

UNOFFICIAL TRANSLATION
The Hebrew Document Is The Binding Version

STRAUSS GROUP LTD.
(The “Company”)

August 22, 2019

Messrs
The Israel Securities Authority
Via MAGNA

Messrs
Tel Aviv Stock Exchange Ltd.
Via MAGNA

Dear Sir/Madam:

Re: **Immediate Report Regarding the Convening of an Annual General and Special Meeting of the Company**

In accordance with the provisions of the Companies Law, 1999 (the “**Companies Law**”), the Securities Regulations (Periodic and Immediate Reports), 1970 (the “**Reporting Regulations**”), the Companies Regulations (Written Votes and Position Statements), 2005 (the “**Voting Regulations**”) and the Companies Regulations (Notice and Announcement of General Meetings and Class Meetings in Publicly Owned Companies and Addition of an Item to the Agenda), 2000 (the “**Notice and Announcement Regulations**”), an Immediate Report is hereby given with regard to the convening of an Annual General and Special Meeting of the Shareholders of the Company, which shall be held on Thursday, September 26, 2019 at 3:00 p.m. at the offices of the Company at 49 Hasivim Street, Petach Tikva (hereinafter: the “**Meeting**”).

1. **Items on the Agenda and Proposed Resolutions**

- 1.1 Discussion pertaining to the Annual Financial Statements of the Company and the Board of Directors’ Report for the year ended December 31, 2018, published by the Company on March 13, 2019 (reference no. 2019-01-020559) (the “**2018 Periodic Report**”), with no resolution being passed.
- 1.2 Reappointment of the auditor – in light of their experience and professionalism, reappoint KPMG Somekh Chaikin of 17 Ha’arba’a Street, Millennium Tower, Tel Aviv as the Company’s auditors until the next Annual General Meeting and empower the Board of Directors of the Company to determine their fee. A report will also be given on the auditors’ fee for 2018 (for information on the auditors’ fee for 2018, see the Board of Directors’ Report Regarding the Company’s Business Position, which is attached to the 2018 Periodic Report).

Proposed resolution: “**Appoint KPMG Somekh Chaikin of 17 Ha’arba’a Street, Millennium Tower, Tel Aviv as the Company’s auditors until the next Annual General Meeting, and empower the Board of Directors of the Company to determine their fee**”.

1.3 Reappointment of directors

Reappoint Ms. Ofra Strauss, Ms. Ronit Haimovitch and Mr. David Mosevics, who are retiring by rotation in accordance with the provisions of the Articles of Association of the Company, as directors of the Company. The terms of office of Ms. Ronit Haimovitch and Mr. David Mosevics shall remain unchanged, as set forth in section 2 in this report. For the terms of office and employment of Ms. Ofra Strauss, see sections 1.4 and 3 in this report.

Proposed resolution (to clarify, the vote with respect to each director shall be taken separately): “Reappoint Ms. Ofra Strauss, Ms. Ronit Haimovitch and Mr. David Mosevics, who are retiring by rotation in accordance with the provisions of the Articles of Association of the Company, as directors of the Company”.

1.4 **Extension of the terms of office and employment of the Chairperson of the Board of Directors of the Company**

Approve the extension of the terms of office and employment of the Chairperson of the Board of Directors of the Company, Ms. Ofra Strauss, who is the controlling shareholder of the Company together with her father, Mr. Michael Strauss ((indirectly) through their holdings in Strauss Holdings Ltd. (“**Strauss Holdings**”) and through a direct holding of the Company’s shares by Mr. Michael Strauss). For information on the compensation of the Chairperson of the Board of Directors, see section 3 in this report.

Proposed resolution: “Approve the extension of the terms of office and employment of the Chairperson of the Board of Directors of the Company, Ms. Ofra Strauss, as set forth in section 3 in the convening report”.

1.5 **Approval of the Company’s revised Remuneration Policy**

Approve the Company’s revised Remuneration Policy, which is attached (with the changes in relation to the current Remuneration Policy marked) as **Annex “A”** to this report, in accordance with the provisions of section 267A of the Companies Law. For information on the Remuneration Policy, see section 4 in this report.

Proposed resolution: “Approve the Company’s revised Remuneration Policy, which is attached as Annex “A” to the convening report”.

1.6 **Extension of the validity of the letter of undertaking of indemnification to Mr. Adi Strauss, a director of the Company and a relative of the controlling shareholder**

Approve the extension of the validity of the letter of undertaking of indemnification granted to Mr. Adi Strauss, a director of the Company and a relative of the controlling shareholder, for a further three years commencing on the date of approval by the General Meeting. For information, see section 5 in this report.

Proposed resolution: “Approve the extension of the validity of the letter of undertaking of indemnification granted to Mr. Adi Strauss, a director of the Company and a relative of the controlling shareholder, for a further three years commencing on the date of approval by the General Meeting, as set forth in section 5 in the convening report”.

2. **Reappointment of Directors (Item 1.3 on the Agenda)**

- 2.1 The fees and terms of office of the directors Ms. Ronit Haimovitch and Mr. David Mosevics shall remain unchanged, including the compensation paid to the directors in accordance with the Companies Regulations (Rules Regarding Compensation and Expense Reimbursement of an External Director), 2000 (the “**Compensation Regulations**”), which is the maximum amount determined in the Compensation Regulations and is the compensation payable to an expert director. Additionally, the directors are entitled to all other arrangements in place in the Company with respect to insurance, indemnification, exemption, etc., which shall remain in force and effect with respect to the directors serving and who shall serve on the Board of Directors of the Company from time to time. For further information on the terms of office of directors of the Company, see regulation 21 in the chapter “Additional Information on the Company” in the Company’s 2018 Periodic Report, included herein by reference.

