



Gateway to Israeli CSR

ESG Profile of the Israeli Food & Beverage Sector | Sector Profile
November 2018

Main Insights

The Israeli food and beverage sector is highly concentrated. Recent legislation attempts to address the issue and lower consumer prices.

The food and beverage sector generally displays average ESG performance across issues, comparable to the Israeli benchmark, with several issues in which it outperforms the benchmark, most notably employment diversity and environment. Some local companies excel in both domestic and global standards.

Continuous improvement of public trust levels of food companies is apparent in recent years, soaring from 14% in 2014 to 31% in 2018.

Public attention to food sector issues has shifted from pricing to nutritional health, product quality and wellbeing.

This shift is also reflected in corporate activity and regulatory attention, currently focusing on product health as well as FoodTech, in congruence with global trends.

Israel is developing as a major global FoodTech innovation hub.

Executive Summary

This sector profile is the second in a series of sector-focused documents analyzing the Israeli market from an ESG (environmental, social and governance) performance prism. This series of documents provides a new tier of evaluation, bridging the gap between International ESG benchmarks and individual company evaluations. Responsible investors will benefit from local, sectoral Israeli benchmarks that are sensitive to domestic market conditions and address local issues. In this case, the Israeli food and beverage sector corresponds with international trends of nutritional betterment and particularly excels in technological innovation. Average ESG ratings of the sector are generally comparable to the benchmark of all rated companies, with some specific issues in which food companies outperform the benchmark.

Sector Overview, Regulation and Trends

Food is one of two central expenditure areas of the Israeli consumer, far higher than in other developed countries, due to a combination of high food prices

and low income levels. Over the years, the personal expenditure on food consumption in Israel has been growing at an average rate of 2.3% annually. Few large companies and monopolies control the Israeli food and beverage market, making it a very concentrated sector.

While the high cost of living remains a prominent issue in the Israeli public regard of businesses, in the food sector the weight of pricing seems to have subsided, giving rise to nutritional issues and attention to the health and quality of food products as primary concerns in public opinion. As first signs are now apparent to a new wave of price increases in the sector, the picture might change in the near future.

The operations of leading food and beverage corporations have been focusing on wellness and innovation, in congruence with global trends and attentive to the local public discourse. In return, a significant increase is apparent in the level of trust that the public awards companies in the sector.

Governmental and regulatory efforts have also been minded in similar directions, addressing sustainability, innovation and health as well as pricing, via market concentration. Recent legislation aims to promote competition and lower consumer prices; mandatory food health labeling regulations were approved; efforts target minimization of packaging waste; and governmental bodies support and sponsor the thriving Israeli FoodTech ecosystem.

Israel is developing as a major global FoodTech innovation hub, benefitting from the support of large corporations and governmental entities, together with the creativity of hundreds of startups and initiatives. R&D centers of some of the leading food conglomerates and food technology corporations operate in Israel. The startup nation reputation is harnessed to address all aspects of the industry, throughout its stages of production, supply, retail, consumption and waste; and responds to food challenges of global importance, as defined by the UN Sustainable Development Goals (SDGs).

ESG Performance Benchmark | Maala ESG Rating

The Maala ESG Rating, launched in 2003, is based on global ESG standards, addressing the 10 Global Compact principles, GRI indicators and other international indexes and measurement tools, while adapting them to the priorities of the Israeli market, as well as commonly acceptable working procedures in Israeli corporations. This document features issue-focused comparisons of the performances of rated food companies, with those of all 128 rated leading Israeli companies.

Across the rating chapters of the Maala Index, Israeli food companies generally have average scores that are comparable to the general benchmark of Israeli companies, with some deviations. They excel on diversity, corporate donations, and environmental management. Sixty percent of rated food companies publish CSR reports.

Rated companies in the sector are generally attentive to their stakeholders. Most food companies have held at least biennial surveys regarding their stakeholders' perceptions of their own corporate conduct concerning various ethical issues: 80% of food companies surveyed the attitudes of their customers; and 60% surveyed their employees and suppliers.

The sector is also relatively involved in generating transformation throughout the supply chain, with 60% of food companies rating suppliers in procurement tenders on social and environmental issues, compared to a general rate of only 41%.

On issues concerning human capital and the management of its human resources, Israeli food companies generally rank better than the benchmark. All Maala rated food companies sector employees are unionized, compared to the employees of approximately 60% of other rated companies. However, while 42% of other companies pay their low-wage employees a higher minimum wage than required, only 20% of food companies do so.

Food companies outperform Maala rated companies in other sectors with regard to the employment of Arabs and Israelis of Ethiopian origin, and have been particularly minded to a diverse workforce in their recent hiring practices.

The median percentage of corporate donations by rated food companies is triple the donations of other rated companies, with 0.33% of turnover in food companies, and only 0.11% in other sectors. Contributions in the sector are characterized by a large share of in-kind

donations (of products and services) – 69%.

All rated food companies have clearly defined and published environmental policies, as well as structured environmental management systems. The average overall environmental score of rated companies in the sector is 92, higher than the 82 benchmark.

Public Trust | Maala-Globescan Radar

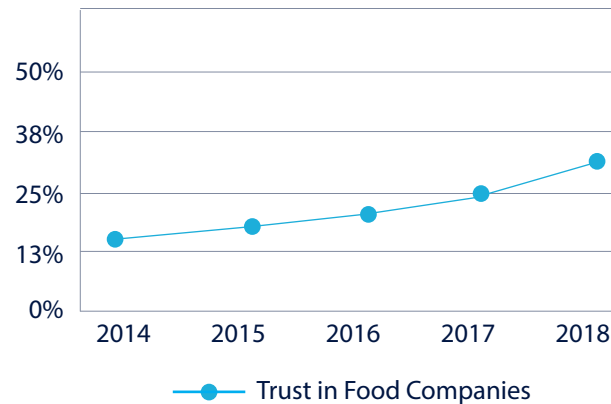
The Maala-GlobeScan Radar is a survey of public expectations from businesses and institutions, and has been conducted and published in Israel consecutively since 2014, linking public expectations and the businesses' social license to operate.

Trust

In recent years there has been continuous improvement in public trust level, with regard to Israeli businesses in general and food companies in particular.

In the context of the food sector, the upturn is particularly notable, considering the very poor levels of trust first surveyed in 2014. On the first Maala GlobeScan Radar, food companies rated only 14%, soaring to 31% in 2018. This recovery reflects efforts made by food companies to address issues that the public considers to be important.

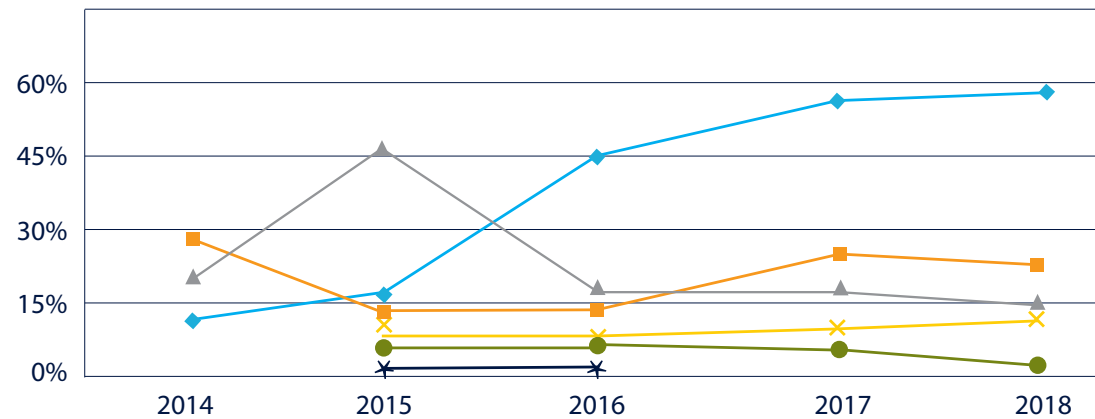
Public Trust in Food Companies, Israel 2014-2018



Public Perception of Important Issues in the Food Sector

Over the years, with regard to the food sector, public attention has been shifting from pricing (rated 45% in 2015, only 12% in 2018) to focus on nutritional issues, stressing the importance of food health (57% in 2018, a 46% increase since 2014) and quality (24% in 2018). The Israeli public seems to now be more available to address issues beyond basic and immediate needs. The companies, on their end, are exhibiting corresponding shifts in their operations and varied designated projects.

Public Perception of Important Issues in the Food Sector 2014-2018



* The total adds up to more than 100%, as survey responders were able to provide multiple responses.

- ◆ Health of product ingredients
- ▲ Price
- ★ Monopolies and market concentration
- Quality of product ingredients
- ✕ Reliability and transparency
- Environment

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Israeli Benchmark

About this Document

Internationally respected and recognized benchmarks analyze environmental, social and governance (ESG) factors, in order to evaluate and compare the performance of companies worldwide. These benchmarks supply invaluable information and provide important tools for the integration of ESG factors into investment considerations. However, due to their global nature they cannot be sensitive to domestic market conditions or address local issues that might impact some performances of Israeli companies in global ESG ratings. Information and evaluations within domestic contexts and addressing the local regulations and business culture in Israel are often only available in Hebrew, and are therefore overlooked by international rating companies and investors.

This sector profile provides a focused insight into the ESG performance of Israeli food and beverage companies, in context of the domestic food sector. It aims to bridge the gaps between individual company evaluations and the global food sector benchmarks,

by exploring materiality issues pertinent to the ESG performance of Israeli food companies. The scrutiny via a localized benchmark of businesses highlights specific conditions that impact the local market, and provides insights into the leadership of and within the Israeli food sector. The result is intended to enable more knowledge-based, in-depth analysis when making decisions regarding responsible investments in the Israeli food and beverage sector.

