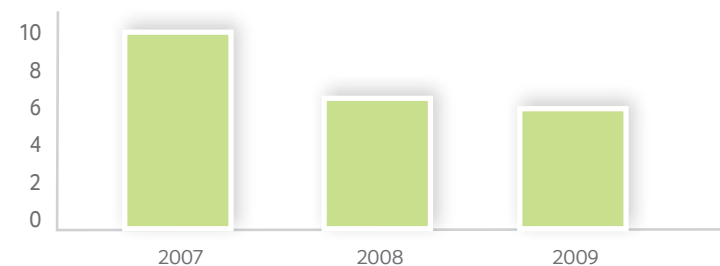
At the **instant coffee plant** in Safed, an impressive improvement of 19.5% in water consumption per ton of products was recorded, (following a reduction of 17% in plant water consumption in 2008), due to a system for returning condensation water to the steam vats.

These results are displayed in the following charts. As indicated, Strauss Israel's overall water consumption dropped by 7.5% compared to 2009, and the water consumption per ton of products declined by more than 5.5%.

Water consumption (cubic meter)



Water consumption-Cubic meter per ton of manufactured products (Israel)



In 2010, we plan to invest in organizational training and education in this field, and reduce our water consumption as far as possible even in countries where the issue of water is not an existential threat as it is in Israel.





-9%
in energy
consumption

-20%
in use of
fuel oil

In 2009, we completed construction of a new steam vat, that uses coffee waste for heating, instead of fuel oil. As a result, Sefed instant coffee plant daily fuel oil consumption dropped by about 70%. The cost of system construction and installation was about 12 million NIS.

Energy Consumption

Energy consumption is the primary factor impacting on our carbon footprint, and in this chapter we will present the issue of energy consumption and the actions we are taking to reduce it.

Energy consumption in manufacturing operations in Israel

There are five major sources of energy: electricity, LPG (liquid petroleum gas), fuel oil for manufacturing, fuel trucks and cars and natural gas (used primarily in company plants overseas).

This year, a team was appointed in Israel to deal with improved energy efficiency. They worked tirelessly to establish processes for reducing Strauss Israel's energy consumption, and thus cut use of resources and reduce the organization's carbon footprint.

As a result, Strauss Israel recorded savings of 9% in energy consumption, and a reduction of 20% in the use of fuel oil in 2009, compared to 2008.

Energy consumption reduction, as described above, was attained through these following actions (among others):

- Additional insulation to prevent heat loss.
- Automatic mechanism for turning off lighting.
- Utilization of residual heat (heat created during one process is used to pre-heat another process).
- Use of energy saving controllers, reducing wastage in condensed air systems, 5T energy saving lighting, and electronic chokes in MHL systems.
- Use of natural daylight (solar tubes) instead of electrical lamps.
- Insulation of steam lines.

New steam vat in Sefed Instant coffee plant

Since the plant was found in 1958, and until the new steam vat was constructed in 2009, coffee waste created during the manufacturing process was sent to landfills.

The steam required to operate the plant was produced entirely by burning fuel oil. Fuel oil consumption was about 12 tons a day.

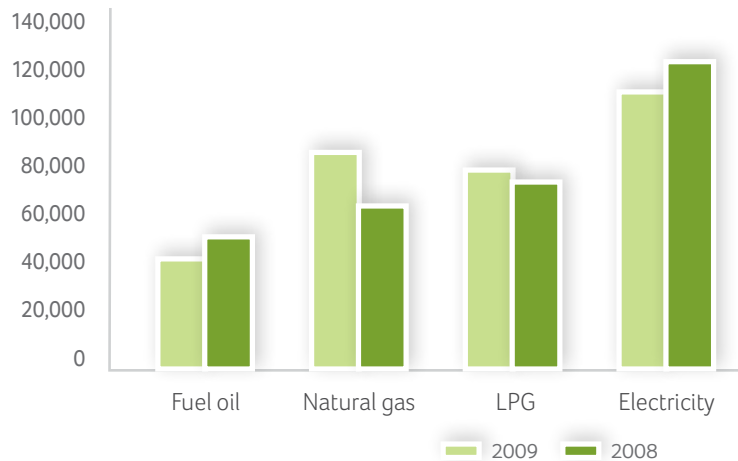
System advantages:

- Monetary savings
- Reducing the amount of waste transported from the plant to the landfill site
- Prevention of fuel oil burning
- Improved quality of air emitted through the smokestacks: A filter (costing 1.5 million NIS) was purchased with the system, whose role is to filter smoke out of the emission gasses
- The project was submitted for approval by the UN's Greenhouse Gases Reduction committee. We expect to receive approval by the end of the year.

Energy consumption at Strauss Group plants

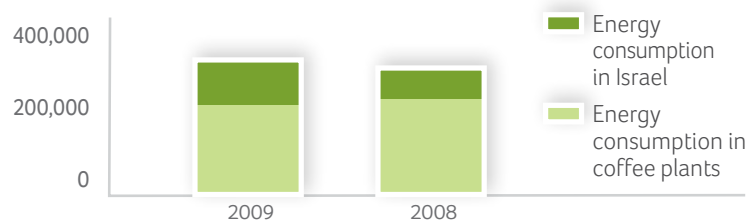
The following chart presents the energy consumption of all of the Group's plants. The chart displays consumption of several different types of energy sources (electricity, natural gas, LPG and fuel oil) in thousands of Kilowatts. As depicted in the chart, in 2009 the Strauss Group achieved improvement and reduction in energy consumption, with the exception of natural gas usage, due to the inclusion of data pertaining to our plants in Brazil.

Total energy consumption by sources (thousands of KWh)



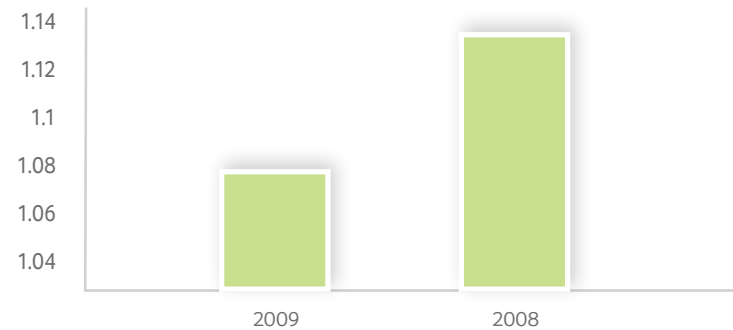
The data in the chart indicates that Strauss Group's total energy consumption in 2009 was about 327 thousand megawatts, compared to Strauss Group's total energy consumption in 2008, which was 324 thousand megawatts. The higher levels in our overseas plants are a result of additional and complementary data received this year, unlike 2008, due to full reporting by the Group's plant in Brazil in 2009.

Strauss Group's energy consumption (thousands of KWh)



Our energy consumption per ton of manufactured products dropped from 1.14 megawatts per product ton in 2008 to 1.08 megawatts per ton of products manufactured in Israel.

Energy consumption (KWh) per ton of manufactured products in Israel



Energy consumption for transportation

In the past, the issue of use of fuels for transportation, as well as classification of these fuels and their quantities, was not included in this report. Over the past two years the issue of transportation was measured and tracked, and actions were taken to reduce fuel consumption and encourage usage of more environmentally friendly fuels.

In 2009, we consumed approximately 6 million liters of fuel for transportation in Israel (private vehicles and trucks) and overseas (private vehicles only). In 2008, we reported usage of 8 million liters of fuel for transportation, yet this figure included our product distribution operations in Romania, which are no longer part of Strauss operations.

In Israel, most of our operations are carried out by Logistics, where fuel consumption reduction activities for distribution of company products were only implemented in the Leading Distribution network.

