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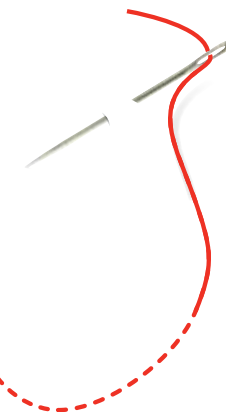
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PROGRESS REPORT 2011

CORPORATE RESPONSIBILITY AT STRAUSS GROUP

PRO
GRESS

A needle and red thread forming the letter 'S' in the word 'PROGRESS'. The needle is silver and the thread is red. The thread forms a large, stylized 'S' shape that extends from the end of the word 'GRESS'.

REPORT 2011

Contents

4 About this Report

6

Part One: Our Way

- Message from the Group Executive
- Strauss Group - At a Glance
- The Economic Impact of Strauss Group on our Stakeholders
- Awards received for CR Activities in 2011
- Memberships and Partnerships

16

Part Two: Dialog with our Stakeholders

- Main Achievements in 2011
- Communication Channels with Stakeholders
- Online Dialog with Stakeholders
- Dialog Meeting with Stakeholders
- Acting for the Benefit of Consumers and Employees
- Global CR Forum
- Dialog with Stakeholders: 2012 Objectives

22

Part Three: Marketplace

- Main Achievements in 2011
- Product Responsibility
- Advancing Healthy Lifestyles for Consumers and the General Public
- Responsible Marketing
- Supply Chain
- Suppliers
- Marketplace: 2012 Objectives

36

Part Four: Workplace

- Main Achievements in 2011
- Diversity and Inclusion
- Advancing Awareness for a Healthy Lifestyle among Employees
- Health and Safety in the Workplace
- Workplace: 2012 Objectives

37

Part Five: Social Investment and Community Involvement

- Main Achievements in 2011
- Strauss Group's Community Investment Strategy
- Implementing the Community Investment Strategy
- Examples of Projects to Advance Employment
- Our Involvement in Communities around the Globe
- Community: 2012 Objectives

38

Part Six: Environment

- Main Achievements in 2011
- Environmental Management
- Implementing the Packaging Law in Israel
- Water Purification in China
- Energy from Coffee Waste in Serbia
- Environment: Objectives for 2012 and Beyond



Corporate Responsibility at Strauss Group is not a short-term project. It is a way of managing our business. We are Driven by Responsibility and act consistently to improve the way in which we manage our business around the world.

INTRODUCTION: **About this Report**

We are proud to present this annual Corporate Responsibility Report of the Strauss Group, in the format of a progress update, in the spirit of the GRI guidelines, which reviews progress against our Corporate Responsibility objectives in 2011.

In 2011, the State of Israel, the home base of the Strauss Group, experienced social protests of unprecedented proportions, at the same time as a public social and economic uprising was taking place around the world.

The field of Corporate Responsibility has become more relevant than ever and our perspectives about our social and environmental impacts have broadened. Our understanding of our economic impact has also changed: in the past, our focus was on creating value for shareholders, job security, and ensuring an economic contribution for our suppliers and the markets in which we operate around the world; today, consumer pricing policy is at the forefront of our considerations. The social protests caused a realignment of the content of our dialog with consumers: in addition to considerations of environmental protection and the nutritional value of our products, a new requirement became significant - reduce the prices of our products and protect the purchasing power of the consumer. We are doing everything to adapt ourselves to this new reality, through working on our prices, packaging, product sizes and

more. Our objective to provide greater added value to our consumers is a long-term process which will continue through 2012 and beyond. This also presents us, as a global group, with an opportunity to deepen our dialog with stakeholders and reexamine our responses to meeting their needs.

This experience has brought us to include a broader consideration of stakeholder voices in our decision-making processes at Strauss Group and has enabled us to deepen the connection between Corporate Responsibility strategy and our core business

This year - A Progress Report

The Strauss Group Corporate Responsibility Report for 2011 is a Progress Report which has been written in accordance with the principles of the global reporting framework of the GRI. This change is part of a process to publish a full GRI report in line with the GRI framework every two years. This Progress Report provides an update in the interim year, thereby maintaining our reporting continuity in a more thorough way, which is more appropriate for the scope of our activity.

The Progress Report includes information about our performance versus the objectives we set for ourselves in 2011 and describes the changes from 2011 versus 2010. It contains updates relating to our significant activities in the field of Corporate Responsibility as they affect our core business as a global food and beverages company.

Online Reporting

This Progress Report, as are all our Corporate Responsibility Reports, is published in full online, on Strauss Group's dedicated CR website cr.strauss-group.com. The website is updated on a continuous basis and provides up-to-date information about our CR activity. Presenting our report online serves to enhance its transparency and accessibility and improve our dialog with stakeholders. Online reporting is designed to encourage interactivity, reciprocity and feedback from the general public.

Contents of this Report

This Report covers all of Strauss Group activities around the world, except where otherwise noted. This Report presents performance indicators and information relating to the calendar year 2011, and where possible, multi-year data. The business entities which are included in this report are Strauss Group, Strauss Coffee, Strauss Water, Max Brenner and Sabra and all their business divisions and entities. Except where otherwise noted, the quantitative data included in this Report is correct as at 31st December 2011. The monetary amounts included in this Report which are not reported in New Israel Shequels, were measured in locally relevant currencies and converted to U.S. Dollars at the representative exchange rate of 31st December 2011.

The data and information in this Report was collated by Strauss Group with the support of PwC Israel, who assisted in processing some of the data. The data in this Report did not undergo accounting audit or external verification. In the case of any inconsistency between data presented in this report and Strauss Group's Annual Report, information in the latter will prevail.

We hope you enjoy reading this report.

Daniela Prusky-Sion

Corporate Responsibility Manager



Our Way





MESSAGE FROM THE GROUP

Executive Management

During the past year something happened.

Social protests grew and overwhelmed many countries all over the world. It seems as though there is no continent in the world which did not experience this. Many countries now face the challenges of managing the impacts of the global social-economic protest movement by citizens demanding change.

Consumers all over the world signaled that they have lost a basic level of trust in the business sector. Therefore, in today's new world, the burden of proof has been transferred to companies. Businesses are under scrutiny, in all aspects of their behavior, every single day.

Strauss Group, as a company operating in many countries around the world, is an active partner in the international business community and a player in this global social and environmental dialog.

We at Strauss Group have made Corporate Responsibility a way of life from the day we were founded, we have listened keenly to the public voices that are emerging around the world including in Israel, our home base. This year in particular, even more so than in the past, this sharpened our understanding that that acting from a basis of responsibility, transparency and dialog with all our stakeholders, including employees, consumers, suppliers, local communities, is a very real and mutual need.

We see the utmost importance in strengthening the trust of all our stakeholders, and in continuing the journey of continuous improvement which we started so many years ago. We continue to act to strengthen and expand our Corporate Responsibility within the Group and to manage this in a strategic way, while adapting ourselves to this new reality.

Over the years, we have evaluated ourselves through the value we create for our shareholders, through job security and the economic contribution which we provide for thousands of employees, and the value we create for our suppliers. Our dialog around Corporate Responsibility was focused on our contribution to protecting the environment, our community involvement and the impact of our products on the quality of life and the health of our consumers. The new dialog created in the past year enriched the discussion and added new dimensions: pricing policy, product solutions and our impact on the purchasing power of our consumers.

This insight requires us to adapt in several ways, including in the variety and choice of products we offer and the different types of products we bring to market for specific consumers. This process requires time, for example, in changing product

lines, generating efficiencies and reallocation of the resources within our organization. In 2011, we started to embed these processes and now, in 2012, we continue to advance this approach. Our main objective is to add greater value for our consumers.

We are sure that today, more than ever, the key to our success in the long term is dependent upon our ability to create value for all our stakeholders in a responsible way. We call this Driven By responsibility.

As a food company, we understand that we have a responsibility and we choose to act both in accordance with the requirements of law and also from a basis of responsibility to our stakeholders, with all the resources that we have available. We touch people through the food that our consumers give to their children; we are partners in the lives of families and we influence their health, their life expectancy and their total food costs; we use raw materials, water and energy and run distribution operations; we employ people and are responsible for the ability to earn a living for thousands of people around the world. All these things place a great responsibility on the shoulders of our business.

Our ability to address the entire spectrum of our impacts within our business environment is more important than ever in order to ensure our positive long term relationship with our stakeholders, including the general public – a public with an opinion, a public which demonstrates awareness and influence.

This year, our Report presents our progress in advancing a range of activities that Strauss Group has undertaken in the field of Corporate Responsibility during 2011. The Report is designed to serve all our stakeholders and provide them with a report on the range of impacts across our businesses, so that we can continue to maintain positive and reciprocal connections.

All those who read this Report will see that a key emphasis in the last year has been on investment in people and products. Alongside price reductions and discounts on around 50 of our products in Israel, we made significant progress in hiring third party employees as permanent employees of the Group, and improved the low-end salaries of employees alongside a range of other measures as are described in the Report. In addition, we made significant progress in the area of diversity and inclusion, as it is our belief that a diverse company is a better company and is closer to its consumers. We have set ourselves a company-wide target to achieving employment equality between men and women in management by the year 2015. In addition, all the companies in Strauss Group have established specific diversity and inclusion targets, relevant to the local challenges they face.

In the area of environmental responsibility, we have continued to make progress and today, the two largest companies in the Group, Strauss Israel and Strauss Coffee, are working towards 5-year targets. Our objectives are to consistently and significantly reduce our environmental impacts and therefore contribute to improving the quality of the environment in the areas in the world in which we operate.

Corporate Responsibility is a way of life for Strauss. We are committed to continue to act to embed Corporate Responsibility strategy in all our operations throughout the world, adopting the highest standards of corporate behavior in all the markets in which we are active. We continue our journey, listening and learning continuously and with an aspiration to improve ourselves and our behavior so that we can all live in a fairer and better world.

"All those who read this Report will see that a key emphasis in the last year has been on investment in people and products"

Ofra Strauss
Chairperson,
Strauss Group

Gadi Lesin
President and CEO,
Strauss Group

Mike Avner
SVP General Counsel
and CR Head

Strauss Group at a Glance

- Strauss Group is the second largest food and beverage company in Israel and an international company employing 14,122 employees (of which 1,248 are temporary employees). At the time of publication of this Report (June 2012), Strauss Group operates from 27 production sites in 9 countries. The Group is active in 19 countries and has representation in 15 countries.
- Strauss Group has delivered consistent growth over many years and the Group's turnover reached NIS 7.7 billion in 2011, of which 48.9% derives from the Group's global activities outside of Israel.
- Strauss Group has 5 core areas of business focus: Strauss Israel, Strauss Coffee, Strauss Spreads and Dips, Strauss Water and Max Brenner.
- Strauss Group maintains strategic partnerships with large global companies in fields of food and beverages and retailing and trade (Danone, PepsiCo, Haier and Virgin).
- Strauss Group trades on the Tel Aviv 25 Index (TA25), which includes the largest public companies in Israel. Strauss Group has a credit rating of iIAA+ from Standard & Poor's Maalot credit ratings provider and a rating of Aa1 on bonds in circulation from the Midroog Ltd, a credit rating agency accredited by the State of Israel.
- Strauss Group's market capitalization was NIS 5 billion at end 2011.



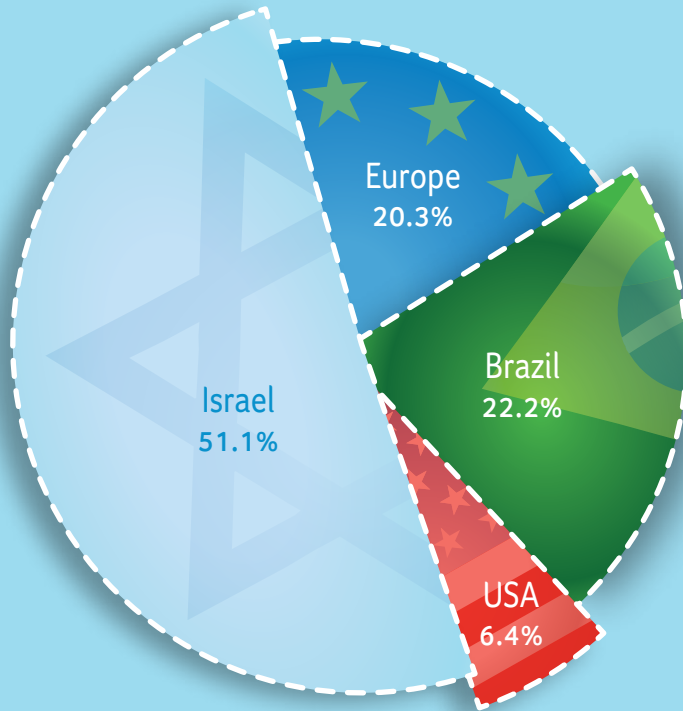
14
Thousand
Employees

27
production
sites in 9
countries

Consolidated Net Sales (in NIS million) 2003 – 2011



Strauss Group Income
by Geographical Region - 2011



7.7
Billion NIS
Group turnover
in 2011

About
5
Billion NIS
equity value
at end 2011



Strauss Employees 2009-2011*



* Excludes third party employees

** In 2010, Strauss Group purchased Strauss water.



Establishment of a
global Dips and Spreads
partnership with
Pepsico

Major Business Developments in 2011

The year 2011 was a year of significant investment in business growth in the areas of water and dips, categories which support our commitment to improving the lives of people.

Strauss Group - Creating Wonders around the World

Strauss Group signed an agreement with PepsiCo to create a new initiative to market and distribute fresh dips and spreads - PepsiCo-Strauss Fresh Dips & Spreads International. The new company is a joint venture between the companies in North America as part of the Sabra Company. In this joint venture, resources will be invested to develop new technologies and categories, and establishing new production plants and entry into markets in which Strauss is not currently present.



Launching the marketing of Strauss Water products in China through our partnership with **Haier**, Chinese electronics giant

Strauss Water – Creating Wonders from Nature

- Strauss Water signed an agreement with the Virgin Group for the marketing, sales and service of Strauss Water under a joint brand in England and in Ireland. In the future, this activity will be expanded to France, Australia and South Africa.
- Strauss Water started to market in China, via the Group's partnership with Haier, the major Chinese electronics brand (For further information - see Part Three: Marketplace).