Resources

This is the second in a series of profile papers about Israeli business sectors, using varied tools to provide a comprehensive view and an up-to-date sectoral situation report, in this case – about the Israeli food and beverage sector. It compiles information by local institutions and analysts, data collected by Maala annually via several of its projects, and publicly available information provided by the companies themselves:

- **Tel Aviv Stock Exchange (TASE)**
- **Dun's 100 Food Industry Ranking**
- **Economic analyses of food & beverage production industries in Israel by Bank Leumi**
- **Media coverage of relevant issues**
- **CSR reports and dedicated websites by Israeli food and beverage companies**
- **Maala ESG Rating**
- **Maala-Globescan Radar**
- **Corporate Giving benchmark**
- **Public information on regulations, legislation and governmental initiatives**

Maala

Maala is a non-profit corporate membership organization promoting Corporate Social Responsibility (CSR) in Israel. Founded in 1998, Maala is considered the CSR standards-setting organization in Israel. Presently, the membership organization is comprised of some 110 of Israel's largest companies. Maala annually publishes the Maala ESG indexes on the Tel Aviv Stock Exchange and the Maala GlobeScan Radar, which studies the public expectations from businesses, and helps in defining their social license to operate.

This document is the second in a series of in-depth reports covering different aspects of CSR in Israel, as part of a joint project by Maala and the Israeli government: **Gateway to Israeli CSR**, a comprehensive knowledge portal on corporate responsibility in Israel, in English.

In 2016, the annual Maala conference was modified and customized to cater to a global perspective and audience, and has since developed dynamic community discourse and a vibrant platform for dialogue on CSR issues and responsible investments in Israel.

We invite you to join the conversation

Learn more about responsible investments in Israeli businesses!

- Participate in the annual Maala international conference. For more information see: www.maala-en.org.il
- We are available for professional opinions and trends, in depth discussion and conversations about specific issues. Contact us: info@maala.org.il
- See more detailed information about Maala in [Appendix 3](#).

1. Sector Overview and Trends

Israeli Food & Beverage Companies and ESG

Israeli Food and Beverage Industries | 10 Largest Companies in the Sector (by Turnover)*

Company Name Link to CSR Report ESG Contact	Brief Introduction	Turnover (Millions NIS)	No. of Employees ³	Ownership Structure	Maala Index Rating**
THE CENTRAL BOTTLING COMPANY LTD. shellym@cocacola.co.il	Beverage manufacturer and marketer; exclusive concessioner of Coca Cola in Israel	6,350	6,300	Private	Platinum
TNUVA GROUP Corporate Responsibility webpage	Producer and marketer of dairy and meat products, eggs and frozen foods	6,000	5,300	Private	Unrated
STRAUSS GROUP LTD. Sustainability Rep 2016/17 (Eng.) daniela.sion@strauss-group.com	Producer and marketer of food products: coffee, confections, chocolates, snacks, baked goods, dairy products and dips & spreads	5,480	11,198	Traded at TASE Ticker: STRS	Platinum +
FRUTAROM ISRAEL LTD.	Producer and marketer of flavor and fragrance products for the food and cosmetic industries	4,904	5,223	Private (Previously traded, recently sold)	Unrated
OSEM GROUP Osem Creating Shared Value Webpage (English) Report: 2015 Update (Hebrew)	Marketer of varied food products, including: snacks, soups, baked goods and pasta, confections, coffee, ice creams and frozen products	4,250	4,980	Private Owned by Nestle Global	Platinum +
NETO	Importer, producer, marketer and distributor of varied food products	2,449	1,740	Traded at TASE Ticker: NTO	Unrated
UNILEVER ISRAEL Unilever Israel Sustainable Living webpage (Hebrew) liat.lavee@unilever.com	Producer and marketer of food, personal hygiene and home care products	2,200	1,980	Private Controlled by UnileverGlobal	Platinum +
SODASTREAM SodaStream Israel Environment webpage (Hebrew)	Producer and marketer of home beverage-carbonation devices	1,956	2,592	Dual TASA Ticker: SODA	Unrated
TEMPO CSR webpage orena@tempo.co.il	Producer, importer and marketer of beer and soft drinks	1,334	1,125	Traded at TASE Ticker:TMBV.B2	Gold
OF YERUSHALAYIM MEHADRI LTD	Poultry slaughterer, processor and marketer	1,006	1,200	Private	Unrated

* The sales and employee data in this table are from Dun's 100 Food Manufacturers Ranking 2018. Available via [this link](#).

** Maala Index Rating data available on the Maala website via [this link](#).

*** ESG contact info and links to CSR reports and/or related webpages were added where available. Only two food companies had published reports in Israel, Unilever publishes a global report.

1.1. The Israeli Food and Beverage Sector | Introduction

Food is a basic necessity, and as such, food products naturally comprise a significant share of the consumption of every household. As the population grows – and Israel's population is constantly growing – so does the aggregate expenditure on food consumption. Food demand is inelastic, as price fluctuations only have minor impacts on demand. Food consumption in Israel is an indication of this, and personal consumption of food and beverages has been on an upward trend, despite rising prices.

The food and beverage sector in Israel comprises more than 2,000 factories employing approximately 64,000 people; of these, some 1,900 industries and 58,000 employees in food companies, and 132 factories with 6,000 employees in beverages (2014 data, noted in [report by Bank Leumi](#), 2017 (Hebrew)). By turnover, the food production market is estimated at approx. NIS 61 billion (~US\$ 16.8 billion), and the beverage and tobacco production market at NIS 8 billion (~US\$ 2.2 billion. In the report by Leumi, the Tobacco industry is included as part of the beverage market).

Food and beverage industries in Israel are highly concentrated market sectors. Several large producers hold substantial market shares and are defined as monopolies.

1.2. ESG in the Israeli Food and Beverage Sector | Overview

Maala, a network comprised of Israel's largest companies addressing Corporate Social Responsibility (CSR) issues, has been working with most major players in the country for over 20 years, and is involved in global CSR and SRI professional networks. It has a unique advantage in the field of CSR in Israel.

Based on its extensive experience, Maala launched the [Gateway to Israeli CSR](#) project, and a series of sector profiles reviewing the ESG performance of Israeli businesses. This food and beverage sector profile is the second document to be published in this series. This section of the profile is a digest of our understanding of the development and current state of ESG in Israeli food and beverage industries.

The food and beverage sector in Israel operates as a very concentrated market, as high food prices are controlled by few large companies and monopolies. In the early 2010s, food prices were a key issue in spirited social protests that swept over Israel. The reputation of food companies was low, manifested by low levels of public trust. However, the sector's leading companies have been attentive and responsive to the public and its expectations, making efforts that have been noticed and rewarded by a

significant upturn in levels of public trust.

[The Sustainability Yearbook 2018](#), published by RobecoSAM, identifies health, wellness and nutrition as major growth categories in the food industry, based on a heavy consumer focus on diet and healthy lifestyles in the developed world. It further indicates these prompt product transformations and innovations. The Yearbook defines the expectation for an increase in raw material prices and new packaging solutions as the main risks and challenges of the industry, and suggests supply chain management and transparency can address key concerns.

These trends are also recognized in the operations of Israeli food companies, with two main axes particularly evident: food health and FoodTech. In recent years, the emphasis in the sector has shifted from pricing to food health. New regulations were devised to address concerns in this regard, and the requirement to label food packages based on nutritional criteria will require additional action by the industry. The application of new technologies in the sector is rapidly developing, and the Israeli FoodTech industry is very energetic, with active involvement of large prominent companies as well as numerous startups and new initiatives.

In fact, Israel is developing as a major global center of

FoodTech innovation, with initiatives and technologies that address every aspect of the supply chain in the food industry, from field via factory and retail, all the way to the consumer.¹ Much of the work undertaken by FoodTech initiatives seeks solutions to global challenges in the food industry, and responds to the UN Sustainable Development Goals (SDGs).

The [UN SDGs](#), adopted by all UN member states in 2015, were designed to promote global development while prioritizing human and environmental well-being, addressing the major challenges facing the international community. Goal 2 directly addresses food; under the broad title of eliminating hunger, it aims to achieve food security, improve nutrition and promote the sustainable production of food.

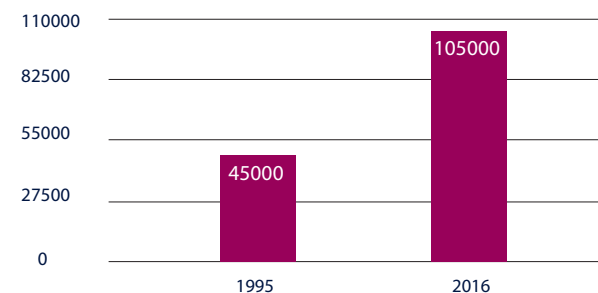
In addition to seeking new technological solutions, companies in the Israeli food sector are starting to address these and other sustainability goals in their operations, whether directly or indirectly, and their activities indicate first signs of action.

1.3. Food Consumption in Israel ²

Over the years, the personal expenditure on food

consumption in Israel (excluding beverages and alcohol) has been growing at an average rate of 2.3% annually, and in 2016 was estimated at NIS 105 billion (~US\$ 28.7 billion). A calculation of caloric food consumption per person indicates that consumption levels are stable and the real growth in expenditure results from an increase in product mix, quality and prices.

