



CONVENIENCE TRANSLATION
The Hebrew version is the binding version

STRAUSS GROUP LTD.
(The “Company”)

January 3, 2019

Messrs
The Israel Securities Authority
Via MAGNA

Messrs
Tel Aviv Stock Exchange Ltd.
Via MAGNA

Dear Sir/Madam:

Re: **Transaction Report and Notice of Convening of a Special General Meeting of Shareholders 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 Companies Regulations (Written Votes and Position Statements), 2005 (the “**Voting Regulations**”), the Securities Regulations (Transaction between the Company and a Controlling Shareholder Therein), 2001 (the “**Controlling Shareholder 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, notice is hereby given of the convening of a Special General Meeting of the Shareholders of the Company, which shall be held on Monday, February 11, 2019 at 3:00 p.m. at the offices of the Company at 49 Hasivim Street, Petach Tikva (the “**General Meeting**” or the “**Meeting**”).

1. **Item on the Agenda and Proposed Resolution**

- 1.1 Approval of the employment terms of a relative of the controlling shareholder, who is employed by the Company and does not serve as an officer of the Company. It is proposed to approve the employment terms of Mr. Shawn Koffler, a relative (grandson) of Mr. Michael Strauss, controlling shareholder of the Company, who is employed by the Company and does not serve as an officer of the Company, as described in section 2 below.

Proposed resolution: “Approve the employment terms of Mr. Shawn Koffler, who is a relative of a controlling shareholder and who is employed by the Company and does not serve as an officer of the Company, as described in section 2 of the convening report”.



2. Information Required Pursuant to the Controlling Shareholder Regulations

- 2.1 Mr. Koffler has been employed by the Company since December 2018 in the marketing unit in the Israel Coffee Division. Mr. Koffler is part of the Israel Coffee marketing team. Following an overlap period, Mr. Koffler will perform part of the duties of Israel Coffee's e-Com director, who will be taking maternity leave, and will subsequently serve as a brand manager in the Israel Coffee Division.
- 2.2 Mr. Koffler holds a bachelor's degree in Economics and Management from the University of Miami in Florida, USA, and an MBA from IESE Business School in Barcelona, Spain.
- 2.3 Mr. Koffler possesses experience in marketing, *inter alia* in marketing projects at Unilever UK, and was in charge of marketing in the setup team of a Canadian startup (Nuuvera), which is engaged in medical cannabis.
- 2.4 The heads of Mr. Koffler's employment terms are as follows:
 - 2.4.1 Mr. Koffler will be employed in a full-time capacity.
 - 2.4.2 Salary and accompanying benefits: Mr. Koffler's monthly salary is NIS 12,500 (gross) and will be updated in accordance with extension orders pertaining to cost-of-living increments in the Israeli economy. In accordance with Company policy pertaining to employee compensation, pursuant to which a salary review is made each year for employees of the Company, the monthly salary will be raised at the end of one year's employment in his position as well as at the end of the following year, by 12% in relation to the salary for the last calendar month of the past year, with the approval of the Remuneration Committee (which may reduce all or part of the salary increase, and may not approve any salary increase at all)¹. Mr. Koffler shall be entitled to social provisions, including provisions to a pension fund and/or managers' insurance, including loss of earning capacity, and to an advanced study fund, in accordance with his employment terms, and to accompanying benefits in accordance with the Company's procedures, including a Company car as customary for employees on the level in which he is employed and the costs of its maintenance (excluding tax expenses in respect of the value thereof) (it is noted that according to the Company's procedures, Mr. Koffler may waive the car and receive payment in lieu thereof), mobile phone and the costs of its maintenance (excluding tax expenses in respect of the value thereof), convalescence allowance (10 days), leave (17 workdays, which shall be updated according to Company policy) and sick leave (30 days a year up to a cumulative quota of 180 days).

¹ It is emphasized that approval pursuant to this convening report does not create any right to the receipt of any of the compensation components enumerated in this report.