Strauss coffee - Creating Wonders from Coffee Beans

- Strauss Coffee signed an agreement to purchase "Ambassador", a premium instant freeze-dried coffee and roasted coffee brand which is sold in Russia, Ukraine and Moldova. The transaction, with an investment of 10.4 USD is a further step in strengthening the position of Strauss as a central player in Russia, which is one of the largest coffee markets in the world.
- Strauss Coffee signed an agreement to manage and operate an innovative factory for the production of freeze-dried instant coffee of the Viva Company in Germany. The new coffee factory will supply freeze-dried instant coffee for the Strauss Group subsidiaries in Russia and in East European countries and will assist the Company to support the growing needs of this large coffee market. The agreement was signed at the beginning of 2012.

11.4
Million NIS
 invested in
 corporate
 responsibility
 in 2011

Nearly
10
Million NIS
 invested in
 infrastructure
 to improve
 environmental
 performance
 in 2011

The Economic Impacts of Strauss Group on Stakeholders

Our Stakeholders	2010	2011
Our Employees	NIS 1.311 Billion was paid to 12,350 employees around the world (excludes 1,535 contract workers)*.	NIS 1.36 Billion was paid to 12,874 employees around the world.
Our Consumers	Sales Income: NIS 6.9 Billion.	Sales Income: NIS 7.7 Billion.
Our Suppliers	Payments to suppliers: NIS 4.8 Billion (approx.)	Payments to suppliers: NIS 5.6 Billion (approx.)
Shareholders	Approx. NIS 200 Million in dividends to shareholders. Approx. NIS 88 Million in cost of interest to credit providers.	NIS 200 Million in dividends to shareholders. Approx. NIS 145 Million in cost of interest to credit providers.
Government Authorities	Approx. NIS 147 Million in taxes. Approx. NIS 2 Million in financial support from government agencies in the form of grants, corporate tax reductions and Value Added Tax benefits in preferred areas.	Approx. NIS 127 Million in taxes. Approx. NIS 1.3 Billion in financial support from government agencies in the form of grants, corporate tax reductions and Value Added Tax in preferred areas.
The Communities in which we Work	Approx. NIS 9.7 Million financial and product donations.	Approx. NIS 11.4 Million financial and product donations.
The Environment	Approx. NIS 11 Million invested in infrastructures to improve environmental impacts in our factories and approx. NIS 11 Million invested in ongoing environmental management	Approx. NIS 10 Million invested in infrastructures to improve environmental impacts in our factories and approx. NIS 12 Million invested in ongoing environmental management.

*This figure includes all salaries, national insurance payments, pension and severance provisions, insurances, and other social benefits.

Awards received in 2011 for Corporate Responsibility

We are proud of the awards we have received, which recognize our commitment to continuous improvement, and the desire to show leadership in the field of corporate responsibility and our investment in the improvement and expansion of our activities in this field.



Strauss Group was the **highest ranked company at the Platinum level in the Maala Corporate Responsibility Ranking in Israel**. Strauss is the only company in Israel to achieve the highest possible ranking (10 points) in 15 of the 16 available categories.



Strauss was ranked for the fourth successive year in the **top ten Best Companies to Work For** in the BDI COFACE annual ranking. Strauss was ranked in ninth place overall and first place in the consumer goods sector.

Memberships and Partnerships





**Dialog
with our**

Stakeholders

Dialog with our Stakeholders

Goals	Main Achievements in 2010	Main Achievements in 2011	Progress
Deepen and consolidate dialog with our stakeholders	We established a platform to expand our activity and dialog channels using social media in order to deepen our dialog with our stakeholders: consumers, suppliers, communities and government authorities and more.	<ul style="list-style-type: none"> We significantly expanded our online and social media activity (See details in: "Dialog with Stakeholders Online"). We launched an Online Charter, which includes behavior guidelines to assist managers and employees in behaving responsibly online. 	

KEY



Channels for Dialog with our Stakeholders

We maintain an ongoing dialog with our many stakeholders via a range of channels. This dialog, we believe, enables us to learn about their needs and act with transparency. We use a variety of ways to achieve this objective: focused personal meetings with stakeholder groups according to their professional interest (media, suppliers, social organizations and others), use of online platforms to communicate with communities (consumers, social organizations, the general public) and we also place emphasis on internal communications with employees, both direct and online. Information about our communication channels with stakeholders can be found on the Corporate Responsibility website of Strauss Group.



Online Dialog with our Stakeholders

2011 was defined as the year in which we implemented the new strategy and policy of Strauss Group for expansion of our online activity. We see this as a strategic objective which supports our vision of being an organization which acts with transparency and engages in dialog, builds trust and openness with our stakeholders. In this context, we have completed the following measures:

- A **dedicated Corporate Responsibility website** was established within the Group website, and includes our full annual Corporate Responsibility Report and ongoing news which is updated throughout the year. The site, the first of its kind in Israel, addresses two main objectives:
 1. A place for dedicated content regarding the range of Corporate Responsibility activities that Strauss maintains in Israel and in the world, in all our subsidiary companies, with full transparency.
 2. A place for interactivity which, unlike regular websites which are designed to inform, encourages genuine dialog with stakeholders, consumers, suppliers, the general public, employees and the community.

Around one year after we had launched the site, it now reflects in real time the Corporate Responsibility activities of the Group while providing opportunities for different groups to react and provide feedback in a range of ways. In addition, online reporting has the advantage of

not using paper for printing. In contrast to prior years, in which the Corporate Responsibility Report was printed and mailed to a selected group of stakeholders, use of online tools for reporting enables access to content for a wide range of readers and provides a platform for reactions, thereby deepening our communication and dialog with stakeholders.

- This year we launched the Strauss Group **Blog**, Food for Thought. The blog, whose content is written by Strauss Group managers and employees, is structured around four core themes: innovation and enterprise, people and leadership, managing responsibly and snacks. The "managing responsibly" section is dedicated to content relating to Strauss Group Corporate Responsibility.
- We created a dedicated section of Strauss Group **Facebook page**, focused on Corporate Responsibility, for the 75,000 members of our Facebook community.
- We created **Twitter** account for the activities of Strauss Group through which we can strengthen our contact with our stakeholders on a global basis.
- We upgraded our **online interface with our employees** creating a synchronized platform.
- We launched a dedicated website, **My Strauss**, in which consumers are invited to provide feedback to new products and offer new product ideas (For more information, see the section entitled: "Our Marketplace").



Upgrading Customer Service

In 2011, in addition to our Consumer Call Center, we added channels to improve the efficiency of communication with our customers, as we wish to engage them in dialog wherever they are situated. Our new suite of online channels includes: response to consumers on Strauss Group Facebook page as well as on our different product pages, responding to chat through the corporate website, monitoring of online conversations and management of contacts with consumers through the "My Strauss" page for consumer queries. The new suite of channels increased the quantity of queries directed to Strauss Group, and resulted in new consumer contacts (including young consumers) who raised more complex dilemmas, which required us to improve our capability to respond.

Dialog Meeting with Stakeholders

A Dedicated Dialog Meeting with our Stakeholders with the Publication of Strauss Group's 2010 Corporate Responsibility Report.

In June 2011, we held a launch event for the Strauss Group online Corporate Responsibility Report, which was designed to encourage dialog with our stakeholders. A range of stakeholders were invited to the meeting: representatives of social and environmental organizations, representatives of government agencies and local municipalities, suppliers, customers, representatives of academic institutions and Corporate Responsibility professionals and more. Discussions took place between these participants and Strauss Group managers in a Round Table format. Participants expressed their views regarding the content of the Corporate Responsibility report and raised suggestions for improvement. This was the first event of this nature in Israel in which a corporation opens its doors and provides a platform for open conversation between managers of the company and stakeholders about the content of their Corporate Responsibility Report.

The event was broadcast live on the Strauss Group internet site and on our Facebook page. The general public was invited to respond and send questions to the participants. The presentation of our activities in an open way represented a challenge for Strauss Group and invited scrutiny and criticism.

Results of the Dialog Meeting: As a result of the Dialog Meeting, we received feedback which we processed, and identified elements we could progress in a practical way. We shared these with the relevant and some of the recommendations raised by participants were included in our work plans. We continue to update the meeting participants with regard to the implementation of these recommendations. We believe that listening to the insights of stakeholders will enable us to improve.

Acting for the Benefit of Consumers and Employees

As part of the public social protests against the cost of living in Israel in the summer of 2011, against the backdrop of the global socio-economic protests, our consumers signaled to the business sector their loss of basic trust in business. At Strauss Group, we believe that it is our role to regain this trust through participating in open dialog with the public. We chose to act on two main levels to assist addressing the challenges of the cost of living in Israel – with consumers and with our own employees. One of the decisions, was the creation of a **Social Board**, led by Strauss Group President and CEO and with the participation of the Group’s senior executive. The Board’s vision is to be attentive and close to the Group’s stakeholders, to identify issues that require attention and appropriate policy and to oversee their accomplishment.

Measures for the Benefit of Consumers

- **Pricing policy:** We reduced the price levels of different categories of products, with an emphasis on food staples.
- **Increasing dialog:** The protest, which emphasized the need of consumers to increase their communication with food companies, encouraged us to deepen our dialog channels, based on our commitment to Corporate Responsibility. We listen closely to what is being said and identify opportunities for improvement.
- **Innovation and Product Development:** The approach which continues to drive us, even in times of market changes, is that of continuing to create and value and improve the taste, quality and health parameters of our products.

Measures for the Benefit of our Employees

In 2011, we led open discussions with our employees regarding salary levels, welfare packages, working conditions and the challenges they face regarding of the cost of living. Based on this broader understanding and in order to demonstrate our concern for our employees, we created an action plan which included several elements:

- **Salary Levels:** We increased employee salaries, added incentives for in-store merchandisers and instituted a wage-freeze for senior managers.
- **Increasing Welfare Benefits:** We obtained improved terms for employee loans from the banks, increased our social support, offered subsidies for employee vacations with their families and in some cases, funded vacations for employees with low-end salaries. We reduced the price of Strauss Group products in the Company store, and we employed employees’ children during the summer vacation (in line with laws concerning employment of minors). We also increased the amount of funding for academic study for the children of employees.
- **Third Party Employees:** We reduced to an absolute minimum the number of third party employees that work at Strauss Group, and hired those third party employees which were essential to the company on permanent basis. We reduced the period of time that we employ third party employees to the minimum possible and not more than 6 months.

Global CR Forum

This is the sixth year in which a meeting has been held for the global Corporate Responsibility Forum of Strauss Group to which representative of different groups around the world are invited. This includes people from different departments: Environment, Purchasing, Human Resources, Logistics, Media, Legal, Marketing and representatives from the Strauss Group Executive Team. The 2011 meeting was focused on "Corporate Responsibility in the Digital Age". At this meeting, we discussed the connection between online strategy of Strauss Group and the Corporate Responsibility strategy, and learned about the consumer expectations of food companies in the digital age and about the innovative dialog process in 2011, as well as developing the theme of diversity and inclusion.

The meeting of the global Forum is held annually, and is the culmination of a full year’s activity by the Corporate Responsibility Trustees of Strauss Group. The Trustees are managers who undertake to embed Corporate Responsibility practices in the Divisions in which they work, in addition to their roles in the business.

Dialog with Stakeholders: 2012 Objectives

1

Hold dedicated meetings with primary stakeholders throughout the year, attended by relevant managers, identifying core issues

2

Improve the company response to the needs of stakeholders based on continuous meaningful dialog

3

Lead a process of identification and strengthening the connection with new groups of relevant stakeholders





Marketplace

Product Responsibility



Progress	Main Achievements in 2010	Main Achievements in 2011	Goals
Continue improving the nutritional value of our products and increase the variety of products we offer to our consumers, while emphasizing products with the optimal nutritional value	<ul style="list-style-type: none"> We have continued to develop products with optimal nutritional value such as the Activia probiotic yogurt whole grain series, tahini from whole sesame seeds and hummus with tahini from whole sesame seeds. 	<ul style="list-style-type: none"> We launched "Danacol" products (designed to reduce LDL cholesterol in the bloodstream), carrot snacks, honey for children and more, as detailed in the rest of this section 	
	<ul style="list-style-type: none"> The Strauss Institute supports the advancement of knowledge and research in the field of healthy lifestyle. 	<ul style="list-style-type: none"> We updated our Danone Institute Strategy – Strauss created a new scientific council. The Institute's dedicated internet site is being built and will launch in May 2012. 	
	<ul style="list-style-type: none"> We maintain our longstanding avoidance of use of trans fats and artificial food coloring in Strauss products. 	<ul style="list-style-type: none"> Several achievements in nutritional values of salty snack products (details follow). 	
Improve labeling on product packages	<ul style="list-style-type: none"> We raise awareness of proper nutrition by emphasizing nutritional values on packaging and through our marketing. In 2010, we updated our packs for pasta meals and led campaigns for cottage and soft white cheeses. We continue to update the "Strauss Packaging Guide", outlining the detailed criteria for designing each pack, often exceeding legal requirements. 	<ul style="list-style-type: none"> We continue to ensure all products adhere to the "Strauss Packaging Guidelines" Product labeling information includes allergens beyond legal requirements. Sabra internet site contains relevant information about product contents (allergens, nutritional values, gluten content). 	
Expand our water business in order to provide a response to the basic need for clean and safe water	<ul style="list-style-type: none"> We established Haier – Strauss Water in order to enter the Chinese market, and in Britain we re-launched the T6 device. 	<ul style="list-style-type: none"> Strauss Water launched the Water Maker, with Haier in China, a product which offers innovative technological filtration advantages and water heating and cooling. 	
Provide our consumers with quality products which are safe for use	<ul style="list-style-type: none"> Strauss Group policy is for all plants to operate according to international food safety standards such as ISO9000 quality standard. The dairies which make products for export are inspected by the Veterinary Services of the Ministry of Agriculture in Israel. In 2010, Strauss Water adopted the safety standard 5452 for products which come into contact with drinking water and ensures there is no leakage of metals or poisons. 	<ul style="list-style-type: none"> We expanded the HACCP (Hazard Analysis and Critical Control Points) in all Strauss Israel factories and for Strauss Coffee Adriatic, Poland and Romania. We adopted the leading new international ISO 22000 Standard on food safety in the confectionery division of Strauss Israel, as a first stage in the future adoption of the Standard in all Strauss Israel factories. All products of Strauss Coffee Poland and Romania are manufactured in line with this standard. In line with ISO22000 Standard, Strauss Water adopted in 2011 the American NSF Standard, which covers treatment of drinking water for products designed for home use. This Standard is the basis for the Israeli Standard 1505, which was adopted by the Company in 1984. 	