Personal Expenditure on Food Consumption in Israel (NIS Millions)



Food is one of two central expenditure areas of the Israeli consumer, the other being housing. A combination of high food prices (with full VAT applied to food products, except fruit and vegetables) and low income levels, translate to high expenditure on food in Israel compared to other developed countries, as indicated by the following comparison between Israeli and American consumers:

Personal consumption components in Israel, in comparison to USA

Adapted by BDO based on data by CBS and Bureau of Labor Statistics 2015

	Israel	USA
Food	16.3%	7.2%
Housing	24.7%	19.2%
Transport and communications	20.1%	17%
Education, culture, entertainment	11.8%	7.4%
Dwelling and household maintenance	9.5%	6.9%
Health	5.7%	7.8%
Miscellaneous goods and services	5%	28%
Furniture and household equipment	3.7%	3.2%
Clothing and footwear	3.2%	3.3%

1.4. Economic Indicators of the Israeli Food and Beverage Sector³

The growing rate of food and beverage consumption has not been translated to a corresponding increase in domestic food production. Industrial production of food products and beverages has only noted a moderate increase in real terms. The industrial production (seasonality deducted) grew by approx. 0.9% during the first half of 2018, compared to the

1. Lee, J. March 30, 2018. **Harnessing Innovation in the World's Startup Nation**. Triple Pundit. Available at: www.triplepundit.com/2018/03/harnessing-innovation-worlds-start-nation/

2. Based on **2017 Trends in the Food Sector**. BDO Ziv Haft Consulting Group. (Hebrew). Available at: www.bdo.co.il/getattachment/80b058c3-9bfb-4c1d-bd1e-92eafe2bcb/BDO-FOOD-SECTOR-OUTLOOK-2017.pdf.aspx

3. See Appendix 2 for Abstract of Bank Leumi 2018 Sector Report. This chapter is based on: Gili Ben Avraham. August 2018. **Production of Food and Beverages**. Capital Markets, Economics Department. Bank Leumi. (Hebrew). Available at: www.leumi.co.il/static-files/10/LeumiHebrew/economic_desk/food_08_2018.pdf And Gili Ben Avraham. May 2017. **Production of Food and Beverages**. The Financial Division, Economics Department. Bank Leumi. (Hebrew). Available at: www.leumi.co.il/static-files/10/LeumiHebrew/economic_desk/Food%20Beverage_05-2017.pdf

previous year. This growth rate reflects a second consecutive year of weakening, resulting from food production, up by 0.3% compared with 1.4% in all of 2017. In contrast, the production of beverages is up 4.0% since the beginning of 2018, compared to 0.5% in all of 2017. Although it should be noted that local producers supply governmental institutions as well as catering enterprises, therefore an observation of households alone does not provide the full picture.

The sales index in current prices of food and beverages has grown by 2.0% in the first half of 2018, compared to a 0.4% reduction in this index in 2017. Considering the weak growth in production rates, the rising producer prices have probably contributed to the sales index growth rate. However, the import of consumer food products and beverages, evaluated at import prices (pre-VAT and retail margins) has increased by 11% compared to the same period last year. In other words, imported finished food products marketed in Israel continue to strengthen at the expense of domestic production.

The gross profitability of food producers is higher by dozens of percent than those of food traders. A possible explanation is the concentration typical

to the food sector, in which some of the largest companies are not public, and therefore not included in this analysis; and the low exposure to import in most categories, benefitting the producers. It is also interesting to note that operational expenses among producers are very high compared to the trading companies.

Trading companies have low leveraging levels compared to domestic producers and in general. It is likely that they have less need for external funding, considering they do not require R&D, investment in machinery and equipment, and generally have a lower expenditure structure. Therefore, their liquidity ratios are also preferable to those of food producers, considering they have lower liabilities. Similarly, the solvency ratios of food traders are preferable to those of food producers, as their net funding expenses are comparatively very low.

1.5. Israeli Regulation of the Food and Beverage Industry from an ESG Perspective

Israeli companies across all business sectors are subject to regulation addressing various ESG aspects. Israel is particularly progressive in its labor legislation. An overview of pertinent Israeli regulation

is available in [Appendix 1](#) of this document, and [online](#).

This section describes some highlights of legislation and regulations particularly relevant to the food and beverage industries.

Protection of Public Health (Food) (Nutritional Labeling), 2017

One of the prominent trends in Israel and globally with regard to food, is the increased awareness to a healthy and well-balanced nutrition. In this respect, the Israeli Ministry of Health regulated a labeling requirement for processed and packaged food products. The Ministry decided to devise a domestic standard for labeling, rather than adopting European or American ones.⁴

According to the regulations, food containing high quantities of sugar, sodium and/or saturated fats (according to listed criteria of quantities per 100g) will be labeled by red stickers with white printing, stating: High Quantities of Saturated Fats / Sodium / Sugar. These requirements necessitates food producers to adapt their production and packaging. The regulations were approved by the Knesset's Health Committee in December 2017, and are

4. **2017 Trends in the Food Sector.** BDO Ziv Haft Consulting Group. (Hebrew). Available at: www.bdo.co.il/getattachment/80b058c3-9bfb-4c1d-bd1e-92eafefe2bcb/BDO-FOOD-SECTOR-OUTLOOK-2017.pdf.aspx

expected to apply gradually throughout the market, starting in January 2020.⁵

Law for the Promotion of Competition in the Food Sector, 2014

The law aims to promote competition in the highly concentrated food sector, with the aim of lowering consumer prices. It regulates the operations of suppliers and retailers, and determines a list of prohibited behaviors and arrangements that might reinforce the status of large actors in the market, or reduce competition between suppliers or between retailers. Additionally, the law addresses regional competitiveness in the area of food retail and consumer products. An additional area defined by the law concerns the transparency of prices, and includes guidelines for the publication of consumer prices in large retail stores.⁶

Packaging Treatment Arrangements Law, 2011

The Packaging Law aims to minimize packaging waste, recycle packaging into other products and avoid landfills. The law imposes liability for the recycling of packaging onto the manufacturers and importers of packaged goods, requiring them

to report the quantities of packaging and packaged products sold annually. The producer/importer must associate with a recognized waste management entity, and local authorities are also obligated to partake in waste separation and reduction of packaging waste.⁷

1.6. Israeli FoodTech: The Hottest Trend in the Israeli Food Sector

Israel's well-earned reputation for innovation, technology and creativity, is being harnessed to address the future of food. The local FoodTech community is thriving, with numerous players taking active roles, including universities; governmental support; large corporations, both local and international, investing in developments and new initiatives; and hundreds of startups and more established companies that develop new food related technologies.

The Israeli government has been supporting the AggroTech incubators since the 1990s. Over the last two decades, the focus has been shifting to include broader issues related to the food industries. During this time, many Israeli companies have been at the

forefront of global innovation in the health and lifestyle product industries, which includes vitamins and minerals, herbs and herbal remedies, sports nutrition, natural and organic products and functional foods. The sector has grown to approximately US\$ 770 billion, as estimated by the [Israeli Export Institute](#).

Since 2011, [FoodTech IL](#) has been held annually, a conference of the Israeli ecosystem, aiming to bring together and generate collaborations between startups, food and beverage companies, investors and other stakeholders. Over the years, the conference has grown to welcome thousands of participants, including representation of global leaders and multinational companies, being exposed to the vast array of Israeli FoodTech developments.

In 2012, [Strauss Group](#) launched [Alpha Ventures](#), aiming to develop the local FoodTech ecosystem and proactively connect between the different relevant players. Alpha's success led Strauss to open [The Kitchen FoodTech Hub](#) in collaboration with Israel's Innovation Authority, an incubator investing in early

5. **Unanimously: Red Sticker Food Product Labeling Regulations Approved; Yellow Cheese to be Labeled and not Excluded; Regulations to be Enforced in Two Years in two Stages.** December 20, 2017. Labor Welfare and Health Committee News. The Knesset. (Hebrew). Available at: main.knesset.gov.il/Activity/committees/Labor/News/Pages/first_201217.aspx

6. **The Food Law.** Israel Antitrust Authority website. (Hebrew). Available at: www.antitrust.gov.il/subject/188.aspx

7. **The Packaging Law.** TMIR – Israel's Package Recycling Corporation Website. (Hebrew). Available at: www.tmir.org.il/content/content/חוק_האריזות.aspx

stage startups addressing all stages of the food's value chain. (See more information in this chapter's Spotlight on these activities).

Presently, hundreds of Israeli companies engage in FoodTech. The Israel Innovation Authority estimates there are 500 such companies. Sector evaluations estimate that Israeli Aggrotech and FoodTech companies have raised over US\$ 250 million in the past two years.⁸ Some of the world's leading food technology corporation operate R&D centers in Israel, such as Monsanto (USA), Singenta (Switzerland), Jin (india), Chimochina (China), Nestle (Switzerland) and others. Most of these centers developed following the acquisition of local companies, and they are invaluable to the development of the local ecosystem, by drawing global investors, facilitating international collaborations and distribution channels, and training future managers and entrepreneurs.⁹

Spotlight: Alpha Ventures + The Kitchen FoodTech Hub | Strauss

Promoting a Vision for an Israeli FoodTech Ecosystem | Addressing Challenges of the Food Industry through Innovative Technology

Alpha aims to leverage the local startup ecosystem, and, together with innovative and disruptive thinkers, to tackle the food industry's main challenges. Alpha creates an interface between research institutes and researchers, investors and entrepreneurs and the market, offering opportunities for implementation. Alpha technologies are available for use by all food producers (not limited to Strauss).