- 2.2 For the terms of office and employment of Ms. Ofra Strauss, see section 3 in this report.
- 2.3 For the information required under Regulation 36B(10) of the Reporting Regulations with respect to the directors proposed for reappointment, see regulation 26 in the chapter “Additional Information on the Company” in the Company’s 2018 Periodic Report, included herein by reference, and also the voting deed attached to this convening report.
- 2.4 The directors proposed for reappointment have signed the declarations required under section 224B of the Companies Law, and said declarations are attached as **Annex “B”** to this convening report.
- 2.5 To clarify, the vote with respect to each director proposed for reappointment shall be taken separately.

3. **Extension of the Terms of Office and Employment of the Chairperson of the Board of Directors (Item 1.4 on the Agenda)**

- 3.1 The Chairperson has served as an active chairperson since June 2001. The Chairperson’s current terms of office and employment include fixed compensation, accompanying benefits and bonus (with no equity-based compensation). Additionally, the Chairperson is entitled to the arrangements in place in the Company with respect to indemnification, exemption and insurance. For further information, see the Immediate Report published by the Company on August 18, 2016 (reference no. 2016-01-105793) and regulation 21 in the chapter “Additional Information on the Company” in the Company’s 2018 Periodic Report, included herein by reference.
- 3.2 It is proposed to extend the Chairperson’s current employment agreement such that the term of her employment will be extended for a further three years until September 30, 2022, under the same conditions and without change, with the option of converting the employment agreement to a management agreement, mutatis mutandis, with the approval of the Remuneration Committee, subject to the contract being made with a company controlled by Ms. Ofra Strauss and the cost to the Company being no higher than the cost borne by the Company in respect of her employment agreement.
- 3.3 **Ratio between the Chairperson’s terms of office and employment and the employment terms of the Company’s employees** – it is clarified that the estimated ratio between the cost of the Chairperson’s proposed terms of office and employment (base salary, including provisions for social rights, accompanying benefits and annual incentive) and the average and median wage costs of the rest of the employees of the Company and its consolidated companies (including contractors’ employees) (based on the figures for the 2018 calendar year) is 29 and 40, respectively. In the opinion of the Company, these differences do not adversely impact labor relations in the Company, among other reasons noting the nature of the Company, its size and complexity and the territories in which it operates.
- 3.4 **Ratio between variable and fixed components** – according to the figures for a typical year, the ratio between the yearly cost of variable components and the yearly cost of fixed components in the Chairperson of the Board’s compensation is approximately 67% fixed components and 33% variable components.
- 3.5 The following table presents the Chairperson’s estimated compensation according to the proposed terms of office and employment in a typical year:

Recipient’s particulars	Remuneration for services (in terms of cost to the Company) in NIS thousands (according to the Company’s non-GAAP reports)
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Name	Position	Job scope	% holding in share capital	Total salary ^(a)	Bonus ^(b)	Share-based payment	Total
Ms. Ofra Strauss	Chairperson of the Board	100% - full-time position	--	3,150	1,575	--	4,725

- (a) The salary is presented at cost to the Company and includes social and accompanying benefits, including accompanying benefits according to the Company's procedures, such as car maintenance (including in lieu of a company car), mobile phone. This is an estimate only of the value of accompanying benefits in a typical year (which is based on unknown variables, such as leave utilization), and it is therefore possible that at year end the exact data will be different.
- (b) The bonus was calculated assuming that the Chairperson will be entitled to an annual incentive in the amount of the target incentive (which reflects full accomplishment of the targets) of 9 monthly salaries. To complete the picture, it is noted that the maximum total compensation to which the Chairperson will be entitled, assuming she is entitled to the maximum annual incentive (12 monthly salaries) is NIS 5,250 thousand; if the Chairperson is entitled to a special bonus (the grant of which is subject to approval by the organs of the Company, including the General Meeting) and to the maximum annual incentive, the maximum total remuneration to which the Chairperson shall be entitled is NIS 5,450 thousand (taking into account that the total amount of the annual incentive and the special bonus shall not exceed the sum of NIS 2,300 thousand).

3.6 Summary of the Remuneration Committee's and the Board of Directors' justifications for the extension of the Chairperson's terms of office and employment

The Remuneration Committee and Board of Directors found the Chairperson's remuneration conditions to be reasonable under the circumstances, for the reasons set forth below:

- 3.6.1 The Company has large-scale operations that are broadly deployed around the world. It is active in different geographical regions and diverse product categories and manages a complex business portfolio, while maintaining collaborations and partnerships, in such manner that managerial complexity is extremely high and requires the management of a global system in conditions of fierce competition.
- 3.6.2 The Chairperson of the Board of Directors has served as an active chair for 18 years, in which she has devoted most of her time and energy to the Company.
- 3.6.3 The Remuneration Committee and the Board of Directors hold the Chairperson's activity in high regard. The Remuneration Committee and the Board of Directors are of the view that the Chairperson possesses the competencies and skills required for the position, among other things noting her experience and profound many-year-long knowledge of the Company's core business and her contribution to the development of the Company and its business, as well as her ability to continue to contribute to its development and the accomplishment of its goals in coming years.
- 3.6.4 The Chairperson's compensation was determined on the basis of her prior compensation, as approved by the General Meeting of the Company, and is consistent with the Company's revised Remuneration Policy, subject to its adoption and approval.
- 3.6.5 A comparative paper prepared by an external consultant was presented to the Remuneration Committee and the Board of Directors, which makes a comparison between the compensation of the chairman of the board of directors in companies that are similar to the Company in terms of business area and scope. In light of the comparative data and for the reasons put forth, the Remuneration Committee and the Board of Directors reached the conclusion that the proposed compensation is fitting and reasonable, also in comparison to the customary compensation paid to chairmen of boards of directors in Israel.