"My Strauss" - Engaging Consumers in Product Development and Improvement Processes

Over the years, Strauss has advanced different ways of collaborating with consumers in the development and improvement of our products. In 2011, Strauss stepped up this activity of dialog with our consumers regarding our products, and launched a platform which is highly innovative in Israel – the internet site "My Strauss", which is entirely focused on interaction with consumers. This activity was designed to create direct dialog with consumers and deepen our responsiveness to them. The site encourages consumers to influence, suggest new products and provide feedback about existing products and become partners in product development, thereby opening up a door for them to the core activity of the Company. To date, over 30,000 suggestions were made (as of June 2012), and over a quarter of a million suggestions and reactions to existing products were recorded. There are 15,000 registered community members.

Every idea which is submitted is open to discussion by the site members, who influence the ongoing development of the idea by Strauss. The "popular" ideas, and those ideas which are in line with the Company and Brand Strategies, are routed to the decision-makers at Strauss Group for an initial feasibility assessment. Ideas which succeed at this stage are classified in one of the following categories: "Initial Assessment", "Detailed Assessment", "About to happen", "It's Happening!" and "Maybe Another Time!"

All the products launched (15 products) can be found on the website:
<http://mystrauss.strauss-group.com/in-action>



"My Strauss" is also a platform to share with consumers the different considerations, explanations and issues which arise as we handle their requests, supported by the Call Center for Customer Service. Queries which are discussed include issues relating to raw materials of the products as well as the cost of products.

Over
30,000
suggestions
 were made
 (as of June 2012)

Over a
quarter
 of a
million
suggestions
and reactions
 to existing
 products

15,000
 registered
 community
 members

Customer Service

Progress	Main Achievements in 2010	Main Achievements in 2011	Goals
Provide our customers and consumers with the best service	<ul style="list-style-type: none"> In a satisfaction survey that was conducted among consumers in 2010, the consumers scored their general satisfaction with Strauss Customer Service at 4.5 (out of 5). 	<ul style="list-style-type: none"> We retained the satisfaction level among consumers. Customer satisfaction scores were 4.45 on a scale of 1-5, in terms of regular complaints handling (most of the complaints) 	
	<ul style="list-style-type: none"> In 2010, the information management system that assists service representatives when responding to consumers was upgraded, in terms of both technology and content. 	<ul style="list-style-type: none"> We added new channels to our customer service operations designed to expand our communications and make the more efficient (more details in the section "Dialog with Stakeholders"). 	
Reduce the number of consumer complaints and incidents of dissatisfaction	<ul style="list-style-type: none"> We are attentive to the calls from our consumers, and where necessary, we make changes in order to satisfy them. In 2010, we placed products for sale after delisting in response to consumer demand, we dealt with product technical problems and highlighted expiry dates where they were difficult to read. 	<ul style="list-style-type: none"> There was a reduction in the number of consumers who found a fault in one of our products (7.5% versus 8% in 2010). Additionally, according to a survey, 81% of consumers which called the Product Call Center with a complaint about product quality, continued to purchase Strauss products. In 2011, Strauss Israel conducted several changes, for example: Expansion of a range of products for those suffering from celiac, "Grand Danone" products were launched (following consumer requests to have a product to share with the family), we differentiated between waffle packs and waffles without added sugar, we changed the Chico product size in order to reduce exposure to air and crystallization etc. 	

KEY



Products for People with Special Nutritional Needs

Strauss is aware of and responsive to the special nutritional needs of different groups and maintains an ongoing dialog with them and with supporting non-profit organizations, in order to learn of their needs at first hand and provide our best response. We aim to add products on a continuous basis which meet their needs.



Solutions for those suffering from Celiac Disease

It is important for us to continue to provide solutions for this group which suffers from reaction to wheat protein (celiac disease). We have added gluten-free Kosher for Passover products for those suffering from celiac disease. Also, in our Dips and Spreads Company, Sabra, we offer to celiac sufferers a range of gluten-free products. These innovations assist celiac sufferers to face their daily nutritional challenges.

Solutions for People Suffering from Diabetes

We collaborate and maintain a strategic dialog process with social organizations which represent diabetic groups in Israel. This was due to our desire to strengthen our knowledge of the needs of diabetics and their special nutritional needs. In 2011, in order to improve possibilities to provide products to meet their needs, we strengthened collaboration and dialog with these organizations. Our objective is to launch the first phase in an action plan for diabetics during the coming year.



Measures to Improve the Nutritional Value of our Products

Our vision, "Creating Wonders our of Basics", drives us at Strauss Group to develop products which give consumers pleasure while at the same time enable them to live a healthy lifestyle and improve their eating habits. Strauss Group continuously acts to develop products in new categories in order to improve the quality of life for consumers. In Strauss Israel, a process is underway to examine the health and nutritional content of all products in each category. The process is coordinated by the Company dietitian and there is an annual discussion with the Strauss Group Executive Team about the necessary improvements.

New Trends in Product Development

During the last two years we have been able to record three key achievements in the production of salty snacks, to assist nutritional balance:

- **Shift to Sunflower Oil:** In September 2011, we shifted to using sunflower oil instead of palm oil in our process for preparation of Cheetos and TapuChips. Sunflower oil contains 12% saturated fat (a 70% reduction). In sensoric tests, we proved that there is no difference in the taste that consumers are used to. This process of switching oils was achieved in collaboration with our global partner, PepsiCo.
- **Significant reduction in salt levels:** In this process, which has been active for two years, including the purchase of new equipment at a cost of Hundreds of thousands US\$, we found a way to significantly reduce salt levels without affecting taste in our salty snacks. We managed to reduce salt by 40% in TapuChips with Olive oil, and by 9% in TapuChips Natural Flavor. It is our intention to continue this process with other products.
- **Converting TapuChips Natural flavor to Gluten-free:** During 2011, we separated the production process for TapuChips Natural flavor from other salty snacks and we maintain strict laboratory checks to ensure there is no gluten content in this snack. We use an independent external laboratory to confirm this.

Our vision, "Creating Wonders our of Basics", drives us at Strauss Group to develop products which give consumers pleasure while at the same time enable them to live a healthy lifestyle and improve their eating habits

Measures to Improve our Consumer's Quality of Life through our Products in 2011



Danacol

Danacol is a yogurt drink for daily consumption which is designed to lower LDL cholesterol levels in the blood by means of a mixture of phytosterols which has been scientifically proven to reduce cholesterol. The product was developed by the research institute of Danone. Danacol is manufactured in the Strauss Dairy in Israel using innovative technology, and is the only yogurt drink in Israel which offers cholesterol reducing properties.

Grilled Roasted Vegetables by "Achla"

We launched a new product range which significantly expanded the range of chilled salads available. The dominant ingredient in this range is vegetables which have been grill-roasted and not fried.



Strauss Hummus Salads by "Achla"

These salads contain 30% less fat compared to main competitive products and include canola oil, tahini and whole grain sesame seeds.





Strauss Water

As we were developing products for the Chinese market, we sought a solution for water purification which would meet both cost and quality criteria, given the quality of water in China. In May 2011, Strauss Water in China launched the Water Maker, in the context of our Joint Venture with the major global electronic consumer goods manufacturer, Haier, with whom we have a strategic collaboration. The Water Maker offers innovative technological solutions for purification and water heating and cooling. The product is now being sold in China on a dedicated basis and was developed using MAZE purification technology. MAZE has been developed at Strauss Group for the past five years. The partnership with Haier enables us to gain a deeper understanding of the local population needs in China and to bridge social gaps. In 2012, an additional product will be launched - at a lower price point while maintaining high purification levels, in order to expand access to a larger section of the population with lower income levels.

Carrot Snacks

In an innovative process which included establishing a new factory and providing jobs for additional employees in peripheral areas in Israel, Strauss created an opportunity to meet consumer needs from fresh vegetables without any additives. The product, fresh mini-carrots snacks, washed, peeled, cut and ready-to-eat, is a healthy and fun snack, rich in dietary fiber and vitamins.



Morning Drink Suited for Children

Strauss's Danone morning drink for children enables kids to start the morning in a healthy way with a bio- yogurt drink which contains vitamins, minerals and dietary fibers in a small 150 ml bottle which is appropriate for children.



Honey for Children

A new healthy range of natural honey for children with a variety of flavors: strawberry, vanilla and natural flavor, in a bottle ideal for children.





In
2011
Strauss
Israel began
developing
a program
to advance
healthy
lifestyle in
children and
adults using
online tools

Programs to advance Healthy Lifestyle for Consumers and the General Public

- In 2011, Strauss Israel conducted a survey among mothers regarding the eating habits of their children. The results of this research assisted the product development teams at Strauss to meet consumer needs at the time of product development for providing best nutritional content. The research showed that 60% of mothers check the list of ingredients on products before deciding to purchase. One of the examples of implementing a request from the general public was the removal of food colors from our chocolate products.
- In 2011, Strauss Israel began developing a program to advance healthy lifestyle in children and adults using online tools. The program will be launched in 2012.
- Similar to the process for launching Danacol and Activia products (see details below), Strauss Israel invests efforts in online media which includes content related to increasing awareness of a healthy heart, cholesterol reduction, convenience and digestion. Similarly, the website advances the "Gamadim" product range launched in 2011, which incorporates improvements in child nutrition.
- On the Strauss Group corporate internet site, on our Facebook page and on our Blog, we publish tips for healthy and balanced nutrition as a service for the general public.

Responsible Marketing

KEY



Target Met



Significant Progress



In Progress



Commenced

Goals	Main Achievements in 2010	Main Achievements in 2011	Progress
Be meticulous about marketing, advertising and informing consumers in a responsible way	<ul style="list-style-type: none"> During 2010, we were meticulous about informing consumers in an ethical and responsible way, especially in our expanding use of social media. 	<ul style="list-style-type: none"> We launched, for the first time in Israel, a collaboration with "Terra Cycle", a company which recycles the packaging of our salty snacks. We launched a campaign "Documenting Real Women" with "Activia", a functional product to help slow digestion (more details below). 	

TapuChips Snack - Terra Cycle Project

In November 2011, Strauss was the first business organization in Israel to join forces with "Terra Cycle" for a campaign with the "TapuChips Division". In this innovative project, Strauss encourages its consumers to collect salty snack packages. Consumers send the packages for recycling or reuse at no charge to themselves. Strauss pays 5 cents for each package received and the money is donated to a social cause selected by those sending in the packages - this may be a non-profit organization, youth movement or school. In this way, we encourage the public to take responsibility for the environment in which they live and at the same time, we express our commitment to care for the environment even after our products have left our production lines, through the reduction of waste. The project also enables Strauss to contribute to the local community through the financial contributions made to the selected organizations.

Terra Cycle, a global company, manages the collection process and the recycling of packages as well as the routing of donated funds to the selected organizations. The process of recycling is divided between recycling of the products into their constituent raw materials for industry (rubber pellets, for example) or up-cycling, which is for the production of recycled and upgraded products which are environmentally friendly such as: handbags, wallets, pencil-cases and more.



Activia

In 2011, Strauss placed emphasis on the nutritional values of the functional yogurt, Activia, in order to focus on the healthcare properties for people who suffer from digestive problems. Because of the fact that a high percentage of the population suffers abdominal pain, a bloated feeling or discomfort, we made it our objective to raise awareness about this. The program was designed to offer "real" women an opportunity stage to focus on the issues that they face, and document their experience during a trial period of using Activia, which offered a solution as part of a change in their lifestyle. The process was supported by a dedicated website in which the public was invited to share experiences and discuss the relevant issues.

Corporate Responsibility in the Supply Chain

Goals	Main Achievements in 2010	Main Achievements in 2011	Progress
Increase the scope of sustainable coffee purchase through the 4C organization by 50% each year. In 2012, the target was updated to 20% each year	<ul style="list-style-type: none"> In 2010, Strauss purchased 2,788 tons of sustainable coffee through the 4C organization. We met our target and exceeded it by 24%. 	<ul style="list-style-type: none"> 3,160 tons of sustainable coffee were purchased from the 4C organization, which account for 5.8% of our total coffee purchases in 2011 (excluding Strauss Coffee Brazil). This increased our sustainable coffee by approx. 13% versus 2010. In 2012, Strauss Coffee Brazil also joined the 4C organization. 	
Purchase Fair Trade cocoa	<ul style="list-style-type: none"> In 2010, approx. 50% of coca was purchased from Fair Trade sources by our supplying companies, as part of the organization UTZ Certified which establishes standards for growing and fair trade of coffee, cocoa and tea. 	<ul style="list-style-type: none"> In 2011, approx. 50% of our coca was from fair trade sources. At the start of 2012, Strauss Group initiated a process which resulted in one of our major cocoa suppliers joining UTZ, thus increasing the total cocoa purchases of Strauss Group from fair trade sources to 90% . 	