The project was launched in 2012 and has already produced more than 200 new and unique technological ideas, ten of which are in advanced stages of development. The company aims to expand the project globally.

The Kitchen is Israel's first FoodTech incubator, a collaboration with the Innovation Authority. It funds and supports FoodTech startups, by investing in early stage breakthrough technologies.

All aspects of the value chain in the industry are explored at the hub by participating startups. Food safety issues are supported by **BactuSense's** chip-based device for rapid pathogenic bacteria detection; **Inspecto's** portable nanoscale detector for contaminants in food; and **Detergio's** antimicrobial coatings and paints, which destroy microorganisms upon contact. Nutritional alternatives are explored, including non-dairy, probiotic foods and drinks, including yogurts, by **Yofix**; insect-based food products as alternative protein sources for human consumption by **SpArk**; clean, healthy and ethical bovine cultured meat by **Aleph Farms**; and computational protein design and biotechnology production of healthy, stable and cheap proteins with optimal taste profiles by **Amai Proteins**. Dietary restrictions and preferences benefit by the transformation of sugar molecules in natural fruit juices into dietary fibers by **Better Juice**; and customization of online recipes to conform to dietary goals by **Myfavoreats**. Robotic solutions for food factories are provided by **Deep Learning Robotics**.

More info: [Alpha Strauss](#); [The Kitchen FoodTech Hub](#)

8. Koren, O. May 7, 2018. **Not Only Frutarom: The Israeli Companies Leading the Global FoodTech Revolution – Raised NIS 1 Billion**. TheMarker. (Hebrew). Available at: www.themarker.com/news/macro/1.6060705

9. **Israel as a Food Innovation Hub**. April 30, 2015. Israel Innovation Institute and Ministry of Economy and Industry. (Hebrew). Available at: economy.gov.il/about/goalsandobjectives/research/documents/foodinnovation.pdf

2. Ranking Israeli Food Industries According to ESG Aspects

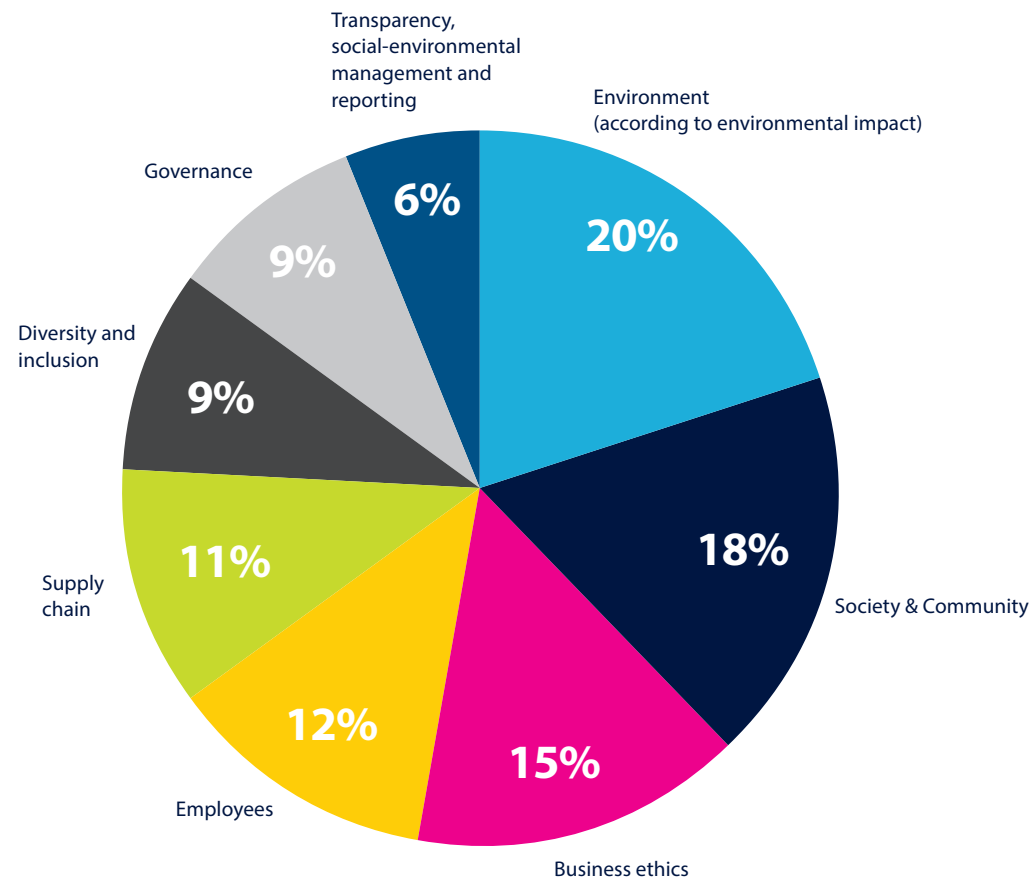
Maala Rating Scores | Food Sector Companies vs General Benchmark

2.1. Maala ESG Rating | Introduction

The [Maala ESG Rating](#), launched in 2003, is based on global ESG standards, addressing the 10 Global Compact principles, GRI indicators and other international indexes and measurements, while adapting them to the priorities of the Israeli market, as well as commonly acceptable working procedures in Israeli corporations. It annually rates around 25% of the 350 largest companies in Israel, serving as an internal management tool as well as an external benchmark for Israeli performance on Environmental, Social and Governance standards (ESG). Participating companies, which have demonstrated a remarkable willingness toward accountability and transparency, are then ranked within their categories of industry, size and ownership (public/private/state).

The detailed surveys issued by Maala for the annual rating serve as a valuable resource for CSR professionals to report on the company's activities during the past

Weight of Issues in Maala Rating



year, to map gaps and set goals for improving CSR vis-a-vis Israeli standards, and to monitor their accountability over time.

Based on the annual rating, the Tel Aviv Stock Exchange ([TASE](#)) has created a family of SRI (Socially Responsible Investing) Indexes comprised of two **Tel Bond Maala** indexes ([Tel Bond-Shekel MaalaSRI](#) and [Tel Bond-CPI Linked MaalaSRI](#)) alongside the [TA-Maala SRI Equity index](#). Since its launch in 2005, the TA-Maala index has outperformed the mainstream market indexes.

Maala rating criteria are determined by an independent public committee of experts, academics and representatives of civil society and the business sector, headed by the Chairman of the Tel Aviv Stock Exchange. Criteria are updated on a 2-3 year cycle through a stakeholder dialogue process, according to priorities and practice in Israel. Results are analyzed using a computerized model, with the exception of the environmental chapter, which is evaluated by [GreenEye](#).

The benchmark in this document is based on the performance of companies rated by the 2018 Maala Rating, which refers to 2017 data. 150 leading Israeli corporations (75 in the Maala Advanced Rating, 75 in Maala Basic – SMEs CSR Index), **including five**

major food & beverage companies, were included in the rating. Following are issue-focused comparisons of the performances of Maala rated food and beverage companies, with those of all rated companies.

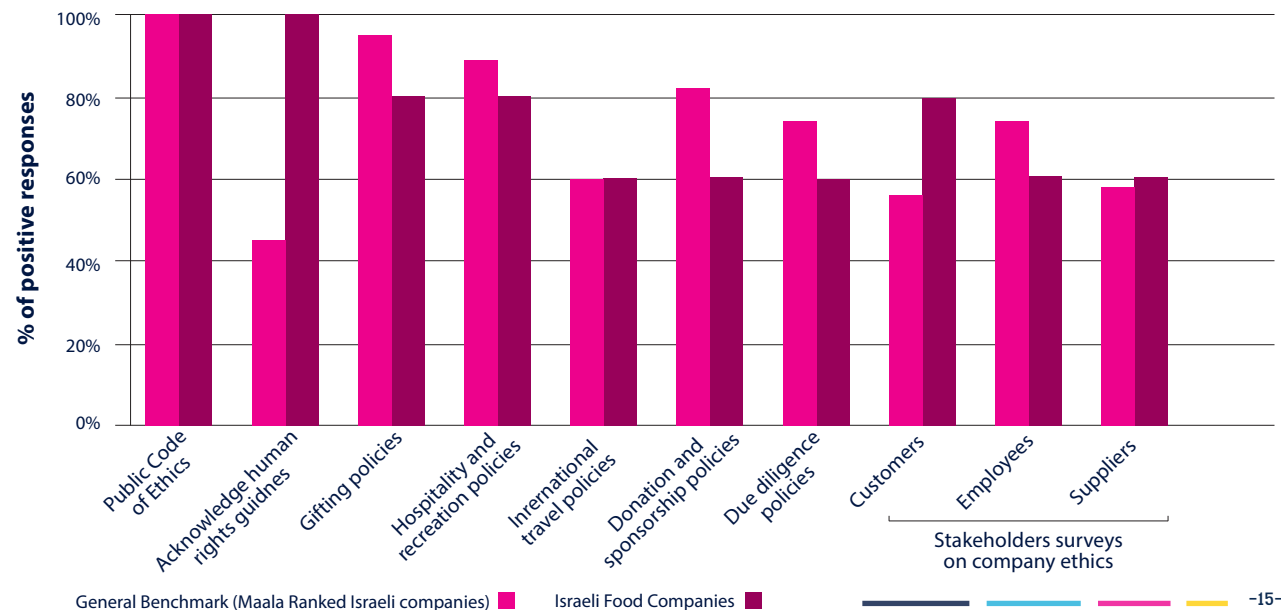
2.2. Business Ethics

Outline:

The ethics section reviews the way companies conduct their **Code of Ethics**: whether such a code exists; is it made publically available; and the manner of its assimilation into company practices and operation. Companies are expected to evaluate their Code of Ethics by consulting with all stakeholders, including employees, customers, suppliers and investors.