- 3.6.6 The Remuneration Committee and the Board of Directors reviewed the ratio between the Chairperson's compensation and the average and median wage costs of all employees of the Company and its consolidated companies and found this ratio to be reasonable and appropriate, and that the differences do not adversely impact labor relations in the Company.
- 3.6.7 The formula for the Chairperson's calculated annual incentive is based on financial targets only and ties her compensation to the Company's performance, creating a fitting incentive for the maximization of the Company's profits and the accomplishment of its goals.
- 3.6.8 The decision on the extension of the Chairperson's terms of office and employment does not constitute a "distribution" as defined in the Companies Law.
- 3.6.9 In light of the body of reasons set forth above, the members of the Remuneration Committee and the Board of Directors have determined that extension of the engagement with the Chairperson in the employment agreement and approval of the terms of her employment are fitting, reasonable, and in the interests of the Company.

3.7 Additional information according to the Controlling Shareholder Regulations

- 3.7.1 Personal interest of the controlling shareholders and nature of their personal interest – as at the reporting date, the controlling shareholders of the Company are Mr. Michael Strauss and Ms. Ofra Strauss, as described in clause 7 below. Accordingly, Ms. Ofra Strauss has a personal interest in the approval of her terms of office and employment, and Mr. Michael Strauss (the father of Ms. Ofra Strauss) has a personal interest by virtue of his kinship with Ms. Ofra Strauss.
- 3.7.2 Approvals required – the Remuneration Committee and Board of Directors of the Company approved the extension of the Chairperson's terms of office and employment in their meetings of August 15, 2019 and August 21, 2019, respectively. For the names of the directors who participated in the discussions (excluding the directors who did not participate, as provided in section 3.7.4 below), see section 4.4 in this report. Additionally, the above transaction requires the approval of the General Meeting of the Company, which is summoned in accordance with this report.
- 3.7.3 The method in which the consideration was determined and details of transactions of the type of the present transaction or similar thereto, signed within the past two years or still in effect on the date of approval by the Board of Directors – Ms. Strauss's employment terms were approved by the Remuneration Committee and Board of Directors of the Company. In the two years preceding the approval of the transaction contemplated in this report by the Board of Directors, no transactions of the type of said transaction or similar thereto were signed between the Company and a controlling shareholder of the Company, or in which the controlling shareholder had a personal interest, and on the date of this report there are no such transactions in effect, with the exception of the following:
- (a) For information on exemption, insurance or undertaking of indemnification granted to officers of the Company, including those who are among the controlling shareholders of the Company and their relatives, see regulation 29A in the 2018 Periodic Report, as well as Immediate Reports with regard to the renewal of exemption dated May 23, 2018 and July 9, 2018 (reference no. 2018-01-041586 and 2018-01-062109, respectively), included herein by reference.
 - (b) For information on the terms of office of Mr. Adi Strauss, who is a relative of the controlling shareholders of the Company and serves as a director of the Company,

see regulation 22 in the chapter “Additional Information on the Company” in the Company’s 2018 Periodic Report.

- (c) For information on the employment terms of Mr. Koffler, who is a relative of the controlling shareholders, is employed by the Company and does not serve as an officer of the Company, see the convening report of January 3, 2019 (reference no. 2019-01-001354).

3.7.4 Personal interest of directors and nature of their interest – the Chairperson of the Board of Directors has a personal interest in the approval of her terms of office and employment; Mr. Adi Strauss has a personal interest in the approval of the Chairperson’s terms of office and employment by virtue of kinship (he is the brother of Ms. Ofra Strauss); for caution’s sake, a personal interest has been attributed to Ms. Ronit Haimovitch, who is an officer of Strauss Holdings, and to Mr. Gil Midyan, by virtue of his kinship with Ms. Ofra Strauss (Mr. Gil Midyan is the cousin of Ms. Ofra Strauss). Said directors were not present and did not participate in the discussions with regard to this transaction.

3.7.5 Power of the Securities Authority (“ISA”) – According to Regulation 10 of the Controlling Shareholder Regulations, the ISA or an employee it has empowered for this purpose may, within 21 days after the date whereon this report was submitted, instruct the Company to furnish, within the time specified by the ISA, an explanation, information and documents regarding the transaction contemplated in the report, and instruct the Company to amend the report in the manner and within the time prescribed by the ISA; in such case, the ISA may instruct that the General Meeting be postponed to a date that shall fall no less than 3 business days after the date of publication of the amendment of the report, and no more than 35 days thereafter. Where the Company has been required to amend this report as provided above, the Company shall submit the amendment in the manner set forth in the Controlling Shareholder Regulations, shall send it to all its shareholders to whom this report was sent, and shall publish an announcement on the subject in the manner set forth in the Controlling Shareholder Regulations, all of the foregoing unless the ISA has instructed otherwise. Where an instruction has been given regarding the postponement of the General Meeting, the Company shall furnish notice of such instruction in an Immediate Report.