- 2.4.3 Annual incentive: The Company may award Mr. Koffler an annual incentive, determined according to the incentive plan in place in Israel for employees on his level. The incentive plan is based on the extent of accomplishment of financial targets (which are based on the goals of the unit to which Mr. Koffler is assigned) and the extent of accomplishment of functional targets (measurable personal goals set at the beginning of each calendar year according to the specific position). A score shall be awarded for the extent of accomplishment of each of the targets according to a “grading scale” of 1 to 5, and the amount of the incentive shall be determined according to the weighted score for the accomplishment of financial and functional targets. The target incentive for full accomplishment is 1.2 salaries, and the maximum incentive is 2.8 salaries.
- 2.4.4 Termination: Mr. Koffler’s employment is for an indefinite period, and either party may terminate the employment relationship by giving thirty (30) days’ advance notice to the counterparty at any time and for any reason (except for special circumstances, in which case the Company may terminate the employment relationship forthwith without advance notice, such as circumstances in which severance pay may be denied by law); the Company may shorten the advance notice period or agree that it be shortened at Mr. Koffler’s request, according to his employment terms.
- 2.4.5 Following is an estimate of the compensation to be paid for a typical year (amounts refer to a period of one year):

Recipient’s details				Compensation for services (in terms of cost to the Company) in NIS (according to the Company’s non-GAAP management reports)			
Name	Position	Job scope	% holding in equity	Total salary (a)	Bonus (b)	Share-based payment	Total
Shawn Koffler	Israel Coffee e-Com team; brand manager in the marketing unit in the Coffee Division	Full-time position	-	245,502	15,000	-	260,502

- (a) Salary is in terms of the employer’s cost to the Company, and includes accompanying benefits including social rights, social provisions and customary benefits. If the salary is raised after one year by the maximum rate of 12% the total salary will be NIS 269,006, and in the case of an additional pay raise, the total salary will be NIS 295,331.
- (b) Calculated assuming an annual incentive at the amount of the target incentive (representing full accomplishment of targets) of 1.2 monthly salaries, and a monthly salary of NIS 12,500. If the salary is raised after the first year and second year, the target incentive will be NIS 16,800 and NIS 18,816, respectively.



- 2.5 Personal interest of the controlling shareholders of the Company and nature of their personal interest: 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 57.64% of the issued and paid-up share capital of the Company and the voting rights therein, and Mr. Michael Strauss has a direct holding of approximately 0.02% of the issued and paid-up share capital of the Company and the voting rights therein. The controlling shareholders have a personal interest in the approval of the employment terms by virtue of their kinship with Mr. Koffler.
- 2.6 Personal interest of directors and nature of their personal interest: The directors who have a personal interest are Ms. Ofra Strauss and Mr. Adi Strauss, who are Mr. Koffler's aunt and uncle. For caution's sake only, a personal interest has been attributed to Mr. Gil Midyan by virtue of his kinship with Mr. Koffler (Mr. Gil Midyan is the cousin of Mr. Shawn Koffler's mother) and to Ms. Ronit Haimovitch, who is a director of Strauss Holdings. Said directors were not present at and did not participate in deliberations with regard to this transaction. It is noted that in light of said personal interest, the transaction was also approved in accordance with the provisions of section 270(1) of the Companies Law.
- 2.7 Method in which the consideration was determined: Mr. Koffler's employment terms were approved by the Remuneration Committee and the Board of Directors of the Company, as described below. The Remuneration Committee and Board of Directors were presented with the wage scale for the position of brand manager on the level relevant to Mr. Koffler's level, which was determined following a review of wage data applying to similar positions in FMCG companies and in the industry via participation in the wage surveys performed by Zviran Consulting & Surveys Ltd. Additionally, for purposes of Mr. Koffler's initial position on the e-Com team, wage scales of other marketing positions in Strauss Coffee Israel's marketing department were reviewed and his compensation determined following this comparative examination.
- 2.8 Approvals required: The Remuneration Committee and Board of Directors of the Company approved the transaction described in item 1 on the agenda at their meetings on December 16, 2018 and December 20, 2018, respectively. The abovementioned transactions require approval by the General Meeting of the Company, which is convened in accordance with this report.
- 2.9 Details pertaining to transactions of the type of the proposed transaction or similar thereto, signed in the past two years or which are still in effect on the date of approval by the Board of Directors: In the two years preceding the approval of the transaction contemplated in this report by the Board of Directors of the Company there were no similar transactions to the proposed transaction between the Company and the controlling shareholder or in which the controlling shareholder had a personal interest, and as at the date of this report there are no such transactions in effect, other than the following:



- (a) For information on exemption, insurance or undertakings to indemnify officers of the Company, including those who are among the controlling shareholders of the Company and their relatives, see regulation 29A in the Company's 2017 Periodic Report (the "**2017 Periodic Report**"), published on March 14, 2018 (reference no. 2018-01-019932), and Immediate Reports on the renewal of the grant of exemption of May 23, 2018 and July 9, 2018 (reference no. 2018-01-041586 and 2018-01-062109, respectively), which are incorporated herein by reference.
 - (b) For information on the current engagement in the employment contract between the Company and Ms. Ofra Strauss, see regulation 22 in the chapter Additional Information on the Company in the 2017 Periodic Report.
 - (c) For information on the terms of office of Mr. Adi Strauss as a director of the Company, see regulation 22 in the chapter Additional Information on the Company in the 2017 Periodic Report.
- 2.10 Names of the directors who participated in the deliberations of the Remuneration Committee and the Board of Directors of the Company
- 2.10.1 The meeting of the Remuneration Committee was attended by Ms. Dalia Narkys, Dr. Samer Haj-Yehia and Prof. Arie Ovadia.
 - 2.10.2 The meeting of the Board of Directors was attended by Dr. Samer Haj-Yehia, Ms. Galia Maor, Mr. David Mosevics, Ms. Dalia Narkys, Prof. Arie Ovadia, Prof. Joshua (Shuki) Shemer and Mr. Meir Shanie.
- 2.11 Justifications by the Remuneration Committee and the Board of Directors
- The Remuneration Committee and the Board of Directors of the Company approved Mr. Koffler's employment conditions, *inter alia* for the following reasons:
- 2.11.1 Mr. Koffler holds a bachelor's degree in Economics and Management from the University of Miami in Florida, USA, and an MBA from IESE Business School in Barcelona, Spain, and accordingly, has a suitable education for the position.
 - 2.11.2 Mr. Koffler has held various positions in marketing, which include lead responsibility for marketing while building the brand and the marketing plan in the setup team of a Canadian startup (Nuuvera), which is engaged in medical cannabis; he was also a member of the marketing project management team at Unilever UK and a member of the management team of the 2016/7 ice-cream campaign and the launch of three new ice-cream products in the UK. These have equipped him with suitable experience for the position.



2.11.3 The employment terms are consistent with Mr. Koffler's experience, with his designated position, with the job scope and with the customary employment terms in the Company for employees who are not relatives of the controlling shareholder and are employed in similar positions. Additionally, the salary is consistent with market conditions according to the data presented regarding wage scales based on market data taken from professional wage surveys conducted among FMCG companies and companies in the industry in Israel.

2.11.4 In light of the foregoing, the transaction is in the interests of the Company, the employment terms are reasonable and fair, and Mr. Koffler's employment does not include a distribution within its meaning in the Companies Law.

3. **Meeting Type, Date and Venue**

Notice is hereby given that on Monday, February 11, 2019 at 3:00 p.m. a Special General 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 a resolution on the item set forth in clause 1 above.

4. **Required Majority**

The majority required for the adoption of the resolution proposed in item 1 on the agenda is the majority of votes of the 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 satisfied: (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 transaction, who participate in the vote; the tally of all votes of said shareholders will not include abstaining votes; the provisions of section 276 of the Companies Law, *mutatis mutandis*, shall apply to shareholders who have a personal interest; (b) the total opposing votes among the shareholders mentioned in paragraph (a) do not exceed two percent (2%) of all voting rights in the Company.