Fuel consumption by company trucks was cut by 7% due to optimization of travel routes, and ongoing computerized tracking of fuel consumption in Km for each truck and each driver. Corrective actions are taken if a deviation is discovered.



-7%

in fuel consumption by trucks

Air Pollution Reduction

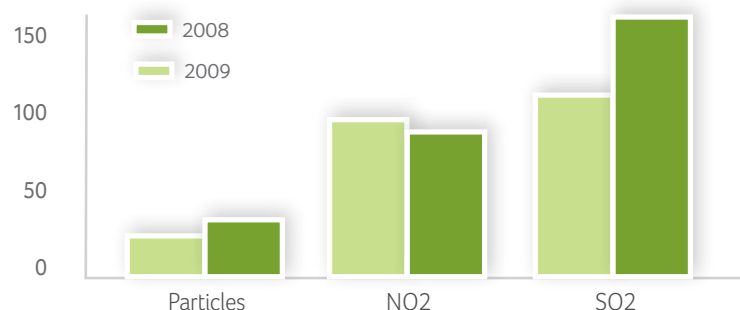
Another aspect of energy consumption is emission of pollutants. Production processes at our plants require the use of energy for roasting, baking and other processes that require heat. The plants use electricity, liquid petroleum gas (LPG) and crude oil for the operation of different ovens and steam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

The Group's plants overseas use natural gas for production processes, which significantly reduces air pollution. This year, progress has been made in the use of natural gas in Israel, yet the gas has not yet reached the Group's plants, and this depends on infrastructure that the State will put at the plants' disposal.

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 regularly monitored in order to track these emissions. In 2009 Strauss Israel began to work with a company with professional and international knowhow in the field of air quality and monitoring of air quality. Monitoring is currently performed by this company in all our units. The data is processed before it is sent to the plants, and includes recommendations for improvements if necessary. The company also assists in analysis of future trends and preparation for these trends.

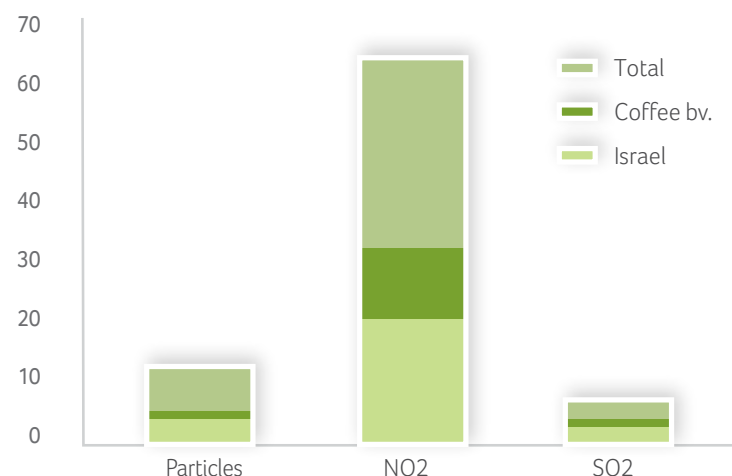
The following chart presents the major pollutants emitted into the air as a result of energy consumed in the production process, in units of pollutant tons per year. Analysis of the findings for 2009 indicated improvement in the concentration of particles and sulfur dioxide emitted into the air compared to 2008. However, they also indicate an increase in the concentration of nitrogen dioxide emissions. The reason for this increase appears to be improvement in the measuring mechanisms resulting from self enforcement processes.

Air pollutants emission from smokestacks (ton per year)



To date, we measured air pollution emissions due to production activities only, while this year we decided to add the emission quantities of the Group's private vehicles and trucks (in Israel).

**Emission of pollutants due to use of fuels for transportation
(pollutant tons per year)**



Emission of particles was calculated based on the amount of fuel consumed by company vehicles and distribution trucks (in Israel only). Fuels used for transportation include: diesel oil, various types of petrol, ethanol and natural gas.

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 dairies and in the giant warehouses in 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.