4. Information on the Company’s revised Remuneration Policy (Item 1.5 on the Agenda)

- 4.1 On September 26, 2016 the General Meeting of Shareholders of the Company approved the Remuneration Policy for officers of the Company in accordance with the provisions of Amendment 20 to the Companies Law and section 267A of the Companies Law (the “**Previous Remuneration Policy**”). For the Previous Remuneration Policy, see the Immediate Report of the Company of August 18, 2016 (reference no. 2016-01-105793), included herein by reference.
- 4.2 According to the provisions of the law, the Previous Remuneration Policy was defined for a period of three years from the date of its approval. Accordingly, the Company formulated a revised Remuneration Policy that would be consistent, inter alia, with the needs that are typical of the Company’s activity and the changes that have occurred in the Company and in the law. The revised Remuneration Policy shall take effect commencing on the date of its approval by the General Meeting, and shall remain in effect for a period of three years.
- 4.3 According to the provisions of section 267A of the Companies Law, the Company is presenting a revised Remuneration Policy for approval, which is attached as Annex “A” to this report (the “**Revised Remuneration Policy**”) and which will replace the Previous Remuneration Policy. The Revised Remuneration Policy is marked with “track changes” compared to the Previous Remuneration Policy.

4.4 The process of approval of the Revised Remuneration Policy

4.4.1 The Revised Remuneration Policy was discussed by the Remuneration Committee, which held five meetings on the subject. The Remuneration Committee formulated its recommendations to the Board of Directors after it had examined the data that were furnished and had weighed, inter alia, the considerations required under the Companies Law, and unanimously approved the Revised Remuneration Policy. In the meeting of the Remuneration Committee on August 15, 2019, which approved the Revised Remuneration Policy, all members of the Committee were present: Ms. Dalia Narkys (external director and Committee chair), Ms. Dalia Lev (external director), Ms. Dorit Salinger (external director), and Prof. Arie Ovadia.

4.4.2 On August 21, 2019 the Board of Directors of the Company unanimously approved the Revised Remuneration Policy in the form attached as **Annex "A"** to this report, on the basis of the recommendations of the Remuneration Committee. The meeting of the Board of Directors which approved the Revised Remuneration Policy was attended by Ms. Ronit Haimovitch, Ms. Dalia Lev, Ms. Dalia Narkys, Ms. Galia Maor, Mr. Gil Midyan, Mr. David Mosevics, Ms. Dorit Salinger, Prof. Arie Ovadia, Prof. Joshua (Shuki) Shemer, and Mr. Meir Shanie.

4.5 Parameters and considerations reviewed by the Remuneration Committee and Board of Directors with respect to the Remuneration Policy

The Company held an in-depth discussion, with the inclusion of experts on executive compensation and representatives of Company Management, and reconsidered the Company's Remuneration Policy and the need to make adjustments to the current Remuneration Policy, inter alia on the basis of the experience accumulated by the Company and changes in legislation and in the law.

Among other things, the members of the Remuneration Committee and the Board of Directors were presented with information on the changes in legislation, in the position of the ISA, in the voting policy of parties in Israel and abroad who consult to institutional bodies, and in the voting policy of institutional bodies in Israel since the introduction of Amendment 20 to the Companies Law; current trends in executive compensation, including comparative data; details on the Company's Previous Remuneration Policy, including insights and conclusions drawn from the Company's accumulated experience with regard to the Previous Remuneration Policy; and data on the ratio between the cost of officers' terms of office and employment and the average and median wage costs of the Company's employees (including contractors' employees).

4.6 Main changes in the Revised Remuneration Policy compared to the Previous Remuneration Policy

Following is a summary of the main changes in the Revised Remuneration Policy compared to the Previous Remuneration Policy. For the complete Remuneration Policy, with changes marked in relation to the Previous Remuneration Policy, see Annex "A" to this report.

4.6.1 Base salary caps: In the Revised Remuneration Policy, base salary caps were set for officers (no caps were included in the Previous Remuneration Policy). Accordingly, less reference was made to the sample companies benchmark. The base salary caps for officers of the Company, for a full-time (100%) position, will be as follows, linked to the increase in the known CPI on the date of approval of the Remuneration Policy by the General Meeting (and shall not be less than the following amounts): active Chairperson of the Board of Directors – up to NIS 175,000; CEO – up to NIS 153,000;

other officers – up to NIS 140,000. For further information, see section 4.3 in the Remuneration Policy.