5. **Notice of a Personal Interest**

A shareholder participating in the vote on the resolution proposed in item 1 on the agenda shall inform the Company prior to the vote in the Meeting, or, if the vote is via a voting deed, shall indicate in part B of the voting deed in the designated space, if he is considered or represents a controlling shareholder of the Company or if he has or does not have a personal interest in the approval of said resolution. If a shareholder has failed to give such notice, he shall not vote and his vote shall not be counted with respect to said resolution.



6. Quorum and Adjourned Meeting

A quorum shall be deemed present 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 Monday, February 18, 2019, to 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, the shareholders present shall constitute a Quorum.

7. Record Date and Persons Entitled to Vote in the Meeting

7.1 The record date for determining a shareholder’s entitlement 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, January 9, 2019 (the “**Record Date**”). If there is no trading on the Record Date, the Record Date shall be the last trading day preceding said date.

7.2 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 on the Register of Shareholders in the name of the nominee company (hereinafter: “**Unregistered Shareholder**”), who wishes to vote in the General Meeting, will submit to the Company 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. An Unregistered Shareholder may direct the TASE member to deliver confirmation of his title to the share to the Company via the electronic voting system. Without derogating from the foregoing, pursuant to said regulations, an electronic mail approved pursuant to section 44K5 of the Securities Law, which pertains to the particulars of users of the electronic voting system, shall be deemed tantamount to confirmation of title with respect to all shareholders included therein.

7.3 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. 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.

8. Voting via a Voting Deed and Position Statements

8.1 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.

- 8.2 The form of the voting deed and position statements (if any) is available on the Israel Security Authority's distribution site at <http://www.magna.isa.gov.il> (the "Distribution Site") and on the TASE website at <http://maya.tase.il>.
- 8.3 The vote will be cast by using the second part of the voting deed, as published on the Distribution Site.
- 8.4 A shareholder may contact the Company directly to obtain the voting deed and position statements (if any).
- 8.5 The voting deed of an Unregistered Shareholder shall be delivered to the Company together with confirmation of title, in such manner that the voting deed shall reach the offices of the Company by not later than four hours before the time appointed for the Meeting.
- 8.6 A shareholder who is registered on 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, in such manner that the voting deed shall reach the offices of the Company by not later than four hours before the time appointed for the Meeting.
- 8.7 A shareholder may visit the registered office of the Company, and after having proved his identity, may withdraw his voting deed and confirmation of title up to 24 hours before the time appointed for the Meeting.
- 8.8 The final date for submitting position statements is up to ten days before the date appointed for the Meeting, i.e. until February 1, 2019.
- 8.9 The final date for submitting a position statement on the Company's behalf, which shall include the Board of Directors' response to position statements submitted by shareholders, is not later than five days before the date appointed for the Meeting, i.e. until February 6, 2019.
- 8.10 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 on the Register of Shareholders whose shares are registered in street name, unless the shareholder has advised the TASE member that he does not wish to receive said link, provided that the notice was given with respect to a particular securities account and before the Record Date.
- 8.11 A shareholder whose shares are registered in street name is entitled to receive confirmation of his title to the shares from the TASE member through which his shares are held, at the branch 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.

- 8.12 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 as set forth in regulation 10 of the Voting Regulations.

9. **Voting via the Electronic Voting System**

- 9.1 An Unregistered Shareholder may vote via a voting deed that shall be sent 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**”).
- 9.2 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>.
- 9.3 Voting via the electronic voting system **ends 6 hours before the time appointed for the Meeting** (i.e. on Monday, February 11, 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. If 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 a vote via the Electronic Voting Deed.

10. **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 after the Meeting was summoned. 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.

11. **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 between the hours of 9:00 a.m. and 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>.



12. **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 of filing of this report, instruct the Company to furnish, within the time specified by the ISA, an explanation, information and documents pertaining to 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 earlier than 3 business days after the date of publication of the amendment to the report, and no later 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 provide notice of such instruction in an Immediate Report.

13. **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: January 3, 2019

Signatories: Michael Avner, Senior Vice President, CLO and Company Secretary
Noa Herman-Shifris, Adv.

For further information please contact:

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