In 2008, we reported the fluidity of Freon from the cooling systems at the rate of 19 tons. In 2009, we reported the fluidity of Freon to the cooling systems at the rate of 14.5 tons – a reduction of 20% compared to last year.

Wastewater treatment to prevent pollution of soil and water conservation

Treatment of wastewater is one of the most important environmental issues in Strauss's plants worldwide, and in plants in Israel in particular. The difficulty is due to the amount of organic load and sodium content in wastewater flowing from the plants to local treatment facilities.

The organization's units treat wastewater through construction of designated treatment facilities in the plants, and by transporting wastewater to regional treatment facilities. During treatment, sludge is produced, the majority of which is then transported for recycling (animal feed), and in some cases the sludge is shipped to landfills.

Plants are required to meticulously observe requirements prescribe by authorities, and to this end operate a system of inspection of the wastewater transported for treatment by the authorities. Following are several examples of these activities:

Achihud dairy the construction of an innovative pre-treatment facility, at a cost of 12 million NIS, has been completed. The facility will prevent deviations in wastewater quality in both organic load and salt concentrations. The facility is designed to treat the dairy's entire organic load, with a forecast annual growth of 5% over the coming decade. The biogas generated by the facility will be utilized to heat steam vats, and will replace approximately one third of the plant's LPG (liquid petroleum gas) consumption. The facility began receiving wastewater at the end of 2009, and according to forecasts all of the plant's wastewater will be conveyed to the facility by May 2010.

Salty snacks plant Starch separation facility—a success story:

In 2009, a unique facility for separating starch from production liquids was constructed for the Tapuchips, potato chip production line. The facility significantly reduces the amount of organic matter in the wastewater.

The facility is composed of two stages: initial course filtering of potato cuttings and sale of the output for use in animal feed. In the second stage, the remaining liquid undergoes a centrifugal process that separates the starch from the liquids. The starch is then sold for use in animal feed.



12

million NIS

treatment facility at Achihud Dairy

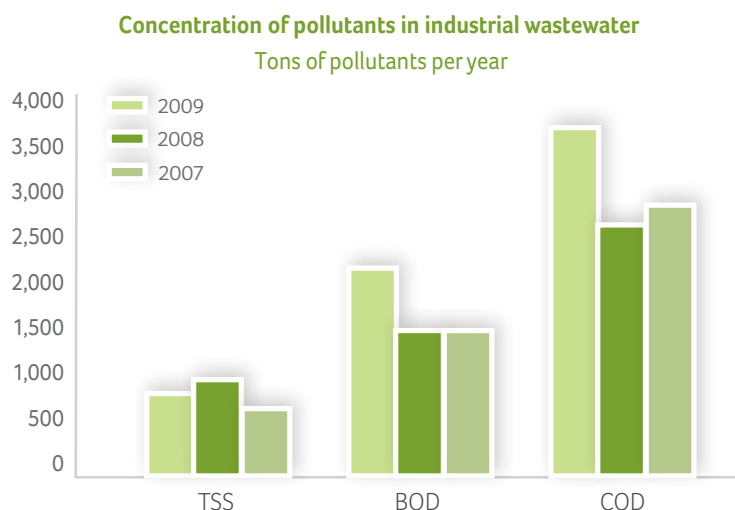
By May

2010

Completion of wastewater conduction



The following chart describes the emissions of the major pollutants into the wastewater (tons of pollutants per year). These pollutants represent the organic substances that flow into the wastewater. 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 wastewater, and represent the pollutants emitted by the plant. TSS (Total Suspended Solids) values represent the amount of solids in the wastewater. The goal is to reduce the quantities of these substances in the wastewater.



This year, data from plants that did not report in previous years (plants such as Shavit, Max Brenner and the coffee plants in Poland and Romania) was included. However, it should be noted that the contribution of these plants to organic wastewater pollution is low, and constitutes less than 0.5% of the amount of wastewater pollutants.