- 4.6.2 Annual incentive: In the Revised Remuneration Policy the Company revised the threshold condition for the calculated incentive to accomplishment of at least 85% (in lieu of 80%) of the operating profit target set in the Group's budget for that calendar year. For further information, see section 11.1.1 in the Remuneration Policy. Additionally, the Company adopted a closed list of financial budgetary objectives, which shall be chosen each year, on or about the beginning of the year, by the Remuneration Committee and the Board of Directors. For further information, see section 11.1.2 in the Remuneration Policy.
- 4.6.3 Annual incentive cap: The annual incentive was updated to NIS 1,700,000 (in lieu of NIS 1,600,000 in the Previous Remuneration Policy), linked to the increase in the known CPI on the date of approval of the Revised Remuneration Policy by the General Meeting (and shall not be less than the above amount). For further information, see section 11.5 in the Remuneration Policy.
- 4.6.4 Refund in the case of payment of an incentive awarded on the basis of incorrect financial information: In the Revised Remuneration Policy, the period in which an officer will be required to refund to the Company the difference between payments he received on the basis of information that was found to be incorrect and was restated in the Company's financial statements, and the amount he would have been paid according to the amended financial data that were restated in the Company's financial statements, was extended to three years (as opposed to two years in the Previous Remuneration Policy) from the date of publication of the financial statements on which basis the bonus was paid. For further information, see section 11.7 in the Remuneration Policy.
- 4.6.5 Reduction or revocation of the calculated annual incentive: In the Revised Remuneration Policy, it is clarified that the Board of Directors may, at its discretion, revoke the calculated incentive to which an officer will be entitled (in addition to the option of reducing it, as provided in the Previous Remuneration Policy), and said discretion is unlimited, meaning that the calculated incentive may be reduced or revoked for any reason (as opposed to reduction in circumstances where severance pay may be denied by law or in exceptional cases, as provided in the Previous Remuneration Policy). For further information, see section 11.7 in the Remuneration Policy.
- 4.6.6 Exclusion of nonrecurring events: The Revised Remuneration Policy contains a list of nonrecurring events, the impact of which was not taken into account in the Group's budget, which will be excluded from calculations of the extent of accomplishment of targets for the purpose of the calculated incentive. It is further clarified that the supplement to the calculated incentive in respect of the exclusion of events that are not included in this list will be considered a discretionary incentive. For further information, see section 11.9 in the Remuneration Policy.
- 4.6.7 Special bonus for the CEO: The Revised Remuneration Policy clarifies that the CEO's special bonus, combined with the CEO's discretionary incentive, shall not together exceed the higher of 3 monthly salaries or 25% of the de facto variable component. For further information, see section 20.1.3 in the Remuneration Policy.
- 4.6.8 Retirement conditions: With respect to the advance notice period, it is clarified that the Company may redeem the payment in lieu of notice (for further information, see section 6 in the Remuneration Policy), and with respect to adjustment, it is clarified that this component may take the form of an adjustment period or the form of payment

of adjustment compensation (for further information, see section 7 in the Remuneration Policy).

4.6.9 D&O insurance: The liability limit has remained unchanged (will not exceed USD 200 million per incident and per period); additionally, it is clarified that the Company may increase insurance coverage above said amount for as long as the annual premium does not exceed the amounts stated in the policy. For further information, see section 26 in the Remuneration Policy.

4.7 Manner of implementation of the Previous Remuneration Policy

Following is the ratio between the caps set in the Previous Remuneration Policy and the compensation that was actually paid to the Chairperson and to the CEO who served in office in the relevant year (no cap was set for the fixed component in the Previous Remuneration Policy):

	Variable component	
	Variable component cap in the Remuneration Policy	Actual incentive (in NIS thousands) and ratio between the caps and the actual incentive
Chairperson of the Board	Incentive: An amount equal to 12 monthly salaries (gross) provided that it does not exceed NIS 2,300,000.	2018: 1,930,247; ratio: 84% 2017: 1,986,474; ratio: 86% 2016: 2,021,250; ratio: 88%
CEO	Incentive: An amount equal to 15 monthly salaries (gross) provided that it does not exceed NIS 2,500,000.	2018: 1,439,484; ratio: 58% 2017: 1,735,251; ratio: 69% 2016: 1,987,289; ratio: 79%
	Equity-based compensation: The annual economic value will not exceed 200% of the annual base salary plus target incentive, i.e. NIS 5,049,000.	2018: 2,195,253; ratio: 43% 2017: 3,375,352; ratio: 67% 2016: 3,375,352; ratio: 67%

4.8 Employment agreements other than in accordance with the Previous Remuneration Policy

All of the Company's employment agreements with officers which are in force and effect are in accordance with the Previous Remuneration Policy, except for the following:

The employment agreement with the Company CEO, Mr. Giora Bardea, which was approved by the General Meeting of Shareholders of the Company on December 31, 2018 (reference no. 2019-01-000016) after the components that are other than in accordance with the Previous Remuneration Policy were described in the meeting convening report. For information, see section 3.12.7 in the convening report of December 24, 2018 (reference no. 2018-01-118078).

The employment agreement with an officer that was in effect prior to Amendment 20 to the Companies Law, which grants him an additional adjustment period of 12 months and a deferred bonus equal to 7 months (including social benefits and accompanying benefits), as well as a retirement bonus equal to the base salary for one month a year in respect of each year of employment over and above 12 years of employment.

4.9 The Remuneration Committee's and the Board of Directors' justifications for the approval of the Revised Remuneration Policy

Based on the information presented to the Remuneration Committee and the Board of Directors and taking into account the parameters, considerations and criteria specified in section 267B(a) of the Companies Law and enumerated in Part 1 and Part 2 of Schedule One A to the Companies Law, the Remuneration Policy was approved in light of the considerations and for the reasons set forth below:

- 4.9.1 The Remuneration Committee and the Board of Directors are of the view that the Revised Remuneration Policy is adapted in light of the experience acquired in the implementation of the Previous Remuneration Policy, according to regulatory changes that have occurred since it was adopted, according to developments in executive compensation in Israel, and according to business developments in the Company's position and its strategic plan.
- 4.9.2 The Company's Revised Remuneration Policy is intended to further the Company's goals, its policies, its values and its work plan taking a long-term perspective, while providing a response to the Company's needs and taking into account its size, businesses and goals.
- 4.9.3 The Company's Revised Remuneration Policy creates a reasonable and fitting remuneration and incentivization system considering the Company's characteristics, its business, its global and multicultural spread and complexity, its risk management policy and the interests of all its stakeholders.
- 4.9.4 The Company's Revised Remuneration Policy provides the CEO, the Remuneration Committee and the Board of Directors with management tools that deliver an effective ability to recruit, incentivize, retain and motivate talented, skilled executives who are suited to lead the Company to sustainable, long-term success, to the realization of its vision and the accomplishment of its business goals, while cultivating its uniqueness and empowering its culture and values for the benefit of all its stakeholders.
- 4.9.5 The Company's Revised Remuneration Policy anchors the officers' fixed remuneration component (base salary, accompanying benefits and retirement conditions) while defining a base salary cap, in a manner that enables fixed remuneration to be tailored to the characteristics of the position and the personal characteristics of the officer, while maintaining a reasonable and fitting compensation mechanism.

In light of the body of parameters, considerations and explanations presented above, the members of the Remuneration Committee and the Board of Directors believe that the Company's Revised Remuneration Policy is fitting and reasonable and serves the interests of the Company and its stakeholders taking a long-term perspective, considering its strategic plan, business goals and risk management policy.

5. **Extension of the Validity of the Letter of Undertaking of Indemnification to Mr. Adi Strauss, Director of the Company**

- 5.1 Mr. Adi Strauss, who is a relative of the controlling shareholders of the Company, the son of Mr. Michael Strauss and brother of Ms. Ofra Strauss, the controlling shareholders of the Company, has served as a director of the Company since August 25, 2011. Since in September 2019 three years shall have passed from the last date of approval of the grant of a letter of undertaking of indemnification to Mr. Adi Strauss¹, and according to the provisions of section 275(A1)(1) of the Companies Law and in light of the grant of a letter of undertaking of indemnification being in accordance with the Remuneration Policy and the current conditions pertaining to other directors of the Company, it is proposed to approve the renewal of the letter of undertaking of indemnification to Mr. Adi Strauss, in the form of the letter of undertaking of indemnification for directors and officers in place in the Company.

¹ The General Meeting approved the grant of a letter of undertaking to Mr. Adi Strauss and the amendment thereto on September 26, 2016 and November 8, 2017, respectively. For information, see the Immediate Reports of September 27, 2016 and November 9, 2017 (reference no. 2016-01-054906 and 2017-01-105120, respectively).

5.2 Summary of the Remuneration Committee's and the Board of Directors' justifications for approval of the grant of a letter of undertaking of indemnification to Mr. Adi Strauss, director of the Company

- 5.2.1 The decision regarding the grant of a letter of undertaking of indemnification to Mr. Adi Strauss as a director of the Company was made in accordance with accepted practice in public companies of the type and size of the Company.
- 5.2.2 The grant of a letter of undertaking of indemnification is consistent with the Remuneration Policy for officers of the Company.
- 5.2.3 The letter of undertaking of indemnification is identical in its terms and conditions and provisions to the indemnification letters granted to all directors and officers of the Company.
- 5.2.4 The decision on the grant of the letter of undertaking of indemnification does not constitute a "distribution", as defined in the Companies Law.
- 5.2.5 In light of the foregoing, the grant of a letter of undertaking of indemnification to Mr. Adi Strauss is in the interests of the Company.

5.3 Additional information according to the Controlling Shareholder Regulations

- 5.3.1 Personal interest of the controlling shareholders and nature of their personal interest – Mr. Michael Strauss has a personal interest by virtue of his kinship with Mr. Adi Strauss (Mr. Adi Strauss's father), and Ms. Ofra Strauss has a personal interest by virtue of her kinship with Mr. Adi Strauss (Mr. Adi Strauss's sister).
- 5.3.2 Approvals required – the approvals necessary for the grant of a letter of undertaking of indemnification to Mr. Adi Strauss are the approval of the Remuneration Committee and Board of Directors of the Company. The grant of the undertaking of indemnification also requires approval by the General Meeting of the Company, which is summoned in accordance with this report.
- 5.3.3 The method in which the consideration was determined and details of transactions of the type of said transaction or similar thereto – for the manner in which the consideration was determined, see section 5.2 in the report. For an itemization of transactions of the type of said transaction or similar thereto, see section 3.7.3 in the report.
- 5.3.4 Personal interest of directors in the transaction on the agenda and nature of their interest – Mr. Adi Strauss has a personal interest in the approval of the transaction with him; Ms. Ofra Strauss, Chairperson of the Board of Directors, has a personal interest in the approval of the transaction by virtue of kinship (Mr. Adi Strauss's sister); for caution's sake, a personal interest has been attributed to Ms. Ronit Haimovitch, who is an officer of Strauss Holdings, and to Mr. Gil Midyan, by virtue of his kinship with Mr. Adi Strauss (Mr. Gil Midyan is the cousin of Mr. Adi Strauss). Said directors were not present and did not participate in the discussions with regard to this transaction.
- 5.3.5 Names of the directors who participated in the discussions – the grant of the letter of undertaking of indemnification was discussed in the meetings of the Remuneration Committee and the Board of Directors of the Company. For the names of the directors who participated in the discussions (excluding the directors who did not participate, as provided in section 5.3.4 below), see section 4.4 in this report.

5.3.6 Power of the ISA

For information on the power of the Securities Authority, see section 3.7.5 in this report.