Additionally, the company's understanding of the **UN**

Guiding Principles for Human Rights are addressed.



Insights:

Generally, Israeli food companies have average ratings on ethical issues, with deviations on some criteria, either higher or lower than the general benchmark of Israeli companies.

- **All rated food companies** are familiar with the international human rights guidelines.
- In light of Israel's anti-corruption regulations, most food companies have documented **published policies regarding gifting**, hospitality expenses, donations and sponsorship, etc.
- 80% of food companies **survey** the perceptions of their customers and 60% survey their employees and suppliers at least biennially, regarding their corporate conduct concerning various ethical issues.

Key Questions Asked in Rating Process:

Is there an Ethics Code that is publically published?

[Prerequisite question]

Is the company aware of current international human rights guidelines for businesses?

[such as the UN: Guiding Principles on Business and Human Rights – Implementing the United Nations “Protect, Respect and Remedy” Framework, [Ruggie's reports as UN Secretary-General's Special Representative on business & human rights](#) and [UN “Protect, Respect, and Remedy” Framework](#),

And OECD: Guidelines for Multinational Enterprises and Other Global Instruments for Corporate Responsibility [Background and Issues Paper](#) and [2001 Annual Report](#).]

Does the company operate a compliance / ethics program, or policies/procedures intended for the prevention of corruption and bribery, which is accessible to all directors / managers / employees / consultants / business partners regarding the following:

- Receipt or gifting gifts and benefits
- Hospitality, cultural and recreational activities and expenses
- Inviting clients on business trips abroad, and the types of expenses which can be remunerated.

- Donations, contributions and sponsorships
- Background checks and reliability of suppliers/ consultants and business partners, in particular those representing the organization externally
- Guidance to sub-agents in overseas activities.

Was a survey held in the past two years among the following stakeholders, which examined, among other issues, their stances regarding ethical aspects in the conduct of the company?

- employees and managers
- customers and consumers
- suppliers and sub-contractors (asked In Supply Chain Chapter of questionnaire).

In the past two years, was a review held within the company of requests, recommendations, reviews, positions etc. of investor representatives, which has included an examination of their positions with regard to ethical aspects in the conduct of the company, and which findings had been presented before the management and board of directors?

2.3. Employees

Context:

Israel has a collection of Protective Employment laws (otherwise known as "Shield Laws"), addressing the employers' duty to provide their employees with minimal working conditions. Shield Laws address issues such as daily and weekly working hours, salary protection, holiday and vacation rights, paid sick leave and minimum wage, minimal working age etc.

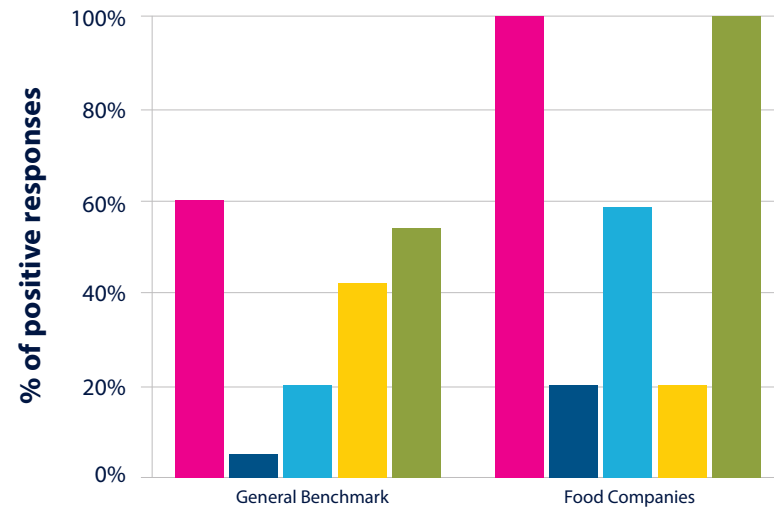
(See more information in Appendix 1 of this document: ESG aspects in Israeli regulation).

Outline:

When examining human capital in Israeli companies, numerous aspects of employee management, working relations and welfare are reviewed. starting with compliance with protective employment laws ("shield laws": working hours, mandatory social benefits etc.), and onto investment in professional and personal development of employees, addressing work-life balance, welfare activities, promoting wellbeing, supporting low wage employees as well as addressing retirement and employment termination issues.

Insights:

On issues concerning human capital and the management of its human resources, Israeli food



- Freedom of association
- Employment tracks for retirement-age employees
- Executive training: management of older employees
- Increased minimum wage for all employees
- Advising employees of saving and pension plans

Additional info:

Convictions regarding offenses under Protective Employment laws ("Shield Laws")

General Benchmark:

6% of companies

Food and Beverage companies (in 2016):

One company was convicted for violating Protective Employment laws.

Two companies are undergoing proceedings with regard to violations, pending decision.

companies generally rank better than other rated Israeli companies, with one significant exception:

- All food sector employees are **unionized**, compared to the employees of approximately 60% of other rated companies.
- Employees of all rated companies in the sector are entitled to **counseling regarding their savings and pension plans**, compared to only 54% of companies in the general benchmark.

- Compared to the benchmark's 20%, food sector companies excel, with 60% of them training their executives with regard to the **management of older employees**.

- Food companies have a poor record of paying their low-wage employees an **increased minimum wage** (higher than the legally required minimum). The sector's 20% is approximately half the rate of the general Israeli benchmark (42%).

Key Questions Asked in Rating Process:

Workplace relations, welfare and work-life balance

Were legal proceedings taken against the company concerning violations of protective employment laws ("shield laws") in the past year? If so please provide details.

Is there unionization of employees in the company?

- If yes – are there procedures and guidelines for senior, mid-level and HR managers with regard to the employer's leeway in an environment in which a union operates?
- If No – are there procedures and guidelines for senior and mid-level managers regarding legal rulings and legislation regulating the employer's leeway with regard to the unionizing of employees in various stages of the process?

Procedures for development, promotion and career development (lifelong learning) of employees.

- Is there a policy and/or guidelines in place regarding the promotion and professional development of employees in all ranks?
- What percentage of employees have undergone training in the past year that might contribute to their

promotion and/or professional development in the organization?

- What percentage of employees have undergone training and learning processes in the past year which develop general skills for advancement in the marketplace, regardless of specific needs of the employee's role in the company?
- What is the percentage of employees that have been promoted within the organization in the past year?

In preparation for the retirement of pension-age employees, please detail which of the following procedures is promoted by the company:

- Provision of knowledge and useful information on the entirety of aspects pertinent to the employee's life after retirement, such as: fiscal resources and budgeting during retirement, national social security rights, pension rights and aspects of taxation, volunteer organizations, learning and recreation opportunities, psychological aspects and coping mechanisms in case of crisis, and so forth.
- Options for gradual transitioning to working part time / flexible hours / shift work.
- Options for continued employment post-retirement (as employee/consultant).
- Opening employment tracks for retirement-age employees.

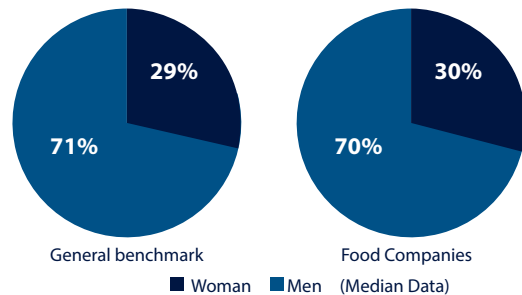
- Manager training regarding the management of older/pre-retirement employees.
- Recreation and other activities for retired company pensioners.
- Other

Please detail which actions are taken by the company in order to improve the lifestyles or support the dignity of employees in the lower wage level of the company (lists 12 items including):

- Offering loans under favorable terms by the company
- Crises assistance fund
- Consultation and training for proper personal / family economic conduct
- Increased minimum wage
- Counseling regarding the construction of savings and pension plans.

2.4. Diversity

Gender Representation Senior Executives

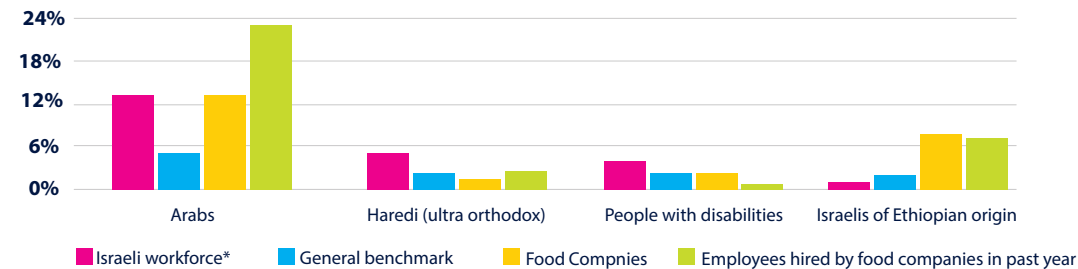


Context:

Several population groups in Israel display high rates of underemployment. These are primarily the Arab and the Jewish ultra-orthodox (Haredi) communities. The State of Israel, in its policy aiming to increase employment participation in general, had set particular targets for these populations.

Additional underemployed population groups include people with disabilities and Israelis of Ethiopian origin. According to data adapted for Maala by the Myers-JDC-Brookdale Institute from Israel Central Bureau of Statistics data (in 2015), the representation rates of these groups in the general Israeli workforce are: Arabs: 12.6%; Haredi: 5.2%; people with disabilities: 4.3%; Israelis of Ethiopian origin: 1.2%.