Analysis of the data presented in the chart indicates that we did not succeed in attaining significant achievements in the field of reduction of organic pollutants in 2009, with the exception of concentration of suspended solids, whose concentration in 2009 declined compared to 2008, yet we continue to work to advance this issue. One of the central challenges for improving wastewater quality is reduction of the sodium content in the wastewater. The main source of sodium in the wastewater is detergents, used to ensure the safety and quality of our products.

We expect that the substantial investments made in wastewater treatment over the past two years will pay off in 2010, and that the upgrading of our treatment facilities and improved control over coming years will lead to a significant reduction in the amount of pollutants. To attain these objectives, we have set goals for managers of large units, and their achievements in this field will be measured.

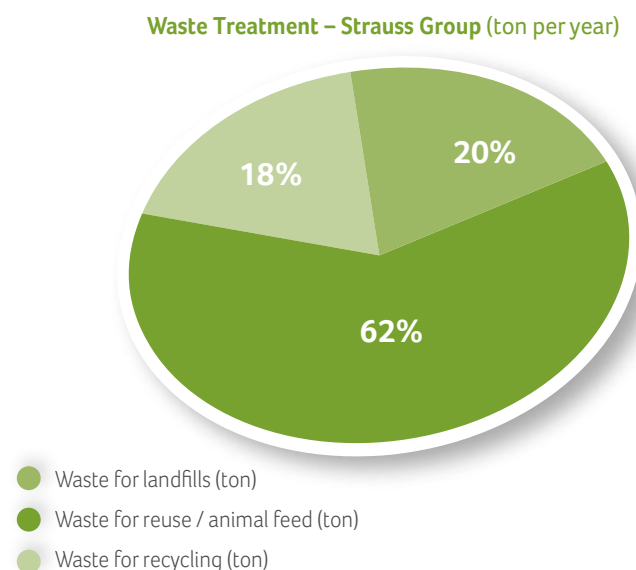
Solid Waste Treatment, Recycling and Reuse of Waste

We are working to reduce the amount of waste created in our production processes, and to utilize this waste through reuse and recycling.

In Israel, about 11,750 tons of waste left the plants bound for burial in authorized landfill sites, 48,175 tons of waste were transferred to feed animals or for reuse, and 10,488 tons of waste were sent for recycling.

In our plants overseas, the waste quantities are lower: 3,149 tons were sent to landfills, 3,600 tons of packaging were transferred for recycling and reuse, and 3,874 tons of organic waste were designated for reuse.

Following is a chart presenting the distribution of waste, in percentages, for different types of treatments:



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

Part of the plants' waste is used for animal feed, thus saving the need for burial in landfills and the usage of land resources, while achieving savings in the use of new raw materials for animal feed.

Recorded achievements

As part of the process of instilling a culture of operational excellence and visual management of the production floor, in 2009 the candy plant in Nazareth succeeded in reducing 28% in waste per product ton, compared to 2008. In addition, an 11% improvement was recorded in the total recycled waste per waste ton.

Overseas

Local legislation applicable to our plants in Europe requires units to set defined recycling targets for most of the types of waste in these plants. Our Brazil plants implement extensive waste separation into waste types, and have come up with solutions for recycling or reuse of waste materials.

Hazardous Waste

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

In total, we estimate that as a result of our activities, approximately 2.7 tons of hazardous waste was created in 2009.

Our plants in Brazil have begun to implement collection and marking of hazardous materials and waste, actions that were not taken in the past.

As required by law, hazardous waste is removed from production sites to the hazardous waste site at Ramat Hovav, a central site for disposal of hazardous waste approved by the authorities in Israel. Hazardous waste is collected in the units in a controlled manner, including signs and markings. Emphasis is placed on proper storage that will not cause soil and water reservoir pollution.

Use of Hazardous Materials

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

This year, we established a forum responsible for HAZMAT in our plants, and held a 4 day workshop to train plant HAZMAT trustees.