KEY

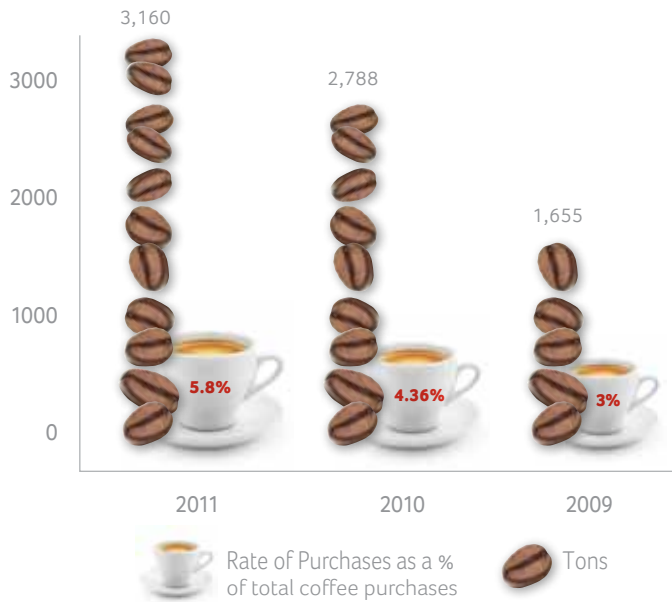


Suppliers

Goals	Main Achievements in 2010	Main Achievements in 2011	Progress
<p>Develop ways of evaluating the social and environmental performance of our suppliers and influence them to adhere to social and environmental responsibility practices</p>	<ul style="list-style-type: none"> • During 2010, 50 suppliers (versus 23 in 2009), participated in a supplier evaluation process, including aspects of Corporate Responsibility. 	<ul style="list-style-type: none"> • During 2011, 55 additional suppliers passed a full evaluation process which includes Corporate Responsibility aspects. Strauss is at an advanced stage of computerization of the process, which will enable a significant expansion of the number of suppliers that will be evaluated in 2012. • During the year, Strauss Israel conducts ongoing evaluations and proactive inspections of Israeli suppliers, with an emphasis on employee rights. Also, an assessment of all strategic suppliers was conducted, including elements related to quality and environmental protection. Strauss Group performs random inspections of salary payments by third party agency providers. • All the Strauss Group business divisions examine supplier complaints, supplier conduct and compliance (including elements not required by law). 	
<p>Continue to conduct our relations with suppliers with integrity</p>	<ul style="list-style-type: none"> • Close to 400 (totaling 500 to date) Strauss suppliers have signed the Social Charter for suppliers, which include sections on fair trade, employee rights, product responsibility, environmental quality and more. 	<ul style="list-style-type: none"> • Strauss Israel developed a new procedure whereby contracting with new suppliers is possible only after signature of the Social Charter and meeting the minimum standards. In 2011, 440 suppliers signed the Charter (the total is 900 to date). • Purchasing Department employees received training in Fair Trade. • We began developing a dedicated Supplier Code of Ethics. 	
<p>Support suppliers and service providers from peripheral areas</p>	<ul style="list-style-type: none"> • We purchase from suppliers who operate in peripheral areas and development areas and we work with companies who employ people with special needs. 	<ul style="list-style-type: none"> • At Group level, we contracted with 17,728 suppliers. • We made efforts to work with small and large suppliers who represent diversity in the population and geographic areas, including peripheral areas. • Supplier diversity: our Call center- in 2011, Strauss Israel strengthened its relationship with the "Call Yachol" company, a social enterprise, the first in the world for call centers, which supports employment of people with physical disabilities. "Call Yachol" company handles invitations to visit Strauss Visitors Centers in the Dairy Plant in Ahiyud and the Confectionery Plant in Nazareth Illit. We are proud of "Call Yachol" as a Call Center partner and the occupational opportunities provided for people with disabilities. 	

Quantity of Sustainable Coffee purchased through 4C by Strauss Coffee in relation to Total Coffee Purchases 2009-2011

* does not include coffee purchases from Brazil

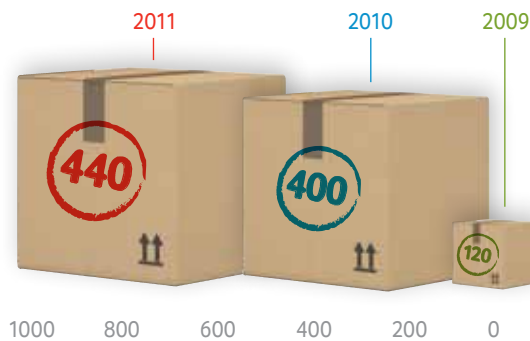


Coffee and Cocoa from Fair Trade Sources and Ethical Purchasing

We believe that coffee and cocoa production can be sustainable only if it enables respect for the human rights and decent living and working conditions for the farmers and growers, their families and their workers. Our Purchasing Department insists on sustainable production, which is also an expression of our commitment to the environment. Strauss cooperates with the 4C organization (Common Code for the Coffee Community Association) and purchases sustainable coffee via 4C. Additional information about our collaboration with 4C can be found on the Strauss Group Corporate Responsibility website.

In 2011, approx. 50% of our cocoa purchases were from Fair Trade sources, sourced from companies which are part of the international organization, UTZ Certified. This organization establishes standards for growing and purchasing of coffee, cocoa and tea. Cargill, one of the cocoa suppliers of Strauss, is a member of the leadership of this organization, and an additional supplier is in the process of joining. The standards which are defined by UTZ Certified include managing and monitoring produce, rights of workers, reducing environmental impacts and more. In 2012, the rate of cocoa purchasing by Strauss from Fair Trade sources grew by 90% with the inclusion of an additional cocoa supplier into the UTZ network.

Number of Strauss Israel suppliers which signed the Suppliers' Social Charter 2009-2011



Number of Strauss Israel suppliers which received an Assessment (including Corporate Responsibility) 2009 - 2011



The Suppliers' Social Charter

By 2011, Strauss had encouraged over 900 suppliers to sign the Strauss Israel Suppliers' Social Charter, which includes clauses relating to Fair Trade, worker rights, product responsibility and more. We make continuous progress in this process, in which our suppliers commit to upholding the values which Strauss Group believes in.

Supplier Assessment Process

By 2011, approx. 130 suppliers of Strauss Israel had participated in a full assessment, including Corporate Responsibility aspects of their operations. We continue this process while expanding the criteria.



Marketplace: 2012 Objectives

Product Responsibility: 2012 Objectives

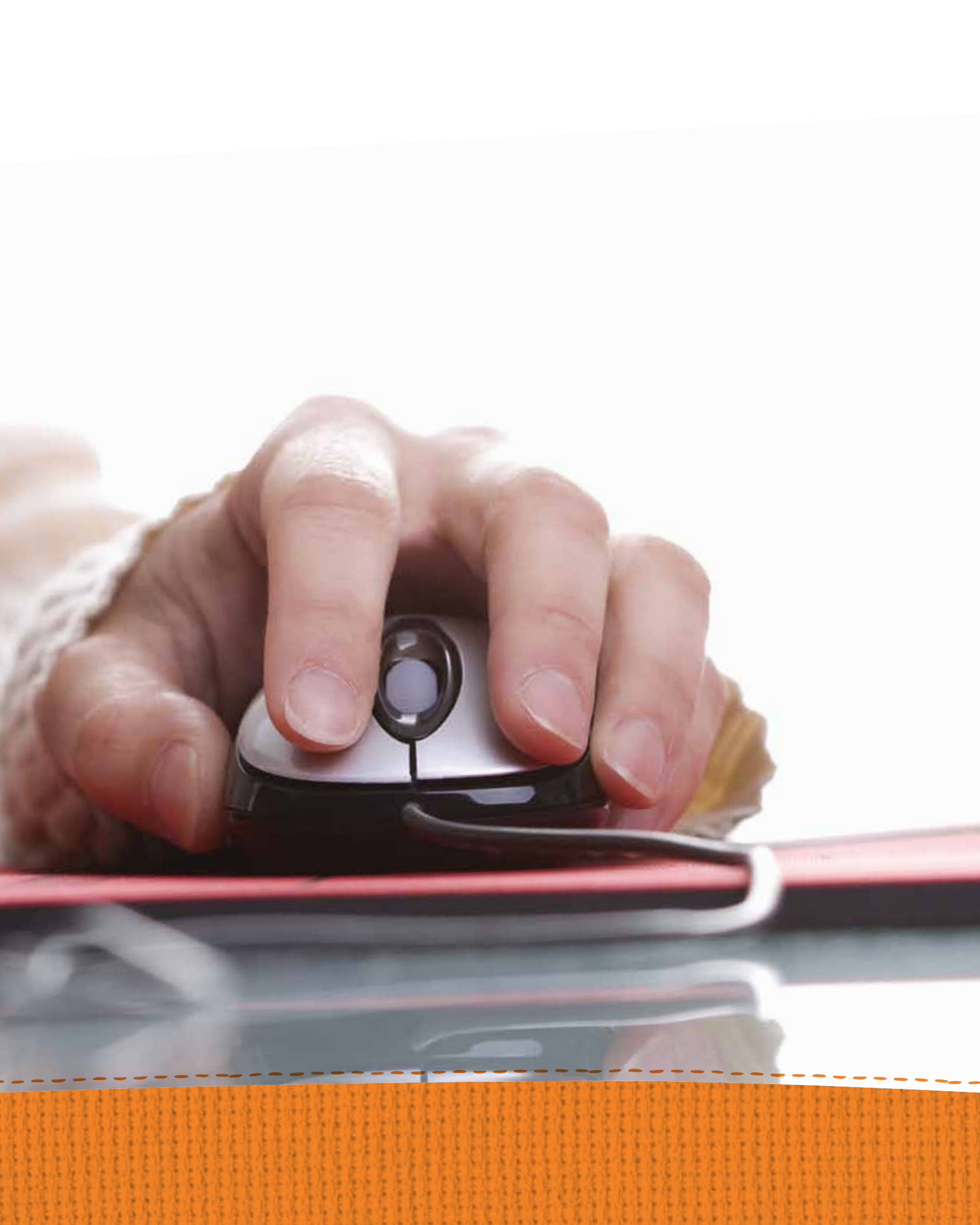
- Increase the range of products with high nutritional value offered to consumers.
- Increase the range of products for consumers with special needs (celiac, allergens and more)
- Develop and launch additional products in the field of water to meet the needs of different consumers.
- Adopt Standard ISO 22000 in all our factories.

Responsible Marketing: 2012 Objectives

- Deepen collaboration with Terra Cycle and increase the range of products which contribute to environmental and community causes through this initiative.
- Launch an internal Responsible Marketing Charter.

Responsible Supply Chain: 2012 Objectives

- Strauss has adopted a target for 2012-2015 to increase coffee purchasing through the 4C organization by 20% each year, so that, by 2012, this will be equivalent to 6,500 tons of coffee.
 - Sign up an additional 400 suppliers to the Suppliers' Social Charter.
 - Complete the process of computerizing supplier assessments which will enable us to significantly expand the amount of suppliers assessed.
 - Adopt a process which will enable inclusion of Corporate Responsibility factors in selecting Strauss Group suppliers, beyond the current supplier selection processes.
-



Workplace





Content

With the exception of data otherwise explicitly noted, the data in this section refers to all the Strauss Group units around the world, with 12,874 employees of the Group (excluding third party agency employees).

Notes: The distribution of employees in different organization levels was revised in 2011.

* In 2011, Strauss Israel data did not include Yotvata- about 150 employees.

** The growth of around 500 employees in Strauss Group in 2011 versus 2010 is the result of our expansion in Brazil, Russia and Strauss Water.

Workplace

Goals	Main Achievements in 2010	Main Achievements in 2011	Progress
Continue to be a preferred place of work for our employees and provide them with a positive and challenging work environment	<ul style="list-style-type: none"> In the global opinion survey conducted by the Strauss Group among its employees in 2010, 84% of employees said that their job satisfaction at Strauss is “high” or “very high”, compared to 79% of employees who said this in the previous survey. 87% of employees said that they are proud to work at Strauss, compared to 83% in the previous survey. Strauss maintained its ranking as one of the top ten “the best companies to work for” in the rankings conducted in Israel by the BDI business information company in conjunction with The Marker newspaper. 	<ul style="list-style-type: none"> Strauss was ranked for the seventh consecutive year, as one of the Top Ten Best Places to Work for in the survey conducted by “The Marker” and BDI COFACE. Around 45% of Strauss Group employees are members of Employee Associations which determine their terms of employment through collective bargaining. Around 59% of Strauss Group employees are members in employee associations. Strauss Coffee Brazil conducted, for the first time, a comprehensive employee satisfaction survey. 95% of employees confirm they understand how their roles contribute to the Company objectives and 71% expressed a high level of satisfaction and a desire to stay with the Company. At Sabra, and in Strauss Coffee, discussions were held to map all the gaps regarding employee satisfaction. Conclusions were communicated to employees and were discussed at the Strauss Group Executive Team meeting. Further discussions were held following the results of the Employee Satisfaction survey in 2010, and work plans to address issues were finalized. All results were communicated to employees. 	
Recruit, reward and promote fairly and equally	<ul style="list-style-type: none"> Strauss Israel employs a majority of 52.6% women, which is higher than the rate of women in the workforce in Israel. In 2010, 2,208 women were recruited to the Strauss Group, compared with 1,911 women recruited in 2009. 	<ul style="list-style-type: none"> Strauss Israel employs a majority of 54% women (an increase of 2.6% versus 2010). For details of women in subsidiary companies, see the chart which follows. Around 4,800 employees were recruited in 2011 to Strauss Group, of which 43% were women (increase of 7.5% versus 2010). We reviewed salary levels and ensured that there are no employees earning below the legal minimum wage in all countries in which we operate. 	

* Note: Regarding disabilities, we refer to reported cases, because according to the Correction 15 to the Law of Equal opportunity at Work (Israel), and for reasons of employee privacy, we are not permitted to collect data about employee disabilities. Numbers reported are therefore estimates.



Workplace (continued)

Goals	Main Achievements in 2010	Main Achievements in 2011	Progress
Promote the values of diversity and inclusion in the employee recruitment process	<ul style="list-style-type: none"> We have expanded our existing cooperation with non-profit organizations, with the aim of integrating a diverse population into the Strauss's workforce. In 2010, we employed approx. 120 employees with reported disabilities. Approx. 7% of Strauss Group employees were over the age of 40 at the time of recruitment. 	<ul style="list-style-type: none"> We launched a company-wide program on the subject of Diversity and Inclusion (more details below). Approx. 140 people with disabilities are employed by Strauss Group Approx. 9% of Strauss Group employees recruited were over the age of 40 at the time of recruitment (increase of 28% versus 2010). 	
Assist in the personal growth and career development of our employees	<ul style="list-style-type: none"> Strauss Israel employees participated in professional training totaling more than 2,000 hours, alongside on-the-job training. The majority of the Strauss employees participated in an annual performance evaluation and feedback conversation. 	<ul style="list-style-type: none"> Our employees around the world participate in training according to their personal and professional needs. We invested in workshops for employees, for example, Spanish lessons, English lessons, training for skill improvement such as computer skills, technology skills and project management, professional development such as sales, brand management, customer service and more, training in Strauss Coffee, and operational excellence. Most of Strauss Group employees took part in performance evaluation conversations. A total of 23,460 hours of training for Strauss Israel managers and employees were recorded in 2011. This is equivalent to 4 hours per employee per year, while middle managers received on average 13 hours per year and senior management, 3 hours. The global average of training hours stood at 10-15 hours per person per year in 2011. 	