Employment of Minorities and Underemployed Populations



* Percentage of general Israeli workforce data – adapted for Maala by the Myers-JDC-Brookdale Institute, based on Israel Central Bureau of Statistics data (2015).¹⁰

Outline:

Regarding diversity, companies are requested to report whether they have policies intending to address diversity and inclusion; the rate of women among senior officers in the company and among board members; and the representation of underemployed populations among its employees.

Insights:

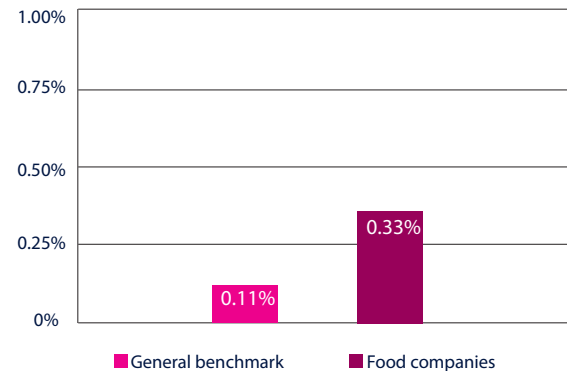
- The representation of **women in senior executive positions** in rated food companies is comparable to the benchmark, with a median figure of 30% and 29% respectively.
- Food companies **outperform** Maala rated companies in other sectors, with regard to the **employment of Arabs and Israelis of Ethiopian origin**. 13% of rated food company employees are Arab, comparable to the general Israeli workforce with 12.6%, but much higher

than the benchmark of rated companies with only 5%. Rated food companies feature 8% of employees being of Ethiopian origin, while there are only 2% and 1.2% in the general benchmark and the general Israeli workforce respectively.

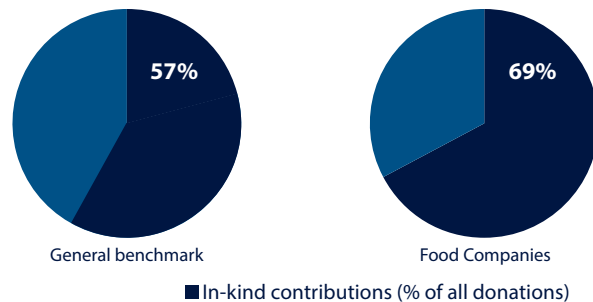
- Rated food companies have been particularly minded recently in their hiring practices to the diversification of their workforce, as reflected in the high rate of **hiring new employees** from these underemployed communities during the past year: 23% of new hires are Arabs, and 7% are Israelis of Ethiopian origin.
- With regard to other major underemployed populations, namely **Haredi and people with disabilities**, rated food companies meet the benchmark of 2% of employees from each of these groups, a much lower rate than their representation in the general Israeli workforce. These figures fall short of the regulatory requirement of 3% employees with disabilities.

2.5. Society and Community

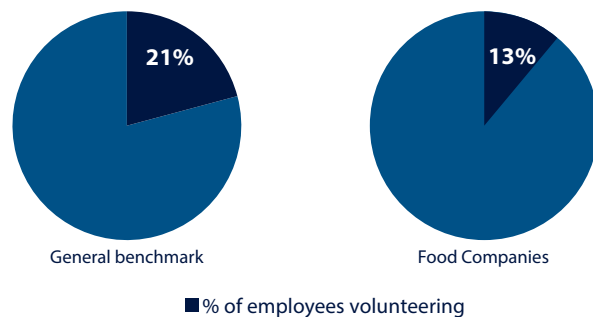
Corporate Giving Donations, 2017 (% of Turnover)



In-Kind Contributions (% of All Donations)



Volunteering



Context:

Only three of the 10 largest food and beverage manufacturers in Israel are public companies, which are obligated to report their donations and contributions. One other company (SodaStream) is dually traded, and is also not required to report in Israel. Therefore the analysis of donations is based on the companies' reports to the Maala Index.

The percentage of contribution is assessed in terms of the companies' turnover, rather than a pretax percentage, which is more common in public companies.

Outline:

Regarding social and community related issues, companies are requested to report the levels of their philanthropic contributions and the rate of volunteerism among their employees.

Insights:

- The overall median percentage of **corporate donation by rated food companies is 0.33% of their turnover**, compared to the contribution of 0.11% of turnover by other rated companies, indicating a far greater community investment by food companies compared to other sectors.

- Contributions by food companies are characterized by a large share of in-kind donations (of products and services). Both food and pharmaceuticals are prominent sectors in this regard. **In-kind contributions in the food sector constitute 69% of all donations**, compared to the benchmark's 57%.

- Only 13% of employees of food companies have done volunteer work** during 2017. In other sectors, the median percentage of volunteers was 21%. **of volunteers was 21%.**

2.6. Supply Chain

Context:

Following numerous cases over the years, of severe violations of the legal rights of workers employed via employment agencies and personnel contractors, a review of these contractors is considered to be material in evaluating the supply chain. Companies are required to ensure their personnel contractors and employment agencies comply with minimum wage and other pertinent legislation. (See Appendix 1 of this document for further information on ESG aspects in Israeli regulation).

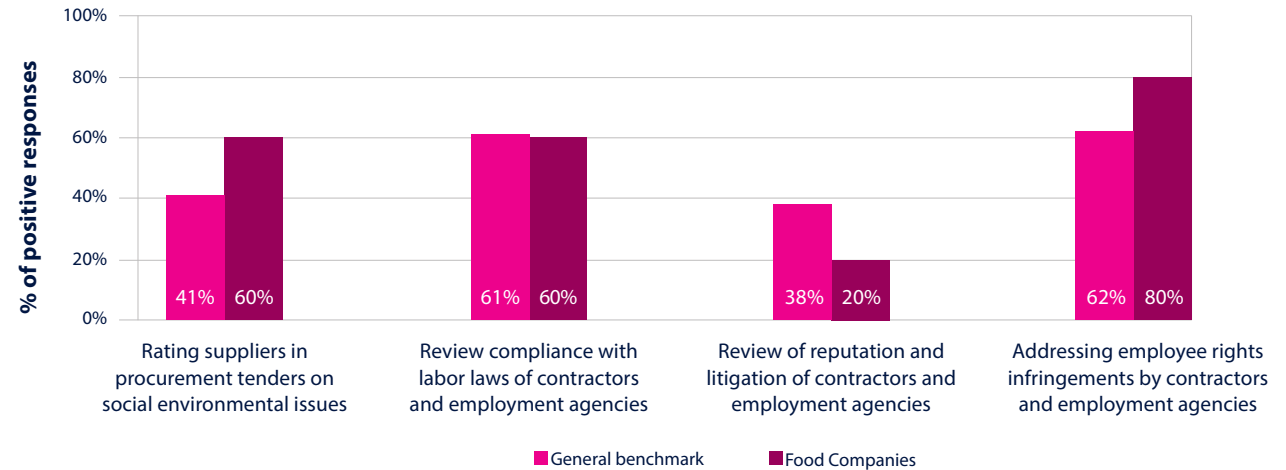
Outline:

Companies partaking in the Maala rating process are asked to present a clear and transparent procurement policy, which includes the integration of social and environmental considerations into the potential suppliers' assessment process. The rating questionnaire addresses mechanisms that supervise and control payment ethics. In addition, companies are asked about various means of investment in the improvement and education of their suppliers.

Insights:

Overall, food companies in Israel present **average levels of management of their supply chains**.

- Food companies display higher awareness than the benchmark, as 60% of food companies **rate suppliers** in procurement tenders on social environmental issues, compared to a general rate of only 41%.
- Although food companies present average and below average performance in **reviewing the conduct and reputation of their contractors and employment agencies**, once they find infringements by these contractors with regard to employee rights, **they outperform the benchmark in addressing them**; with 80% of rated food companies compared to the general 62%.



Key Questions Asked in Rating Process:

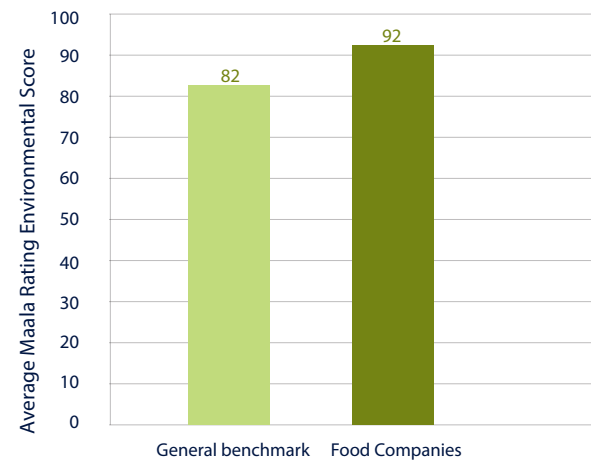
Responsibility in Procurement

- Does the company's procurement policy include prerequisite minimal terms for suppliers?
- **Does the procurement policy include reference to the promotion of social environmental issues such as**
 - Small and medium businesses
 - Preference of underemployed populations
 - Periphery
 - Israeli
 - Social businesses
 - Green procurement
- Has the company conducted a review in the past two years to ensure that most of its employment agencies/

service contractors strictly adhere to labor laws?

- What are the proactive processes applied by the company in order to prevent and discover bribery in agreements with third parties such as agents, brokers, consultants, distributors, representative, suppliers and business partners?
- Do procurement tenders score the suppliers' CSR performance, in accordance with social-environmental priorities that have been determined by the company beyond its procurement policy prerequisites (such as employment of underemployed populations, domestic procurement, green procurement – improved environmental performance).