Raw materials used for manufacturing various products are subject to constant monitoring and control by the company's Production Planning units. The goal is, of course, also to reduce usage of raw material so as to cut costs, but it also helps us achieve improvements in environmental quality. Strauss implements the Lean Production methodology in an attempt to reduce its consumption of raw and packaging materials, while maintaining the quality and safety of our products.

Strauss Israel's management has resolved to set the reduction of the weight of waste per ton of products as a strategic goal. This indicator expresses more efficient use of raw materials, and is managed on a monthly basis.

Our Carbon Footprint

Strauss constantly works to significantly reduce emissions of greenhouse gasses caused by its various activities.

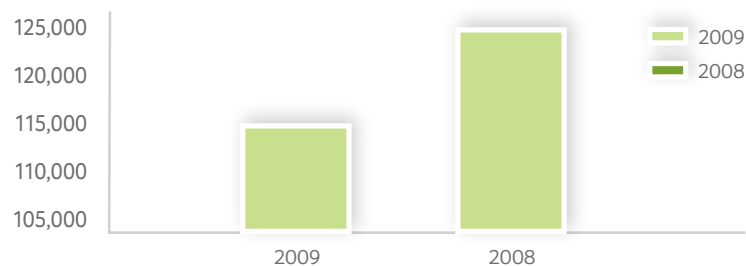
Reduction of our carbon footprint was defined by the management of Strauss Israel as a strategic objective, and it set a target of 15% reduction in this indicator by 2015, and 5% in 2009.

In fact, Strauss Israel reduced its carbon footprint by 7.5% in 2009

This result was achieved due to several factors, including a 7% cut in fuel consumption by the company's trucks and optimization of travel routes, and significant cuts in power consumption in most of the Group's units in Israel and overseas.

As indicated in the following chart, in 2009 greenhouse gas emissions by Strauss Israel totaled 114,427 tons of CO₂ equivalent (including mileage), which indicates a reduction of 7.5% compared to 2008.

Carbon Footprint in Strauss Israel (Ton equivalent CO2)

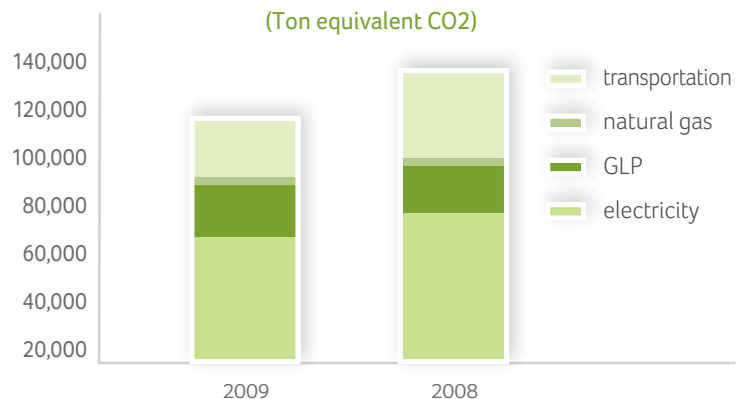


Strauss Group's total carbon footprint, in terms of CO2 Ton, for 2009 was 131,964 compared to 157,740 CO2 Ton in 2008. This figure indicates a 13% reduction of the Group's carbon footprint. However, part of this improvement is due to the fact that in 2009, as opposed to 2008, we did not include mileage data for the Romanian distribution network, for which the Group ceased to be responsible in 2008.

Calculation of our carbon footprint was based on electrical power consumption, usage of fuels for production (fuel oil and LPG), consumption of fuels by company vehicles only (private cars and trucks for distribution that are owned by the company). In this context, it should be noted that the company distributes some of its products via private distributors, and their mileage consumption is not included in the calculation of the organization's carbon footprint.

The following chart describes Strauss's carbon footprint in Israel and worldwide, categorized according to major emission sources.