Ethics

Goals	Main Achievements in 2010	Main Achievements in 2011	Progress
Embed the Strauss Group Code of Ethics as part of our responsibility and commitment to an ethical and fair workplace	<ul style="list-style-type: none"> We increase the scope of the Ethics Trustees roles in Strauss Group and Corporate Responsibility Trustees in Israel and around the world. We conducted Ethics refreshers for most of the employees in the Group, and set up an organizational platform for an ethics training program. 	<p>A range of ethics activities were improved including tools for consultation and reporting of ethical issues such as:</p> <ul style="list-style-type: none"> Corporate Responsibility Trustees were responsible for embedding ethics in their divisions In response to queries routed to our "Ethics Hotline", which is accessible to most company employees, we conducted investigations, revised procedures, built coaching programs and published conclusions of our findings. There was a global Ethics refresher for all employees in the group, conducted by the Corporate Responsibility Trustees in their respective divisions. A range of training tools were developed in response to specific needs in different work types, and sets of dilemmas for the different work units were created, based on the overall set of ethical dilemmas for Strauss Group. 	

Celebrating

Diversity

Diversity and Inclusion: Achievements in 2011

- Created a strategic program to advance diversity and inclusion in the Group.
- Created company-wide measures in the area of diversity and inclusion and tracking measures through discussions at the level of the Board of Directors of the subsidiary companies and through reporting on progress on a quarterly basis.
- **Raised the issue of advancing women as an organizational priority. We have set a visionary target to have 50% women in senior management positions by 2015.**
- Established a program for managing the process on a Group-wide basis: The Steering team, which is comprised of senior managers and led by the Strauss Group CEO; a Working Team, which is comprised of managers and representatives of all Strauss Group companies around the world; a dedicated Management Committee which is led by the Strauss Group VP for Human Resources; work plans relating to diversity and inclusion created by each of the companies in the Group which include Group-wide measures.
- Creation of a basis for training, recognition and communications.

Diversity and Inclusion

Company-Wide Process to Advance Diversity and Inclusion

The subject of diversity and inclusion was identified as a major element in the human capital management processes of Strauss Group. Employing groups from different sectors backgrounds and with different characteristics, and providing equal opportunity, creates a competitive long-term advantage for our business, in our view, as well as for the communities in which we operate.

We see diversity and inclusion as a key ingredient of our business success, especially in these times when there are expectations of companies to operate with greater responsibility, transparency and connection to the local community and the environment. Diversity and inclusion contribute to creating a better company, makes us more like the diverse consumers we serve and therefore bring us closer to them. This enables us to be in a stronger position to attract and retain talent, and also serve as a platform for innovation and creativity. When different people share their different life experiences, they create innovative processes and solve problems in new and creative ways.

Diversity and inclusion reflect our values and our aspiration to nurture an environment in which every person has the right to be heard and to realize his or her potential.

We understand that a culture of diversity and inclusion is not achieved with ease, and therefore decided to embed this subject both internally, in the way we recruit and manage human capital in the organization, and externally, in the way we support the communities and local environment of which we are a part.

In 2011, we finalized a strategy for diversity and inclusion and created an organizational program to enable this process. A Steering Committee which is led by the Corporate Responsibility Manager develops the strategic direction, and a global working group agrees the ways in which this strategy should be implemented. We have started the process by creating awareness and by advancing diverse groups within Strauss, generating organizational dialog and awareness, allocating resources and supporting related initiatives.



In 2011, Diversity and Inclusion at Strauss Israel focused on the employment of diverse groups

Strauss Israel has advanced processes to identify diverse candidates and enable their integration in the job market in line with focused definitions of diversity:

Selection and Recruitment Processes which Advance Diversity and Inclusion at Strauss

- **Mapping opportunities for effective recruitment in different professional roles:** The roles in which we can integrate diverse groups were mapped according to the market and organizational possibilities and we identified the geographical areas in which there are high levels of diverse groups from whom we could recruit, and recruitment targets were updated accordingly.
- **Promotion to senior management:** We created an entry point into the organization from which managers can advance to more senior management roles.
- **Women in senior management roles:** We identified roles which serve as a platform to advance women to CEO roles and increased the rate of women appointed to these roles.
- **Creation of a dedicated recruitment process:** This includes partnerships with Employment Agencies which have expertise in recruiting diverse groups.
- **Increase in the number of diverse candidates in Strauss Israel:** Strauss Israel advances strategic collaboration with non-profit organizations which assist in identifying diverse candidates from diverse backgrounds: Ethiopian, Arab and Orthodox. During the recruitment process for management candidates, Strauss Israel invests special efforts to identify candidates with an academic background from the Arab population, Ethiopian immigrants and women for roles in management.
- **Ensuring appropriate assessment skills for recruiters:** Strauss creates different assessment programs which are tailored for the diverse groups of candidates applying for roles at Strauss and has created a new pilot program in this field. For example, all our recruiters have undergone training delivered by professionals and supported by non-profit associations who have expertise in working with diverse people. Sessions are held for sharing the recruitment experiences on a regular basis.
- **Improvement in the preparedness of managers to recruit** diverse candidates: The Human Resources function works on an individual basis with managers in the organization and operates with professional non-profit associations to remove barriers to diverse recruitment and enable effective induction of more diverse employees.

At a Group level, we have chosen to focus on gender diversity, as women make most of the household purchase decisions and are a significant group of consumers for Strauss. Their integration and empowerment in Strauss Group makes us more relevant to women consumers.

Induction Processes

Strauss Israel advances several processes to improve the induction process of diverse new hires in different roles:

- **Personal and professional support** for new hires, and also for their managers, which focuses on understanding cultural gaps.
- **Cross-cultural workshops.**
- **Framework for monitoring and management of new hires** in a process in collaboration with the Ministry of Trade and Industry.
- **Accessibility:** In Strauss Israel, all measures are taken to ensure full accessibility for all employees. This includes including accessibility considerations in warehouse and logistics planning in Shoham, our central warehouse, refurbishing our Visitors' Center in Achiyud with the help of a professional accessibility expert, including accessibility considerations in the process of building new offices for Strauss Water in Petach Tikvah, Israel and more. In Elite coffee in Petach Tikvah, special parking lots were allocated to people with disabilities and access routes to the café are maintained.
- **Work, family and free-time balance:** In Strauss Israel and in Max Brenner Israel, we enable employees to work from home in a flexible hours framework. In Strauss Israel, we enable employees to return from parental leave on a gradual basis and we offer the possibility of a part-time role with one day a week designated for going home early with no late meetings, families of employees are invited to company vacations, and Strauss Group encourages its employees to take vacation through office and plant closures at national holiday times. Strauss is in the process of developing a formal policy with regard to work-life balance. Also in our subsidiary companies there is a practice of flexible home-working, such as in Strauss coffee in Poland which enables home working and gradual return from parental leave.

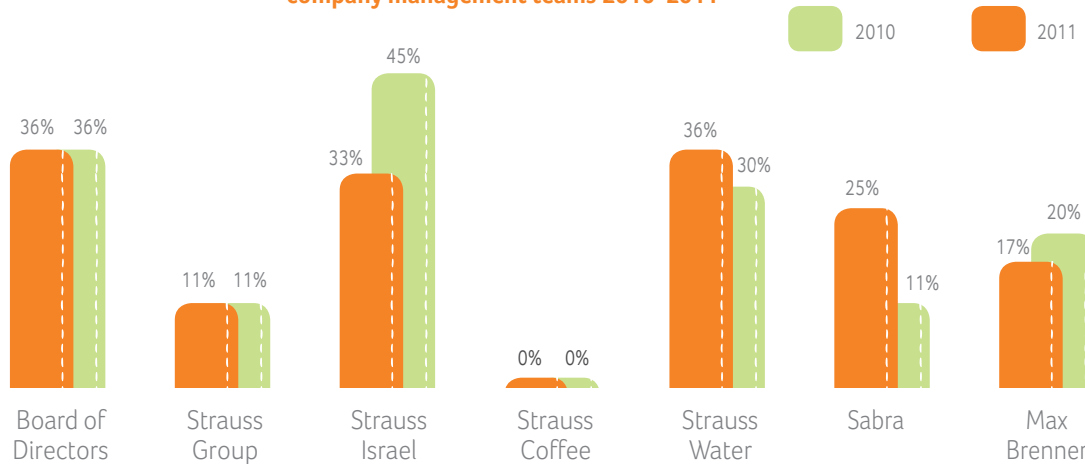
Women at Strauss

In 2011, we employed 44% women. The following charts show the rate of women employed at different levels in the organization and in the core roles in the company.

44%

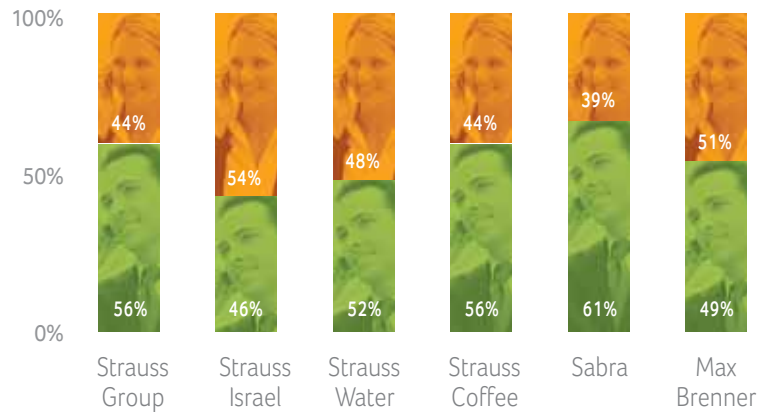
Rate of women in Strauss Group in 2011

Rate of women managers in the senior management teams of Strauss Group and company management teams 2010-2011



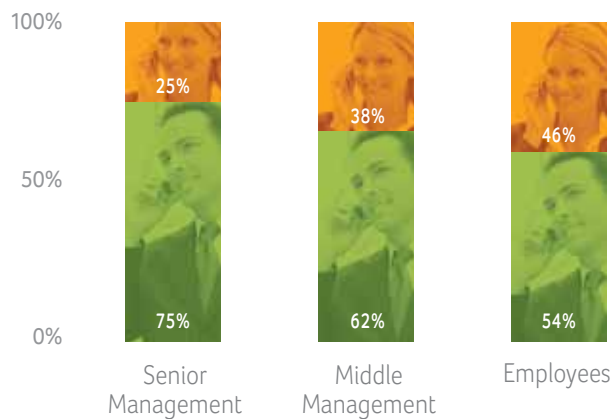
Rate of women as a percentage of total employees in Strauss Group 2011

This chart shows the rate of women in the senior management of Strauss Group in 2010-2011.



Employees by work level and gender – Strauss Group 2011

This chart shows the distribution of employees by work level and gender. As can be seen, the rate of women decreases as the organizational level increases.

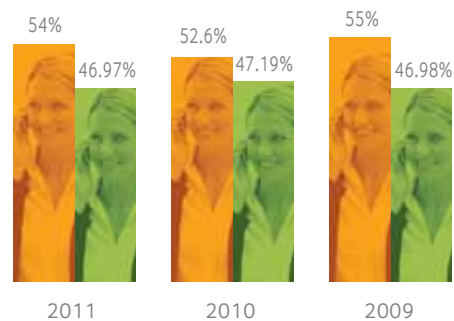




Rate of women in Strauss Israel by comparison with the general Israel workforce during the years 2009-2011.

This chart shows the rate of women in Strauss Israel in comparison to the workforce in Israel* during the years 2009 – 2011. As can be seen, over a period of years, the rate of women employed at Strauss Israel is higher than the rate of women in the general workforce in Israel.

General employment figures for Israel are taken from the Central Bureau of Statistics (internet site)



Rate of Women - Strauss Israel ■

Rate of Women – General workforce in Israel ■

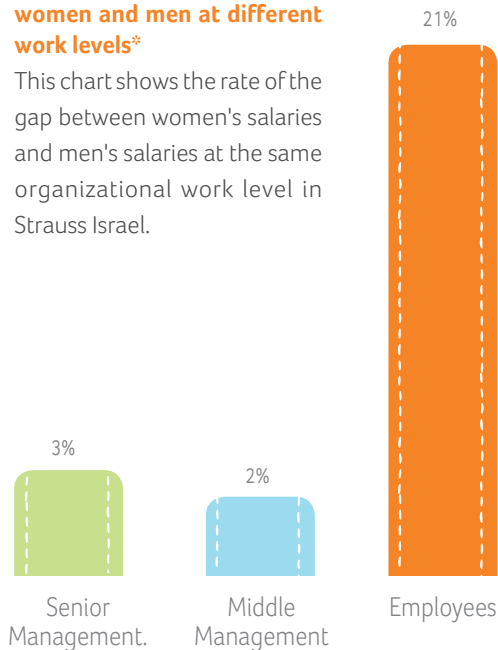


Rate of women as a proportion of total recruits to Strauss Group in 2009-2011

This chart shows the rate of women as a proportion of total employees who were recruited into Strauss Group during 2009 – 2011.

Average salary gaps between women and men at different work levels*

This chart shows the rate of the gap between women's salaries and men's salaries at the same organizational work level in Strauss Israel.



Explanation:

* Employees are divided into three groups – employees, middle management and senior management. This creates a wide and very heterogenic group with a wide range of roles which are substantially different in complexity and seniority. Therefore, our remuneration philosophy at Strauss is based on comparative salary levels between the market rates for similar jobs without gender differentiation.

* The average salary which is calculated for such a heterogenic group does not reflect the existing salary levels for each occupation within the organizational hierarchy. Therefore, an analysis of salary levels of women and men is based on the average salary in this heterogenic group does not reflect the organizational reality and presents inaccurate gaps which derive from the major differences in the nature of the roles and their seniority.