2.7. Environment



Outline:

The Maala Rating process examines the channels through which the largest companies in the Israeli economy have been investing, in order to improve their environmental efficiency and performance over time, and generate a positive environmental impact. In the main section of the environmental chapter, the companies are requested to describe material processes and projects that aim to mitigate negative environmental impacts and motivate positive environmental processes.

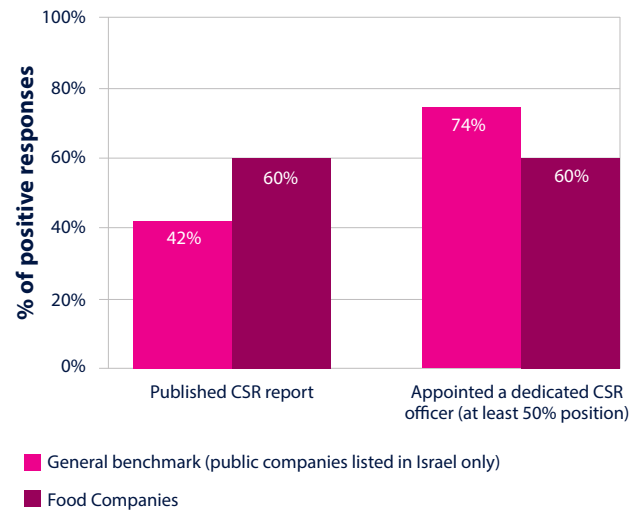
Insights:

- An analysis of the environmental performances of food and beverage companies according to the Maala rating process, indicates that their **attention to environmental aspects and consequent investment in the issue outperforms the general benchmark** of rated companies in all sectors. The average sector score is 92, whereas the benchmark is 82.
- All rated food companies have **clearly defined environmental policies**, which are published on the companies' websites. Furthermore, they all have **a structured environmental management system**. Environmental officers have been appointed in all companies, and in most cases (80%), the role is performed by a designated employee.
- All rated food companies underwent **materiality reviews**, to analyze their key environmental impacts and to identify means for mitigation of their negative influences and enhancement of positive ones.
- Two central environmental management issues emerge: **80% of food companies have reported long-term energy efficiency plans**; and **60% of companies reported activities addressing product packaging** and are exploring creative ways of reducing their environmental influences in this context. Additional issues mentioned were

environmental efficiency in the supply chain, water and waste issues, as well as animal welfare, considering that many products by these companies begin with husbandry.

- The total monetary investments by rated Israeli food and beverage companies on environmental issues and efforts to mitigate their environmental influences, has been more than NIS 85 million (~US\$ 23 million) over the last 3 years.

2.8. CSR Management



Outline:

Companies are asked to review their CSR management and aspects of transparency as are expressed in the publication of CSR reports.

Insights:

- 60% of rated food companies **publish reports of their CSR performances**, either as a local Israeli report or as part of their global corporation's report (Unilever Israel, Osem Nestle). This figure is higher than the general 42% benchmark.
- With the same performance rate, 60% of rated food companies have **appointed a CSR officer**, however in this case the general benchmark is higher at 74%.

2.9. Governance

Outline:

This section examines the level of independence of the company's board of directors.

Insights:

Most large actors in the Israeli food sector are privately owned companies, and another two companies were bought in recent years by large multinational corporations:

Tnuva by Bright Food and Osem by Nestle.

Therefore, the Maala Rating's corporate governance benchmark, primarily addressing the conduct of the directorates of public Israeli companies, is not a relevant reference in this case.

3. Public Perceptions

Maala-GlobeScan 2018 Survey | Sector Trends

3.1. Maala-Globescan Radar | Introduction

The **Maala-GlobeScan Radar** is an annual survey of public expectations from businesses and institutions, and has been conducted and published in Israel consecutively since 2014. The Israeli survey questions were adapted from the international [GlobeScan Radar](#) methodology by **Rotem AR Advanced Marketing Research**, and in February-March 2018 surveyed a representative sample of 1004 adult Israelis. The Radar connects public expectations with the businesses' **social license to operate** – a term Maala considers to embody a component of legitimacy awarded by the public to any business, beyond formal regulations and licensing, requiring constant attention and investment.

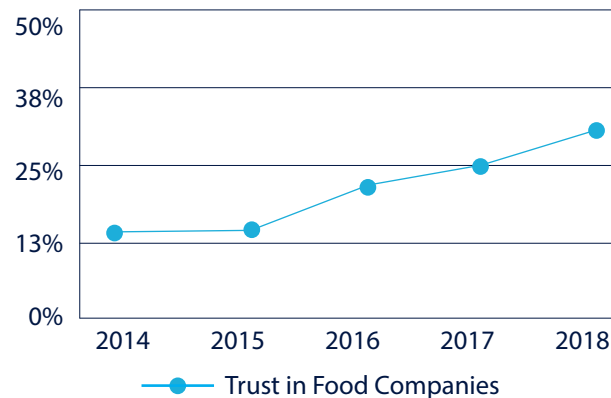
It is interesting to note the continuous improvement in public trust over the years, in Israeli businesses in general and food companies in particular. In the context of the food sector, the upturn is particularly notable, considering the very poor levels of trust surveyed in 2014, the first year Maala-Globescan was conducted in Israel. This recovery reflects the efforts and attention food companies have been paying the public, in addressing

issues such as pricing or health and nutrition.

In 2018, Israelis still identify the cost of living as the primary factor of impact on their quality of life. However, when reviewing their perceptions of important issues in the food sector, price is no longer deemed of foremost importance, and public attention has been shifting to focus on nutritional issues, stressing the importance of the health and quality of ingredients in food products. The companies, on their end, are exhibiting corresponding shifts in their operations.

3.2. Public Trust

Public Trust in Food Companies, Israel 2014-2018



The level of trust in the food sector has been in an upward trend over the years. The first Maala-Globescan

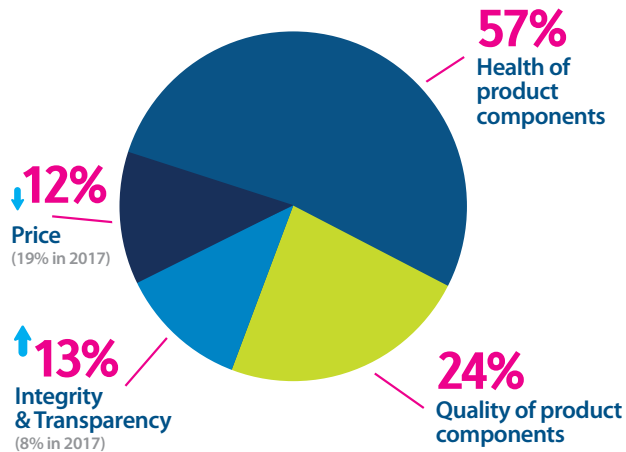
Radar, published in 2014, indicated that food companies had very low levels of public trust. The food sector was second-to-last of all sectors evaluated, with only 14% public trust (ranking lower were only tobacco companies at 5%). Since then, a continuous gradual increase is recorded. In 2015 trust grew only slightly to 15%, and by greater increments since 2016: 19% in 2016; and a substantial 5% leap to 24% in 2017. By 2018, a substantial improvement of trust in the food sector is discernible, at 31%, more than double its 2014 position.

Maala estimates that the great progress results from focused attention given by the food companies to issues that are high on the public agenda. In recent years, public attention regarding the food sector has been directed at product health and quality. Many food companies are presently involved in a variety of projects comprehensively addressing these issues, which is probably a central cause for the apparent increase on public trust of this sector.

It should be noted that generally over this period of time, the public appears to have more trust in business, with trust levels in large Israeli companies gradually increasing from 25% to 46% between 2014 and 2018.

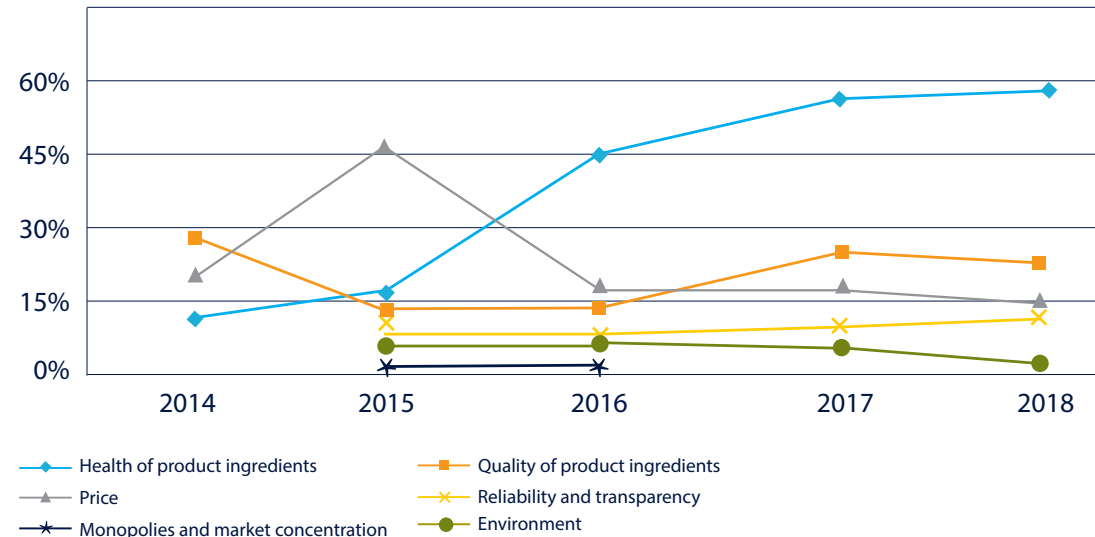
3.3. Public Perception of Important Issues in the Food and Beverage Sector

Essential Issues in the Food and Beverage Sector



* The total adds up to more than 100%, as survey responders were able to provide multiple responses.