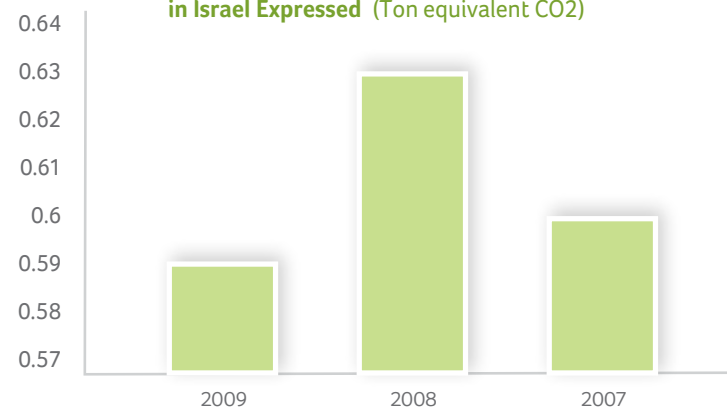
Carbon footprint by major sources of energy use (Ton equivalent CO2)



The contribution of electrical power usage to the carbon footprint calculation in Israel and overseas is similar (30 – 40%), yet the carbon footprint calculated in Israel for electrical power usage is 4 to 8 times higher than our plants overseas. This is due to the use of fossil fuel in Israel, as opposed to use of natural gas and alternative energy sources in Europe and Brazil.¹

The following chart² displays the carbon footprint per product ton in Israel. The data in the chart indicates that in 2009, for every product ton manufactured, 0.59 tons of greenhouse gases are emitted, expressed as CO2. This figure expresses a reduction of 5.8% compared to 2008.

Carbon footprint per product ton manufactured in Israel Expressed (Ton equivalent CO2)



In our plants overseas, the ratio between greenhouse gas emissions expressed in CO2 ton of products is 0.15 (without taking into account fuel used to distribute products). This data was collected for the first time in 2009, and we will continue to track it over coming years.

In 2009, Strauss Israel succeeded in meeting the greenhouse gas emissions target it set for itself. Over the coming years, emphasis will be placed on continuing the downward trend and targets will also be set for our plants overseas.

¹. Calculation of the carbon footprint due to use of electricity is based on international data: CO2 equivalent ton in Israel was calculated based on 0.8 ton CO2 equivalent per megawatt hour, according to reports by the Electric Corp. CO2 equivalent ton in Brazil was calculated based on 0.1, and in European countries based on 0.35-0.7, according to the mix of energy production sources in the country, based on the use of fossil fuels as opposed to use of renewable energy such as hydroelectric energy or wind energy.
². 2007 data does not include fuel consumption data for company vehicles.

A photograph of two women with curly and straight hair, respectively, laughing and looking upwards in a grassy field. The woman on the left has curly brown hair and is wearing a dark purple shirt. The woman on the right has long blonde hair and is wearing a light-colored shirt. They are both smiling broadly and looking towards the upper right. The background is a soft-focus green field with trees in the distance.

Summary

2009 was a milestone year for us with regard to the company's environmental management and performance. From a company whose environmental activities were carried out primarily in plants with environmental standard certification, we have developed into a company that confronts environmental challenges in a centralized manner, demonstrating success in combining management's strategic goals with activities and involvement of people in the various units.

As described in this chapter, in 2009 we can already observe the fruits of the strategic goals we set. Over the coming years, we will complete the creation of the tools we need to realize the strategic goals we have not yet accomplished, and expand and deepen the goals we have already begun to realize.



Future Goals

Our Consumers

- To continue to improve our products to the satisfaction of our consumers
- To increase product diversity for consumers, with an emphasis on health and wellness
- To improve the nutritional value and labeling of our products
- To expand our operations in the water sector in order to address the basic need for clean and safe water
- To provide the best possible service to our consumers
- To reduce the number of crises and incidents of customer complaints and dissatisfaction
- To maintain responsible marketing, advertisement and consumption messaging

Our Business Partners

- To uphold 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 encourage collaboration with a diverse range of suppliers and business partners
- To support local and periphery suppliers and service providers
- To continue to conduct our business and relations with our partners with integrity