6. Meeting Type, Date and Venue

Notice is hereby given that on Thursday, September 26, 2019 at 3:00 p.m. an Annual General and Special Meeting of Shareholders of the Company will convene at the offices of the Company at 49 Hasivim Street, Petach Tikva, on the agenda of which is the adoption of resolutions on the items set forth in clause 1 above.

7. Required Majority

7.1 The majority required in the Meeting for the adoption of the proposed resolutions pertaining to items 1.2 and 1.3 on the agenda is the majority of votes of shareholders present in the Meeting, in person or by proxy, who are entitled to vote and who participate in the vote (the tally of votes shall not include abstaining votes).

As at the date of this report the controlling shareholders of the Company are Mr. Michael Strauss and Ms. Ofra Strauss, (indirectly) through their holdings in Strauss Holdings and through a direct holding of the Company's shares by Mr. Michael Strauss. To the best of the Company's knowledge, as at the date of this report Strauss Holdings holds approximately 57.44% of the issued and paid-up share capital of the Company and the voting rights therein, and Mr. Michael Strauss directly holds approximately 0.02% of the issued and paid-up share capital of the Company and the voting rights therein. Said holdings of the controlling shareholders on the Record Date, as defined in this report, shall grant them the required majority for the adoption of the proposed resolutions pertaining to items 1.2 and 1.3 on the agenda.

7.2 The majority required for the adoption of the proposed resolutions pertaining to items 1.4, 1.5 and 1.6 on the agenda is the majority of votes of shareholders present in the Meeting, in person or by proxy, who are entitled to participate in the vote, provided, however, that one of the following is fulfilled: (a) the majority of votes in the General Meeting will include a majority of all votes of shareholders who are not controlling shareholders of the Company or have a personal interest in the approval of the resolution, participating in the vote; the tally of all votes of said shareholders will not include abstaining votes; (b) the total opposing votes among the shareholders mentioned in paragraph (a) do not exceed two percent (2%) of all voting rights in the Company².

It is noted that the Company is not a public granddaughter (second-tier) company as this term is defined in the Companies Law. Accordingly, pursuant to the provisions of section 267A(c) of the Companies Law, the Board of Directors of the Company may approve the Revised Remuneration Policy even if the General Meeting has opposed the approval thereof, to the extent that the Remuneration Committee and thereafter, the Board of Directors, shall decide, on the basis of detailed justifications and after they have re-discussed the Revised Remuneration Policy, that the approval thereof, despite the opposition of the General Meeting, is in the Company's interest.

8. Notice of a Personal Interest

A shareholder participating in the vote on the resolutions proposed with respect to items 1.4, 1.5 and 1.6 on the agenda shall inform the Company prior to the vote in the Meeting, or, if the vote is via a

² It is noted that the controlling shareholders of the Company do not hold shares of a percentage that shall grant them the necessary majority for the adoption of resolutions under items 1.4, 1.5 and 1.6 on the agenda, since for the purpose of their adoption a special majority is required.

voting deed, shall indicate in part B of the voting deed in the designated space, if he is considered a controlling shareholder of the Company or a representative thereof or if he has or does not have a personal interest in the approval of said resolution. Where a shareholder has failed to give such notice, he shall not vote and his vote shall not be counted with respect to said resolutions.

9. **Quorum and Adjourned Meeting**

The meeting shall be deemed quorate when at least two shareholders are present, in person or by proxy, who hold or represent 25% of the voting rights in the Company (“**Quorum**”). If within half-an-hour from the time appointed for the Meeting a Quorum is not present, the Meeting shall stand adjourned to Thursday, October 3, 2019, at the same time and place (the “**Adjourned Meeting**”). If within half-an-hour from the time appointed for the Adjourned Meeting a Quorum is not present, any number of shareholders present shall be deemed a Quorum.

10. **Record Date and Persons Entitled to Vote in the Meeting**

10.1 The record date for determining the entitlement of shareholders of the Company to participate and vote in the Meeting and the Adjourned Meeting, as provided in section 182(B) of the Companies Law and in regulation 3 of the Voting Regulations, is the close of trading on the Tel Aviv Stock Exchange Ltd. (“**TASE**”) on Wednesday, August 28, 2019 (the “**Record Date**”). If there is no trading on the Record Date, the Record Date shall be the last trading day prior thereto.

10.2 In accordance with the Companies Regulations (Proof of Ownership of a Share for the Purpose of Voting at a General Meeting), 2000, a shareholder in whose favor a share is registered in street name, and such share is included among the shares of the Company that are registered in the Register of Shareholders in the name of a nominee company (“**Unregistered Shareholder**”), who wishes to vote in the General Meeting will furnish the Company with confirmation from the TASE member with whom his title to the share is registered pertaining to his title to the share on the Record Date, in accordance with the form in the schedule to said regulations (“**Proof of Ownership**”). An Unregistered Shareholder may direct the TASE member to deliver his Proof of Ownership of the share to the Company via the electronic voting system. Without derogating from the foregoing, according to said regulations, an electronic mail approved pursuant to section 44K5 of the Securities Law pertaining to the particulars of users of the electronic voting system shall be deemed tantamount to Proof of Ownership with respect to all shareholders included therein.

10.3 A shareholder may vote in person or via a proxy in accordance with the provisions of the Articles of Association of the Company, subject to the Companies Law. Instruments of proxy and the power of attorney by virtue of which the instrument of proxy was signed (if any) shall be deposited at the registered office of the Company at least 48 hours before the time appointed for the Meeting or the Adjourned Meeting, as the case may be. Notwithstanding the foregoing, the chairman of the Meeting may, at his discretion, accept an instrument of proxy and a power of attorney as provided in this clause above also after said time, if he so deems fit, at his discretion.