* In a sample that we analyzed in Strauss Israel to assess the salary gaps in groups of "employees", no significant differences in salary levels were found between men and women, when referring to identical roles. In cases where gaps were found between men and women, there were explanations in most cases relating to length of service and other factors not related to gender.

* The gap which is presented in the above graph for the different groups can be attributed to the fact that the roles in which there is a higher proportion of women are generally the roles for which the market rate is lower.

* We will further state that during 2010 and 2011 there was a change to our methodology in the distribution of roles. A group of employees now contains three organizational levels versus four in 2010; middle management now contains 4 management levels versus three in 2010. As a result of these changes, the ability to compare and analyze these results from year to year is not possible.

In 2011, the difference between the average salaries of women and men in senior management roles was

10%
versus 12%
in 2010

**Age Groups -
Strauss Group 2011**

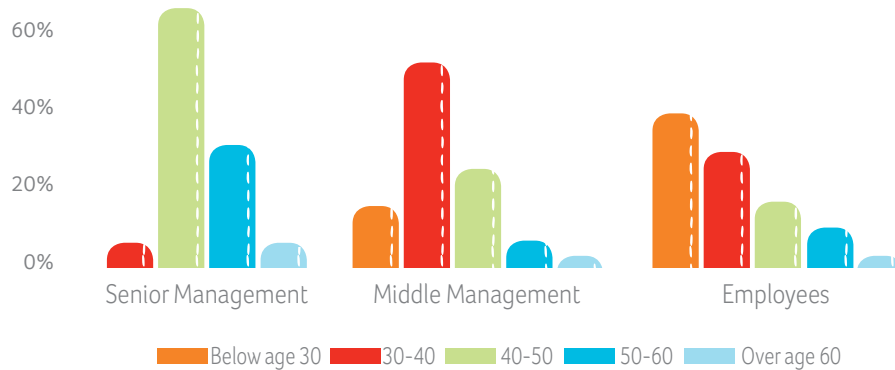


Employee Ages

In Strauss Group, employees of all ages are represented. The largest age group is up to age 30 which is 36% of total employees. In 2010, this group was 38%.

This chart shows the split of work levels across the different units in Strauss Group. The chart shows that around 61% of the senior management are between the ages of 40 and 50 (versus 44% in 2010) while 52% of middle management are between ages 30 and 40 (versus 47% in 2010) and 40% of non-management employees are below age 30 (similar to 2010).

Employees by Work Level and Age Group – Strauss Group 2011



Advancing Awareness for a Healthy Lifestyle among Employees

As a food company which aspires to advance a healthy lifestyle among our consumers and the general public, Straus believes that we must first apply these values in our own company. Therefore, Strauss encourages its employees to adopt healthy habits and improve their quality of life. In 2011, we launched a program to advance a healthy lifestyle among our employees of Strauss Israel. The program includes:

A program to improve nutritional habits and physical fitness for Strauss employees

- Distribution of pedometers
- Anthropometric measurements
- Checks to identify risk factors for chronic diseases before and after physical activity

A program to encourage healthy lifestyle in cooperation with Holmes Place

This program has started in some divisions in Israel and will be expanded to other divisions. The program has several elements:

- Nutrition workshops to support a healthy lifestyle.
- Personal programs for nutrition and fitness on the basis of checking measurements for chronic disease risk factors before and after physical activity, including pulse rate, blood pressure, body fat levels etc.).
- Joint fitness workouts.
- Lectures.

Program to prevent heart and blood diseases

In 2011, Strauss joined an program run by the "Israel Forum for Prevention of Heart and Blood Diseases" in

collaboration with the Ministry of Health and the National Insurance Institute. This program trains qualified Health Officers who perform checks to identify individuals at high risk for the development of heart or blood diseases. Up to 70 employees will take part in the program called "Intervention". This includes: training on nutrition and fitness, exercises for physical workouts and a tracking program (with blood pressure tests). In addition, ergonomic training will be provided for employees as well as a smoking cessation program.



Health and Safety at Work

KEY



Goals	Main Achievements in 2010	Main Achievements in 2011	Progress
Act to improve the safety of our installations and improve the training of employees and their awareness of safety requirements	<ul style="list-style-type: none"> In 2010, we rolled out a Group-wide program of training materials on Safety at work. 	<ul style="list-style-type: none"> Safety Officers' Forum in Strauss Israel developed a computerized program for safety training using our SAP network, enabling tracking of training execution. A comprehensive mapping of ergonomics was conducted at Strauss Dairy at Achiyud and a work program was prepared to resolve safety issues and continue the process on a gradual basis. In Strauss Water, a risk survey was conducted including safety inspections of all offices and warehouses. An Emergency Response team was created. We continued to deliver training to employees on health and safety, including emergency drills, Safety officer training, dealing with hazardous materials and more. 	
	<ul style="list-style-type: none"> In 2010 we initiated a safety program in the Sales Division and appointed a Safety officer and a work plan to embed safe practices. 	<ul style="list-style-type: none"> Activities expanded to include the work of store merchandizers. Training was conducted, risks were assessed and new work procedures and incident investigation were developed. All merchandizers were issued with protective equipment. 	
Reduce the number of work-related accidents and increase preventive activity (learning from experience).	<ul style="list-style-type: none"> As part of our ongoing activity to improve safety, Strauss Israel reduced the number of accidents which caused more than 3 lost workdays by 22% in 2010 versus 2009. 	<ul style="list-style-type: none"> We continued activity to reduce accidents and in 2011, the number of accidents which caused more than 3 lost workdays reduced by 14% versus 2011 in Strauss Israel and Logistics. 	
Improve measurement processes monitoring, procedures related to safety and create a Group wide consistent effort as far as possible.	<ul style="list-style-type: none"> We embedded safety in the Operational Excellence program in Strauss operations in Israel and achieved our objective of posting safety measures on 50% of our control panels. 	<ul style="list-style-type: none"> We continued to integrate safety into Operational Excellence procedures in the confectionery factory in Nazareth Illit and preparation for a similar process at Achiyud Dairy was completed. 	
	<ul style="list-style-type: none"> In 2010 we conducted assessments of enforcement of safety regulations, and resolved 72% of required safety improvements (against an objective of 60%) 	<ul style="list-style-type: none"> A measure for effectiveness of enforcement assessments for safety of hazardous materials was established and improvement of 19% was noted. 	



Breakthrough Progress in Safety in the Sales Division

In 2011, we decided to improve our performance relating to safety at work in the Sales Division, including all the product merchandisers. Thanks to the collaboration, support and backing of the Management Team of the Sales Division, the change process yielded immediate positive results, which will continue for the long term, has started to raise awareness with all Division managers, specifically relating to the enforcement of safety procedures by employees. The process required significant investment in time and resources, including the willingness of the Sales Division Management to create an appropriate working environment as well as providing equipment to support safe working for employees. A process of collaboration was commenced with the Sales Division and Safety Officers of the different retail chains, as an additional indication of our commitment to the safety of our work environment. The process included visits to the chains by managers of the Sales Division and Safety officers, review of safety incidents and learning from experience. The Management of the Sales Division is advancing the subject of safety at the level of both managers and employees, in order to bring about additional breakthrough change in 2012.

Safety and Health in the Workplace

The following table shows the incidents of accidents at work and the loss of workdays due to absenteeism, in all Strauss Group businesses in 2011, with a comparison to 2010.

Business Division	Number of Employees		Number of Work Injuries/ Occupational Diseases which caused more than three days absence			Number of Lost Workdays due to Work Accidents			Number of Fatalities dies to Injury or Occupational Disease	
	2010	2011	2010	2011	Change	2010	2011	Change	2010	2011
Strauss Israel – Operations and Logistics	2,100 (Operations and Logistics employees)	2,285 (Operations and Logistics employees)	59 (Operations – 46, Logistics – 13) In addition, there were 55 injuries causing less than 3 days' work absence.	55 In addition, there were 53 injuries causing less than 3 days' work absence.	-14%	1,241	1,100	-19%	0	0
Strauss Coffee Poland	421	430	9	4	-57%	360	104	-70%	0	0
Strauss Coffee Romania	318	273	3	0	-100%	112	0	-	0	0
Strauss Adriatic	239	245	6	2	-68%	31	68 (40 for injuries caused in 2010)	113%	0	-
Strauss Coffee Russia and Ukraine	471	677	No data	0	-	0	0	0	0	-
Strauss Coffee Brazil	3,898	4,147	94	67 In addition, there were 109 injuries causing less than 3 days' work absence.		3,900	3,038		0	1
Sabra	538	530	5	35	633%	No data.	512	-	0	0
Strauss Water	815	840	31	68 (32 are work injuries)	113%	687	471	-33%	0	0
Max Brenner Israel			No data.	0	-	No data.	0	-	No data.	0
Max Brenner USA	323	417	No data	19	-	No data.	0	-	No data.	0
Elite Coffee	490	451	No data	34	-	No data	128	-	No data.	0

Workplace: 2012 Objectives

Targets for Maintaining a Fair Workplace

Increase the number of third party employees who were recruited into the company, in line with resource needs.

Expanding the range of welfare activities for employees.

Targets for 2012 in the area of Diversity and Inclusion

Strengthening the organizational culture to support diversity and inclusion.

Increase in the number of employees and managers from diverse backgrounds.

Empowering managers to proactively manage diverse employees and strengthening their management capabilities.

Developing a guide book adapted for use for all Strauss's subsidiary companies with training of senior and middle managers throughout the world.

Raising awareness and creating dialog within the Company, to raise awareness for diversity and inclusion issues.

Strengthening the connection with professional non-profit organizations for recruitment and induction.

Building a community for managing diversity – creation of a forum with the purpose of sharing best practices.

Building a community of Diversity Officers – for the purpose of developing new skills.

Targets for 2012 in the area of Health and Safety of Employees

Preparation of process for employee health checks, especially new hires, and improvement in ergonomics.

Continued implementation of enforcement of hazardous materials policies.

Continued implementation of safety improvements in line with legal requirements on a Group-wide basis.

Implementation of training on safety using the computerized module via SAP.

Continues integration of safety in Operational Excellence programs, specifically in Nazareth Illit and Achiyud.

Development and implementation of new procedures for electricity and third party employees.

Embedding the safety module in training programs for all employees of Strauss Water.





Social Investment and Community Involvement



Social Investment and Community Involvement

Goals	Main Achievements in 2010	Main Achievements in 2011	Progress
Continue implementation of a focused community investment strategy based on our core business and social vision	<ul style="list-style-type: none"> A Corporate Responsibility Day took place this year on the theme of diversity and inclusion, in which 2000 employees participated at all Strauss sites around the world, in 60 diverse activities. 	<ul style="list-style-type: none"> Our global Corporate Responsibility Day was in November 2011 with the theme of "Taking Responsibility for the Basic Things". The theme was selected in order to discuss or respond to the basic social issues of our consumers. Several activities took place in collaboration with our community partners. 1,572 managers and employees took part in our Corporate Responsibility Day, (11% of our global workforce) from 49 different Strauss divisions in Israel and 9 divisions around the globe, volunteering in around 50 non-profit organizations. The Corporate Responsibility Day generated 7,860 volunteer hours and a sum of \$25,000 in donations. Around 6,000 individuals were the direct beneficiaries of our Corporate Responsibility Day activities and thousands more benefited indirectly. 	
	<ul style="list-style-type: none"> Cooperation between the Catalyst organization, the women's Lobby in Israel and Strauss Group was initiated regarding gender diversity and the promotion of women in business. 	<ul style="list-style-type: none"> In collaboration with the Women's Lobby in Israel, Strauss Group launched the Catalyst review in Israel, which checks the rate of women in senior management and Boards of Directors in the companies traded in the Tel Aviv 100 on the Tel Aviv Stock Exchange. The purpose of the review was to encourage an increase in the number of women on the Boards of public companies. From 2011, Strauss Group provides academic grants to advance women from different population sectors. 	




KEY



Social Investment Strategy of Strauss Group

Advancing Diverse Groups with a Focus on Employment

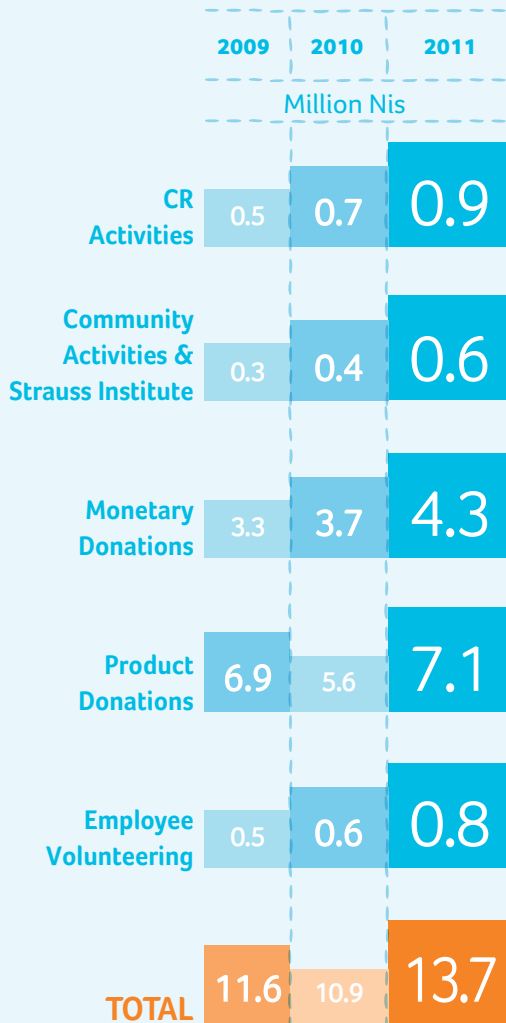
In 2011, we further refined the community investment strategy of Strauss Group. The process of this focus included support from professional non-profit organizations and in consultation with the community and local municipalities, in relation to critical social needs and the way in which Strauss Group can provide a response to these needs. The selected subject was based on our vision for diversity and inclusion at Strauss Group, and we added the significant dimension to create effective strategic community investment: employment. In this way, we defined that advancing diverse populations in relation to employability and access to jobs, through collaboration with professional organization which have expertise in this field and manage related projects, as the community investment of Strauss Group.