Our People

- To provide a challenging work environment
- To hire, compensate and promote fairly and equally
- To expand diversity and inclusion among our employees
- To facilitate our employees' personal growth and career development
- To improve the health and safety condition of our facilities and increase employee training and awareness for health and safety
- To reduce the amount of work-related accidents, increase preventive actions and draw conclusions from incidents
- To improve our measuring and monitoring tools, as well as our safety work procedures, and establish corporate uniformity as far as possible
- To always be the best workplace we can possibly can be

Our Environment

- To improve our environmental performance, with an emphasis on reducing water consumption, reducing the amount of waste and reducing greenhouse gas emissions
- To assimilate environmental quality values among all the company's employees, so that they will constitute an integral part of the way employees and managers perceive their jobs
- To integrate environmental considerations into preliminary planning of our production processes
- To produce and sell to our consumers products with lower negative impact on the environment

Our Communities

- To continue to assimilate a focused and uniform policy of investment in the community, based on our core businesses and social vision
- To use our power and influence to help improve our world and the lives of people in it, especially in our areas of activity and expertise
- To establish mechanisms enabling us to better monitor, evaluate and manage the impact of our operations and investment in the community

Markets in which we operate, Government authorities and Shareholders

- To continue to cultivate professional relationships founded on advancement of mutual interests with government authorities and public institutions
- To be a fair and honest player in all the markets in which we operate
- To continue to improve, develop and innovate in order to keep generating value for our shareholders





Communicating our CR Report to our Stakeholders

We view our CR Report as a channel for establishing dialogue with our various stakeholders concerning all relevant issues related to CR, as well as an opportunity to present our achievements and set goals and plans for improvement.

We 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 is 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 in any forum, we 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 consumers, shareholders, our business partners around the globe, social organizations and the general public via the media. Our CR report is published in the Group's website, and we invite feedback and comments from all our readers.

Our dialogue with the media relating to the publication of our annual CR report, and corporate responsibility in general, includes regular meetings and briefings and special interviews following its publication.

In this context, we are committed to answering any question dealing with any field of corporate responsibility in general, and our CR report in particular – covering the data we published, our messages or any other topic. We are happy to present the information in an open and transparent manner, with the intention of providing as comprehensive and true a picture as we can.

Our suppliers also attribute great importance to communicating issues related to CR. In annual supplier conferences, we communicate messages in the various fields of corporate responsibility, such as lectures on ethics, responsibility in the supply chain and more. In addition, we distribute copies of our CR report during these conferences, and invite suppliers to react and comment about its content.

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.

To contact us with questions/comments regarding the report:

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liat.askari@strauss-group.com

GRI Content Index



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EC4	Significant financial assistance received from government	68	EN9	Water sources significantly affected by withdrawal of water	N/A
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EC6	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation	68, 115	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operations	101-102	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
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	EN13	Habitats protected or restored	None
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	68	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	None
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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	132-133
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	129-130
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LA1	Total workforce by employment type, employment contract, and region	86-92
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LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees by major operation	92, 95

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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	97-98
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	99-100
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	N/A
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	99
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	94
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
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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
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	76-79

Performance Indicator	Description	Page	Performance Indicator	Description	Page
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	80-82	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	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	PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	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	Report has undergone external control
	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.	

* 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.	84-95	HR1-9
2. make sure that they are not complicit in human rights abuses.		84-95	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.	94, 97-98	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.	89, 95	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.	89	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.	84-90	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.	121-135	4.11
8.	undertake initiatives to promote greater environmental responsibility; and		121-135	EN5-7, EN10, EN13-14, EN18, EN21-22, EN26-27, EN30
9.	encourage the development and diffusion of environmentally friendly technologies.		121-135	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.	46-49, 51-55	SO4

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Finally, we would like to thank all our stakeholders and all the readers of this report. We hope that this report will help to improve Strauss Group's dialogue with all of you and we invite you, as always, to respond and voice your opinions. We are confident that this feedback will help us become a better company.