11. **Voting via a Voting Deed and Position Statements**

11.1 According to the Voting Regulations, a shareholder who is entitled to participate and vote in the Meeting may vote on the resolutions on the agenda brought for approval by the Meeting via a voting deed. For this purpose, the vote of a shareholder who voted via a voting deed shall be considered a vote by a shareholder who was present and participated in the Meeting.

11.2 The form of the voting deed and position statements (if any) is available on the ISA distribution site at <http://www.magna.isa.gov.il> (the “**Distribution Site**”) and on the TASE website at <http://maya.tase.il>.

- 11.3 The vote will be cast by using the second part of the voting deed, as posted on the Distribution Site.
- 11.4 A shareholder may contact the Company directly to obtain the voting deed and position statements (if any).
- 11.5 The voting deed of an Unregistered Shareholder shall be delivered to the Company together with Proof of Ownership, such that the voting deed shall reach the offices of the Company by no later than four hours before the time appointed for the Meeting. For this purpose, the time of submission is the time when the voting deed and the documents required to be attached to it reach the offices of the Company.
- 11.6 A shareholder who is registered in the Register of Shareholders shall deliver the voting deed to the Company together with a photocopy of his ID card or passport or certificate of incorporation, such that the voting deed shall reach the offices of the Company by no later than four hours before the time appointed for the Meeting.
- 11.7 A shareholder may visit the registered office of the Company, and after having proved his identity, may withdraw his voting deed and Proof of Ownership up to 24 hours before the time appointed for the Meeting.
- 11.8 The final date for submitting position statements is up to ten days before the date appointed for the Meeting, i.e. until September 16, 2019.
- 11.9 The final date for submitting a position statement on the Company's behalf, which includes the Board of Directors' response to position statements submitted by shareholders, is no later than five days before the date appointed for the Meeting, i.e. until September 21, 2019.
- 11.10 The TASE member will send via email, for no consideration, a link to the form of the voting deed and position statements (if any) on the Distribution Site to any shareholder who is not registered in the Register of Shareholders and whose shares are registered with said TASE member, unless the shareholder has advised the TASE member that he does not wish to receive said link, or has advised that he wishes to receive voting deeds in consideration for the payment of postage, provided that the notice was given with respect to a particular securities account and before the Record Date.
- 11.11 A shareholder whose shares are registered in street name is entitled to receive Proof of Ownership from the TASE member through which his shares are held, at the branch office of the TASE member or by mail to the shareholder's address in consideration for the payment of postage only, if he has so requested. A request to this effect shall be made in advance for a particular securities account.
- 11.12 One or more shareholders who, on the Record Date, hold shares constituting five percent or more of all voting rights in the Company, and a shareholder or shareholders holding said percentage of all voting rights that are not held by the controlling shareholder of the Company, as defined in section 268 of the Companies Law, may inspect the voting deeds and the records of votes via the electronic voting system, which have reached the Company as described in regulation 10 of the Voting Regulations.

12. **Voting via the Electronic Voting System**

- 12.1 An Unregistered Shareholder may vote via a voting deed that shall be delivered to the Company via the electronic voting system as defined in the Voting Regulations, subject to the terms and conditions set forth in the Voting Regulations ("**Electronic Voting Deed**").

12.2 The Electronic Voting Deed shall be opened for voting at the close of the Record Date. Upon receipt of an identifying number and access code from the TASE member and after completing an identification process, an Unregistered Shareholder may vote via the electronic voting system at <https://votes.isa.gov.il>.

12.3 Voting via the electronic voting system **closes 6 hours before the time appointed for the Meeting** (i.e. on Thursday, September 26, 2019 at 9:00 a.m.), when the electronic voting system shall be closed. The electronic vote may be changed or cancelled until the closing of the electronic voting system, after which it cannot be changed via the system. Where a shareholder has voted by more than one method the last of his votes shall be counted, with the vote of the shareholder in person or by proxy in the Meeting being deemed later than the vote via the Electronic Voting Deed.

13. **Final Date for Inclusion of an Item on the Agenda by a Shareholder**

The final date for submitting requests by shareholders pursuant to section 66(B) of the Companies Law to include an item on the agenda for the Meeting is up to seven (7) days before the time appointed for the Meeting. It is noted that if a request is submitted there may be changes in the agenda for the Meeting, including the addition of an item or addition of a position statement, and the up-to-date agenda and position statements may be reviewed in the Company's reports on the Distribution Site.

14. **Inspection of Documents**

Shareholders of the Company may review this report and other documents pertaining to the proposed resolutions on the agenda, subject to applicable law, at the offices of the Company at 49 Hasivim Street, Petach Tikva on Sunday to Thursday from 9:00 a.m. to 4:00 p.m. following prior coordination by telephone at 03-6752499, and on the ISA Distribution Site at <http://www.magna.isa.gov.il> and the TASE website at <http://maya.tase.il>.

15. **Company Representative with Regard to the Immediate Report**

The Company's representative for purposes of this report is Mr. Michael Avner, Adv., Senior Vice President, CLO and Company Secretary, whose office is at 49 Hasivim Street, Petach Tikva, tel. 03-6752499; fax 03-6752279.

Yours sincerely,

Strauss Group Ltd.

Date signed: August 22, 2019

Signatories: Michael Avner, Senior Vice President, CLO and Company Secretary
Yaniv Reuven, Controller