Goals	Main Achievements in 2010	Main Achievements in 2011	Progress
Leverage our influence to improve the world around us and the lives of the people who live in it, based on our activities and expertise	<ul style="list-style-type: none"> In 2010, Strauss Group donated NIS 9.76 million in cash and products for charitable causes. Strauss Group invested 10,300 employee volunteer hours in 2010 with a value of NIS 591,000*, versus 8,459 volunteer hours in 2009 - an increase of 22%. 	<ul style="list-style-type: none"> In 2011, we invested NIS 13.7 Million, of which cash donations were NIS 4.3 Million and food products were of a value of NIS 7.1 Million and NIS 2.3 Million was invested in additional community activities. We invested 13,552 volunteer hours on a Group-wide basis, which has a value of NIS 813,000.** 	
	<ul style="list-style-type: none"> We were successful in realizing the five-year goal of our Supply Chain in the "100 Ambassadors" project: Within three years, 105 managers and employees in the Supply Chain have become regularly active in community involvement projects. 	<ul style="list-style-type: none"> In 2011, we focused our community investment program in a more strategic way. We defined that Strauss Group will invest in supporting diverse people and communities in relation to enhancing employability and access to jobs. We maintain constant contact with the professional social associations in Israel which advance employment for diverse groups. We support between 10 and 12 major projects per year, through organizations which advance employment diversity and access to jobs for: Arabs, Ethiopians, new immigrants, Orthodox Jews, Over Fifties and more. We reach thousands of people each year, from all parts of society, and assist them accessing the job market. 	
Establish mechanisms to better manage evaluate and measure the influence of our activities and investment in the community	<ul style="list-style-type: none"> In 2010 we cooperated in Israel with a professional NGO to provide guidance at Strauss's sites throughout Israel on improving collaboration with our community partners. 	<ul style="list-style-type: none"> We established a basis for measuring the effectiveness of our community investment and financial donations of Strauss Group. 	

* This figure was changed from the figure quoted in the 2010 Corporate Responsibility Report as the "Window to the Future" was excluded from volunteer hours according to the organizational definition.

** In 2011, the value of a volunteer hour was changed in order to be more in line with the actual cost of volunteering.

**Total Investment
in Social Responsibility
2009-2011**

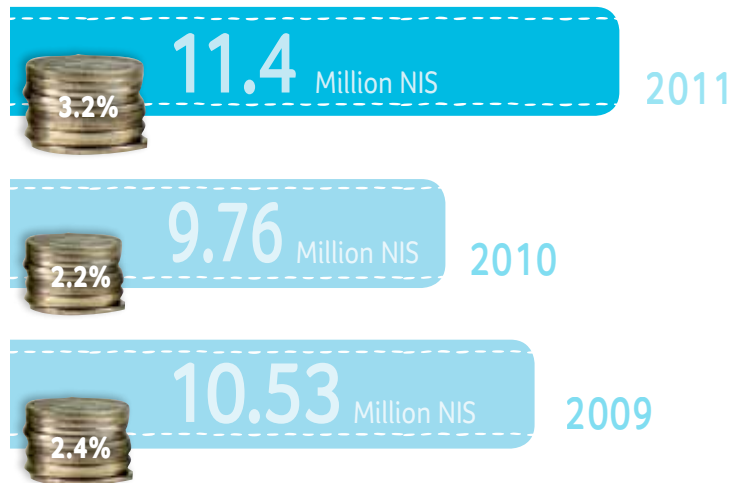


Why did we choose to adopt advancing diverse groups in relation to employability and access to jobs?

1. This links to the activities of Strauss Group as a large employer, with a diverse workforce and diverse products.
2. This makes best use of our significant strengths as an organization: our people, our factories and our organizational power.
3. We connect to our desire to operate in communities which thrive and flourish. We recruit our employees from these communities, and our suppliers.
4. Employability and access to jobs is of global socio-economic significance, and relevant to all the markets in which we operate.
5. Through this theme, we can have a significant influence through the long term.

The target audience of the Strauss Group community investment strategy are those groups which do not have equal opportunity to access the job market.

Total Cash and In-Kind donations in 2009-2011



 Million NIS
  Rate of Contribution as a Proportion of Total Profit Before Tax



"Hilde Strauss Women Advancement Scholarships" Ceremony

Implementing our Social Investment Strategy

The Community Investment Strategy is implemented in three ways:

- **Cash donations:** We make cash donations to non-profit organizations, institutions and communities. Strauss Group takes care to follow through with its community partner organizations and the projects the Group supports over a long period of time which is usually at least three years, in order to create commitment towards the organization and the best basis for collaboration.
- **In-Kind Donations:** We donate food products and management time of senior managers in Strauss Group.
- **Employee Volunteering and Community Projects:** Volunteering is a main value of Strauss Group. The Group encourages ongoing volunteering and involvement with the community in all the different business units in Israel and around the world and sets targets for volunteering, providing financial and management support to advance this objective.

As part of our implementation of our Community Investment Strategy, we have increased our work with the key non-profit organizations in Israel who work to advance diverse employment. As part of this process, we have created collaboration between Strauss Group Human Resources function, our factories and the overall Corporate Responsibility program at Strauss Group. This is because we believe that collaboration between the different divisions in the company and our non-profit partners will create synergies which will assist us in advancing our objectives. This approach will strengthen the non-profit organizations and also provide benefits for Strauss in terms of greater professional knowledge of the local communities in which potential Strauss employees are located.

Long Term Projects which Advance Diversity in Employment which were Progressed in 2011

- Employment of rehabilitated prisoners in the Logistics Center in Zerifin, in the confectionery factory in Nazareth Illit and in the Salad Factory in Carmiel.
- Employment of rehabilitated employees in our Max Brenner Factory and in our roast coffee factory in Lod.
- Employment of disabled children in our Logistics center in Zerifin.
- Employment of youth at risk as part of the "Window to the Future" project in our confectionery factory in Nazareth Illit and in our Achiyud Dairy.
- Employment of income-supported women in our Strauss Group head offices.

Among our community partners in Israel together with whom we fulfill our social investment strategy:

Olim Beyachad

Kav Mashve

50+-

Na Lagaat

AJEEC

Jasmine

Fidel

Economic Empowerment for Women Association

Abraham

Foundation

Haredic College in

Jerusalem

Yedid

Be'Atzmi

Ha'meshakem

Upgrading our Social Investment Management Infrastructure

This year, we continued to invest in the development of an infrastructure which will enable us to become more professional in managing the community investment of Strauss Group.

- We continued to provide **professional training for our community leaders** who are responsible for the relationship with their divisions and local community partners and manage volunteer activity in their business units, in addition to their regular jobs.
- **We increased our internal communications** in order to recognize the good work of many individuals and encourage others to take part.
- For the first time, we enabled all employees in the company to take part in the **selection of the outstanding business unit for volunteering of 2011**, in a voting process based on clear criteria including the level of social influence and ongoing involvement.

Examples of Employment Projects:

Scaling of "Window to the Future" Model

A social-business project in partnership between Strauss and the office for Youth Advancement at the Ministry of Education. In 2011, we replicated this model, which provides employment opportunities and personal mentoring to youths at risk in Strauss factories. The project, which began in the confectionery factory in Nazareth Illit about 8 years ago, has become popular and was adopted also at the Achiyud Dairy, which absorbed youths from Acre and the surrounding areas. As a result of this successful program, we intend to adopt this model in other factories in Israel.



"We Talk Work"

Strauss created collaboration with the non-profit association "Yedid" ("Friend") as part of our community investment policy in the area of advancing diverse employment. As part of this collaboration, a group of women living in the area of Petach Tikvah, where Strauss Group headquarters are located, participate in a program of 22 meetings under the theme of "We Talk Work", with the objective of training women to improve their employability. The training includes a range of subjects: job search skills, writing resumes, succeeding in job interviews, computer course, and empowerment and employment rights. In addition, the participants will receive personal mentoring for a period after completion of the training program, with the intention of helping them find appropriate roles. Ultimately, this program is designed to assist the participants in upgrading their socio-economic position in the community.

Community Investment in our Core Business

Advancing the Quality of Life for our Consumers

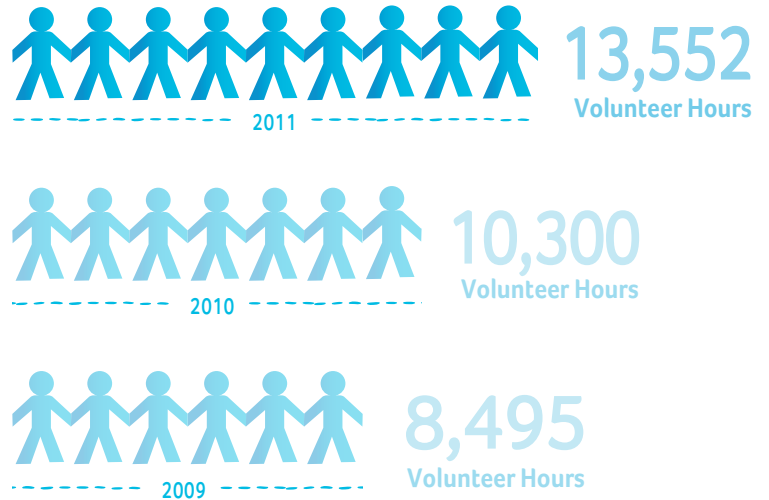
As part of our aspiration to know the needs of our consumers, Strauss Group acts to improve the health of our consumers via our community donation activities. Therefore, we created strategic relationships with leading organizations and institutions which advance initiatives **for the benefit of those with special nutritional needs**. In this context, Strauss supports and funds research which is led by the Center for Food Allergies of the Assaf Harofe Medical Center, **on the subject of allergies**. The research focuses on "Baked Milk" as a means of treatment for those suffering from an allergy to milk protein. In addition, Strauss invests in the development of special tools which assist **diabetic sufferers**.

Annual Meeting for Training and Recognition of Community Leaders and Community Partners

This year, as every year, we held a recognition event for our Community Leaders from Strauss Group workforce who lead our local community efforts and our community partners from all over Israel with whom we work throughout the year. The event included lectures, a ceremony for granting certificates of recognition and an experiential workshop on the subject of strengthening community-business relationships.

Employee Volunteering

The following chart shows the volunteer hours of Strauss Group employees in the years 2009 – 2011.



*There is a difference versus the volunteer hours reported in 2010 which were presented in the Corporate Responsibility Report for 2010 because of a change in the calculation basis for volunteering.





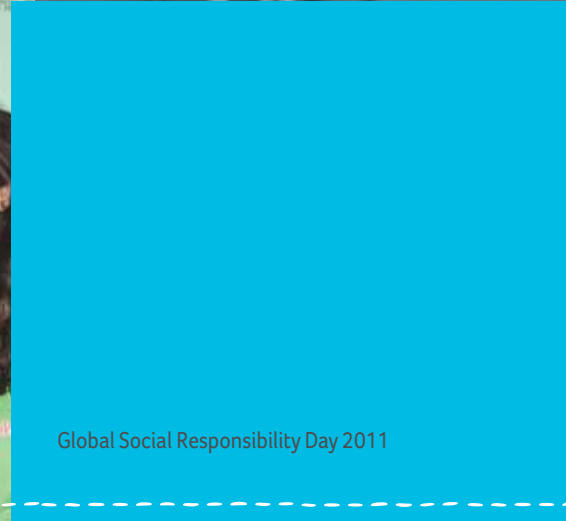
We Acknowledge our Volunteers! Prize for the Outstanding Business Unit in Community Activity

The Instant Coffee Factory in Zefat and the Salty Snacks Division won the prize this year, which they donate to their community partners.

Gadi Lesin, President and CEO, Strauss Group, and Michael Avner SVP and CLO, granting the Outstanding Volunteering Business Unit Award.

Community Involvement in Communities around the World

- **Sabra USA:** Involvement in several projects throughout the year, including distribution of food and clothing to needy people and participating in sporting events to raise money for charitable causes.
- **Strauss Coffee Brazil:** Support for national sports competitions to encourage a healthy lifestyle.
- **Strauss Coffee Poland:** Involvement in several social projects for kindergarten and school children in low-income communities, including refurbishment, provision of equipment, social activities and factory tours.
- **Strauss Coffee Romania:** Collaboration with several community organizations which support children. In December 2011, a handicrafts fair was held to showcase the handicrafts of the Strauss Romania employees and partner community organizations. All the products at the fair were made by the employees themselves and the community partners. The handicrafts were sold and all the proceeds went to support an orphanage and other community causes.
- **Strauss Coffee in Russia and Ukraine:** Support for children at risk in different projects.
- **Strauss Commodities, Switzerland:** Ongoing support for environmental projects and elderly people.



Global Social Responsibility Day 2011

Social Investment: 2012 Targets

- Adopting measurement and evaluation of the strategic effectiveness of community investment in three key projects.
- Involvement of additional sites and business units in significant volunteer activity with community partners.
- Continued strengthening of the management infrastructure of our community investment activity.
- Expansion of professional training and coaching for Strauss Community Leaders and Community Partners.
- Support for capacity-building with Community Partners: cash donations, dedicated training programs, mentoring and management development.





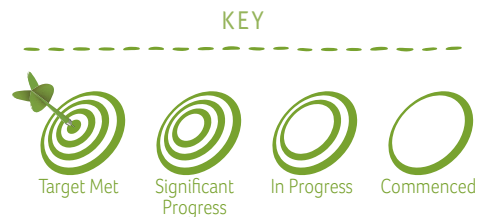
Environment



Environmental Management

Goals	Main Achievements in 2011	Progress
Reduce energy consumption (electricity Kwh and fuel consumption per ton of product) in the business units and at the Group's sites in line with targets.	<ul style="list-style-type: none"> Reduction of approx. 2.5% in energy consumption in Strauss Israel per ton of product in 2011 versus 2010. Energy production from coffee bean combustion in the Zefat factory in 2011 yielded approx. 89,000 Gj (gigajoules) of energy, which is a very significant output for such a project. Energy generation from coffee bean shells in a new biomass tank in the Strauss factory in Serbia yielded approx. 2,600 Gj in 2011. 	
Strauss Israel – reduce the quantity of waste per ton of product by 42% between 2008 and 2014.	<ul style="list-style-type: none"> Strauss Israel: Reduction of waste per ton of product by 22% from 2009 to 2011. 	
Strauss Israel – reduce greenhouse gas emissions per ton of product by 28% between 2008 and 2014.	<ul style="list-style-type: none"> Strauss Israel: Reduction of greenhouse gas emissions per ton of product by approx. 22% versus 2008 levels. 	
Reduce water consumption per ton of product by 20% between 2008 and 2014.	<ul style="list-style-type: none"> Water consumption per ton of product at Strauss Israel reduced by approx. 7% in 2011 versus 2010. Combined with the reduction achieved between 2008 and 2010, we confirm that we have achieved 80% of our strategic multi-year target versus the 2008 baseline. In Strauss Israel, a guide to water management at Strauss Group sites has been developed and two additional sites are piloting the guidelines. 	
Reduce pollutants in the waste water at Strauss Group sites.	<ul style="list-style-type: none"> Despite our production growth in 2011, as a result of the activities of the Group to reduce waste-water pollutants, in 2011 there was an absolute reduction in COD generation by approx. 742 tons and an absolute reduction of approx. 203 tons per year of BOD. 	
Build production and distribution sites with low negative environmental impacts.	<ul style="list-style-type: none"> In 2011, construction commenced for the new logistics center in the center of Israel, which integrates several energy-efficient projects and greenhouse gas reduction initiatives. 	

*In 2012, Strauss coffee established multi-year environmental targets which are detailed in the following section of this Report.



Managing our Impact

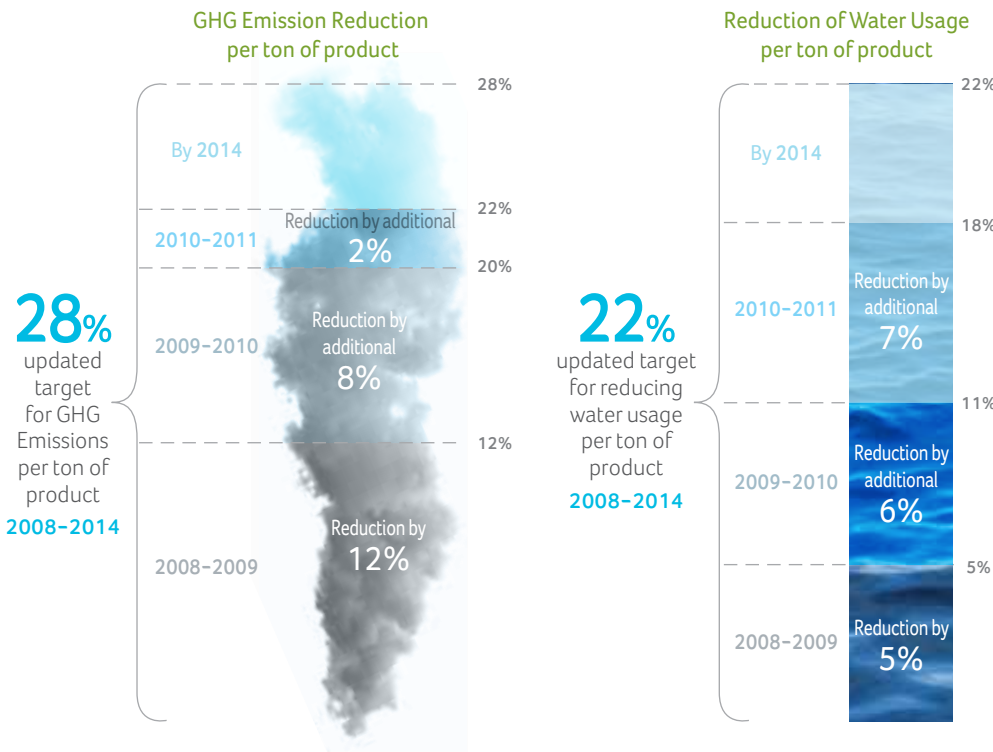
We continue to demonstrate our commitment to the environment. In our sites, in Israel and around the world, we undertake many activities to reduce our environmental impacts. Two examples are the biomass energy generation system in Serbia and the water filtration and purification system in the Strauss Water production facility in China, about which we provide further details later in this chapter. The efforts which Strauss invests in the environment are manifested in the targets we set ourselves. In 2008, Strauss Israel undertook multi-year targets to reduce the Company's carbon footprint, water consumption and waste generation per ton of product by 2014. In practice, as a result of intensive efforts and many efficiency measures within the Group, Strauss Israel achieved these targets by the end of 2011. Therefore, we have decided to update the targets and establish new, more ambitious goals in order to continuously improve our environmental performance.

Measure	Prior Target 2008-2014	New Target 2008-2014
Carbon Footprint per ton of product	-15%	-28%
Cubic Meters of Water per ton of product	-20%	-22%
KG waste per ton of product	-15%	-42%

Strauss Israel Targets 2008-2014

-22%
Water Consumption Reduction
(per ton of product)

Progress on Strauss Israel Targets



-28%
GHG Emissions Reduction
(per ton of product)

-42%
Waste Weight Reduction
(per ton of product)

The water purification system established in Strauss Water in China, allows us to deal with **2,650** liters of recycled water per hour, and results in a meaningful saving in the factory's water consumption.

Implementing the Packaging Law in Israel

In March 2011, a new Packaging Law was approved in Israel, which requires manufacturers and importers to report on the quantity of packaging and establish targets to recycle packaging materials. Accordingly, in 2011, Strauss Israel started to make the necessary preparations to adhere to these new requirements. These preparation included logistics activities to identify and measure all forms of packaging used by the Group. As an additional measure, considering future implications of this law, Strauss Israel started to review changes to packaging in order to introduce more environmentally friendly packaging materials with lower weights.

One example of this new approach is a development with Strauss pasta products. In the past, pasta units were shipped in an outer carton. In order to reduce the carton content, a new plastic stand for the pasta units was developed which displays the units at the point of sale in a standalone unit which does not require an outer carton for shipping. The plastic stand remains at the point of sale and can be used several times. The significance of this is a major reduction in pasta packaging materials and, as a result, a reduction in the amount of waste generated by this product.

In 2012, Strauss Group plans to continue to review all possible technologies and materials that will enable packaging material reductions and more environmentally friendly packaging options while continuing to ensure maintenance of product quality standards.

Water Purification in China

Strauss Water is now beginning a strategic process to adopt environmental management systems in line with International Standards ISO 14001 and OHSAS 18008 in sites around the world.

As part of this process, many projects are currently underway which conserve natural resources. One such project is in the ENG factory in Shenzhen, China. During the construction of the Strauss Water production unit Family and Premier Units, there is a need for clean, purified water for the purpose of testing the products in the final stage of production. A new water purification system was therefore established at the site for all production systems.

This purification system contains:

- Pre-filtration
- A reverse-osmosis based system with a capacity of 3 tons water per hour
- UV water purification
- Additional filtration before water use in production

In addition to the filtration and purification activities, the new process enables used water to be recycled and re-used again and again in the production and testing phases. The water which is drained off from the production lines is sent back for purification and filtration and then flows back for use in production. This system handles 2,650 liters of recycled water per hour, delivering significant water savings for the factory.

Energy from Coffee Bean Waste in Serbia

As a result of a successful project with the biomass tank installation in the Strauss Group instant coffee factory in Zefat, in which waste from coffee beans is used to provide steam for production operations, we decided that our coffee factory in Serbia should also install a biomass tank for the same purpose. Replacing the current tank which is powered by natural gas, a new biomass tank was installed, using chaff (coffee bean waste generated during coffee roasting). The coffee chaff and parts of wooden pallets, which were used for transferring waste to landfill, are now used as fuel for the new biomass tank to produce heat for the factory. At the end of 2011, the new tank was commissioned and has already enabled a reduction in energy consumption and greenhouse gas emissions at the factory. In 2012, we expect that the biomass tank will yield an energy reduction of 340 CO₂e in the Serbian coffee factory versus consumption levels in 2011.

The biomass project is a candidate for the prestigious AUREA award, which is granted for projects which have economic potential and lead to new social or environmental benefits.

As of today, the coffee factory in Serbia uses the coffee bean waste fuels for powering the plant. The former boiler tank is used only for reserve power. We intend to attempt to recreate the success of this project in different factories around the world.

Progress on Strauss Israel Targets Reduction of Waste Weight per ton of product


42%
updated target for reduction of waste weight per ton of product
2008-2014





For the first time - 5-Year Environmental Targets for Strauss Coffee

During 2009, the Strauss Group coffee company started measuring and monitoring its environmental impacts and in 2010 and 2011, the measurement and reporting system was improved significantly. This was the result of our belief that it is our obligation to protect and care for the environment must be an integral part of our activity throughout the Group, and specifically in a leading company such as Strauss Coffee. In 2011, it was decided that Strauss Coffee would deliver a major improvement in environmental performance, and new targets and measures will be established.



In our work plans for 2010, Strauss Coffee committed to multi-year environmental targets which were established using a baseline of 2010 and 2011, in four areas:

Reduction of energy consumption per ton of product by 10%

Reduction of greenhouse gases per ton of product by 15%

Reduction of water consumption per ton of product by 5%

Increase proportion of waste sent for reuse or recycling per ton of product by 15%

A work plan has been developed to support delivery of these targets for each year within this multi-year plan.

Environmental Impact Data

Index		2010				2011			
		Strauss Group activity in Israel (including Strauss Water & Elite Coffee) Absolute values	Strauss Group activity around the world (not including Israel) Absolute values	Strauss Group activity in Israel (Not including Strauss Water & Elite Coffee) Relative values per Ton product	Strauss Group activity around the world (not including Israel) Relative values per Ton product	Strauss Group activity in Israel (including Strauss Water & Elite Coffee) Absolute values	Strauss Group activity around the world (not including Israel) Absolute values	Strauss Group activity in Israel (Not including Strauss Water & Elite Coffee) Relative values per Ton product	Strauss Group activity around the world (not including Israel) Relative values per Ton product
Annual Waste Absolute data presented in Waste Ton units Relative data presented in Waste Ton units per Ton product	Landfill Waste (Ton)	11,500	3,357			11,049	3,775		
	Recycled Waste (Ton)	2,762	2,019			6,361	7,734		
	Reused Waste/Animal Feeding (Ton)	39,961	2,055			37,901	4,031		
	Total Waste (Ton)	54,223	7,431	0.24	0.04	55,311	15,540	0.24	0.08⁽¹⁾
Annual Energy Consumption Absolute data presented in GJ units Relative data presented in GJ units per Ton product	Indirect Energy Consumption	Electricity consumption (GJ)	356,192	126,417			347,761	112,580	
	Direct Energy Consumption	LPG (GJ)	256,450	31,480			259,990	29,908	
		Natural Gas (GJ)	0	413,503			0	403,040	
		Fuel Oil (GJ)	135,762	0			140,796	0	
		Diesel (GJ)	50,491	43,882			49,675	47,226	
		Petroleum (GJ)	114,563	22,762			89,455	28,072	
		Natural Gas Vehicle (GJ)	0	576			0		
		Ethanol (GJ)	0	725			0	1,175	
		Coffee Residues (GJ)	86,520	0			88,739	2,578	
Total Energy Consumption	Total Energy Consumption (GJ)	999,978	639,344	4.25	3.74	976,415	624,578	4.15	3.11

Index			2010				2011			
			Strauss Group activity in Israel (including Strauss Water & Elite Coffee) Absolute values	Strauss Group activity around the world (not including Israel) Absolute values	Strauss Group activity in Israel (Not including Strauss Water & Elite Coffee) Relative values per Ton product	Strauss Group activity around the world (not including Israel) Relative values per Ton product	Strauss Group activity in Israel (including Strauss Water & Elite Coffee) Absolute values	Strauss Group activity around the world (not including Israel) Absolute values	Strauss Group activity in Israel (Not including Strauss Water & Elite Coffee) Relative values per Ton product	Strauss Group activity around the world (not including Israel) Relative values per Ton product
GHG Emissions Absolute data presented in CO2e units Relative data presented in CO2e units per Ton product	Indirect GHG emissions (SCOPE 2)	Ton CO2e	71,832	14,126			70,542	12,301		
	Direct GHG emissions (SCOPE 1)	Ton CO2e	38,836	30,142			37,620	29,847		
	Total GHG emissions	Total Ton CO2e	110,668	44,268	0.47	0.26	108,161	42,148	0.46	0.21
Annual Water Consumption Absolute data presented in Cubic Meter units Relative data presented in Cubic Meter units per Ton product	Water Consumption (Cubic Meters)		1,206,182	254,931	5.29	1.49	1,158,102	280,576	4.91	1.40
Annual Sewage Pollutants (Tons per year) Absolute data presented in Ton Pollutant units	COD		2,648	8			1,906	16		
	BOD		1,397	92			1,194	173 ⁽²⁾		
	TSS		693	28			1,295	74		
Annual Air Pollutants emissions derived from production processes only (Tons per year) Absolute data presented in Ton Pollutant units	SOX		137	0.86			130	1.98		
	NOX		80	12.8			82	9.6		
	PM		24	4.1			21	5.6		
Annual Environmental Investments (Nis per year)	Environmental issues runing costs		10,000,000	1,513,000			9,150,000	3,260,318		
	Environmental Projects costs		9,780,000	2,500,000			8,500,000	1,282,781		

1) The reason for the higher values is the expansion of the data gathering formation from the Group's facilities around the world.

2) The reason for the higher values is the improvement and expansion of the data gathering formation from the Group's facilities around the world.

Thank you!

We would like to thank Strauss Group employees and managers who contributed to compiling the information and data for this Report, and for providing complete and credible data of our activities for our stakeholders.

We thank you, the reader of this Report, and invite you to visit Strauss Group website www.strauss-group.com, where you can find our Corporate Responsibility Reports from previous years, and wide-ranging information about our Corporate Responsibility activities, which are continuously updated. The site was designed to be interactive and user friendly, enabling reaction to each item of content, the possibility to offer suggestions and improvements and make contact with Strauss regarding any aspect of our activity. This report is an additional expression of our transparency and our desire to receive feedback to support our continuous improvement. We hope that this Report will assist in improving our dialog with all stakeholders and serve as an additional tool for us to become a better company.

We thank the consultants who assisted us in writing this Report:

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