Public Perception of Important Issues in the Food Sector 2014-2018



As clearly depicted graphically above, the Israeli public presently focuses primarily on the **health** of ingredients in food products, with a sharp increase from 11% in 2014, to 57% in 2018. This 46% rise within 5 years, reflects a trend shift in the sector and the growing public interest in the issue, while previously product prices were principal in importance. Another central issue, deemed second in importance, is the ingredients' **quality**. Over the years this issue lost some of its prominence, as in 2014 it stood at 27%, and during 2015-2016 ranged between 10%-12% only. The trend shifted again in 2017-2018, and the issue's perceived significance increased to reach 25%

and 24% respectively.

Interesting changes are noted concerning product prices, an issue that has been central in Israeli public discourse for a long while, directly associated with the high cost of living. The centrality of this issue peaked in 2011, during events dubbed locally as "the cottage cheese protest". This uproar with regard to the continuously rising food prices claimed central stage of the public agenda, and was initially directed at food sector companies. By 2015 it was evident that the subject of the cost of living was relevant across communities, and noted as the most significant challenge across market sectors. Following

a climax of focusing on the issue, with 46% in 2015, a downward trend in public interest is noted from 18% in 2016 to 12% in 2018. It seems that the Israeli public is now more available to address issues beyond the basic and immediate needs, in this case shifting its focus from the cost of living and into spheres of quality and health. It should be noted that while globally climate change is a major issue, in Israel it has not been gaining significant momentum on the public agenda. In this context, with regard to most business sectors, there are no substantial public expectations for companies to take climate action (including food companies).

4. Spotlights

Examples and Projects

This section presents noteworthy examples of projects undertaken in the field. The following summaries have been edited from publically available information, such as CSR Reports published by food companies and/or dedicated websites. Additional information is available via the links provided.

The Nutritional Compass | Tnuva

Promoting a sensible diet | Program to reduce amounts of sugar and sodium in the company's dairy products

The **Nutritional Compass** program intends to improve the daily variety of basic products consumed by Israeli households. It was launched in 2013, on the backdrop of a prevailing unbalanced diet and growing rates of obesity and overweightness, with consequent increases in morbidity rates. The program focuses on a gradual reduction of salt and sugar quantities in dairy products manufactured by Tnuva, together with the development of products particularly adapted for consumption by people with sensitive conditions, such as lactose intolerance.

It aims to lessen up to 20% of sugar quantities in a variety

of products, and up to 25% of sodium in the cheese category, including cottage cheese.

A range of products featuring significant sugar and salt reductions are presently already available.

The program's website features sugar- and salt-reduced products, sensible diet recipes, and explanations of nutritional value charts and how to read them.

More info: [Tnuva Nutritional Compass Website \(Hebrew\)](#)

WOW | Coca Cola (Central Bottling Company)

Encouraging youth volunteerism

WOW Coca Cola is a social-experiential project launched in 2017, through which 16-18 year old teenagers volunteer during the summer months and accumulate credits.

The teenagers engage in varied social activities through a collaboration with Ruach Tova (Hebrew: Good Spirit), a leading volunteering organization. Teens with the highest credit scores are rewarded by entry permits to the Coca Cola WOW Festival (intended for 8,000 highest scoring youths), and can apply to a US WOW Tour delegation.

More info: [WOW Coca Cola website \(Hebrew\)](#)

Reducing Packaging Waste | Unilever

De-wrapping the "Krembo" | Reducing aluminum foil and mitigating plastic waste

As part of Unilever's efforts to improve the environmental

footprint of its products, the company had announced the **elimination of traditional aluminum foil wrapping** of the national winter sweet – the Krembo/Creambo.

Through this step alone, 13 metric tons of foil, equivalent to 6,000 km², will be reduced annually. Aluminum waste is landfilled and not recycled in Israel.

Unilever Israel committed to making all its plastic packaging reusable, recycled or compostable by 2025.

Over the past five years, more than 6,500 metric tons of packaging materials were reduced, representing a 30% reduction.

More info: [Press release: Making Krembo more environmentally friendly \(Hebrew\)](#)

Life Cycle Analysis (LCA) – Goldstar Beer | Tempo

Data analysis opens door to better decision making

In 2015, Tempo began the process of developing a **Life Cycle Analysis (LCA)** of Israel's leading beer brand: Goldstar. The analysis included air pollution, energy consumption, crop cultivation, brewing and packaging. The LCA process makes ample information available regarding all stages of product development, manufacturing, operations and marketing; enabling informed decision making and setting the stage for defining improvement targets.

More info: [Maala members' meeting summary: LCA \(Hebrew\)](#)

Appendix 1: ESG Aspects in Israeli Regulation

The State of Israel has numerous laws and regulations addressing various ESG aspects, though they are not featured under any one comprehensive framework, nor titled as ESG/CSR legislation. The following is a list of key legislation on pertinent issues, intended to provide a context of the regulatory environment under which all business sectors in Israel operate.

The list is also available online via [this link](#).

Israel Securities Authority Regulations for Public Companies in Israel¹¹

Reporting Obligations of Public Companies on Environmental Issues

All public companies have an obligation of disclosure on environmental issues, both in the framework of the description of the corporation and its business environment, and in the framework of the corporation's risk factors; legal proceedings that have been filed and other legal and administrative proceedings; anticipated environmental investments; legal environment; fundamental events and others.

Labor and Employment Related Legislation¹²

Collective Bargaining Agreements

Freedom of association is a basic right in Israel. Worker unionization is a proven way of enforcing employee rights and the improvement of their working conditions. In Israel there are several active general employee/trade unions, and recent years have seen a substantial growth in the number of employees unionizing in their work places.

Employment via Employment Agencies/Personnel Contractors

The law defines the rights of workers employed by employment agencies and the duties of their employers (both the agencies/contractors and the employers in practice).

This law distinguishes between a personnel contractor (employment agency) and a service-providing contractor:

- Personnel contractor – provides personnel to an employer for the purpose of performing work that is part of the employers' regular activity.

- Service contractor – provides personnel to an employer for the purpose of performing a defined service (such as security/guarding or cleaning) which is distinguished from the employers' main activity.

- According to item 1 and the second addition to the law, a service contractor is defined as a service provider in the field of security and guarding and in the field of cleaning.

For example: a contractor supplying a factory with a worker to perform as a receptionist is a personnel contractor, whereas a contractor supplying an employee to the same factory to serve as a security guard is a service contractor.

Increased Enforcement of Labor Legislation

This law aims to make enforcement of labor laws more robust and effective, by using an administrative procedure of fiscal sanctions onto employers and service customers, as well as by defining the civil and criminal responsibility of service customers, while intervening in the contract between those ordering the service and the employer.

11. An English version of the **Israel Securities Regulations (1970)** is available online at: http://www.isa.gov.il/Download/IsaFile_6155.pdf

12. Employment legislation information was compiled from the Hebrew version of **Kol Zchut – All Your Rights** website – Information about rights and entitlements in Israel; supported by the Ministries of Justice and Social Equality (Digital Israel) and JDC Israel. Available online at: www.kolzchut.org.il/en/

Notification to Employees and Candidates (Working Conditions and Processes of Recruitment and Hiring)

The law of notification to an employee, obligates the employers to specify to the employee the social rights to which they are entitled within 30 days of start of employment. The law intends to negate the ambiguity in salary slips and employment contracts with regard to the terms of employment.

Payment during Illness (Absence Due to Sickness of Child, Spouse or Parent)

This law stipulates that an employee is entitled to attribute up to 6 days of work-absence due to sickness of their child, parent, either their own or their spouse's, at the expense of their own accumulated paid sick leave.

Prayer Time at Work

All employees in Israel are entitled to pray during their work day in accordance with their religious practices. The prayer time will be determined at the workplace in accordance with the needs and constraints of the job, and in consideration of the employee's religious

obligations. In some cases, an employee who does not pray at the workplace is permitted to be late for work due to morning prayers.

The Rights of Foreign Workers

Foreign workers employed in Israel are entitled to employment social and personal rights, as well as protection from exploitation by employers:

- General rights – basic rights of foreign workers, as residents of Israel.
- Employment terms – foreign workers are entitled to the same employment conditions to which Israeli employees are entitled, and due to their special status in Israel, are also entitled to unique privileges that regularize their stay in the country.
- Health – the law in Israel obligates the arrangement of medical insurance for foreign workers, which would ensure their medical rights during their stay in the country.

Compensation at Termination of Employment

This law stipulates that an employer must compensate an employee whose employment was terminated by the employer. The compensations are paid

to the employee at the time of their dismissal, as compensation for the loss of income, and at times are part of a retirement grant awarded due to work termination.

Equal Pay for Male and Female Employees

The law intends to promote equality and prevent discrimination between genders with regard to salary or any other work related compensation. The law stipulates that a female employee and a male employee working for the same employer, are entitled to equal salaries for equal work, work that is equal in essence, and work of equal value.

Equal Opportunities at Work

The Law of Equal Opportunities forbids any employer from discriminating against any employee or candidate due to various features detailed in the law: gender, sexual orientation, personal status, pregnancy, fertility treatments, in vitro fertility treatments, parenthood, age, race, religion, nationality, country of origin, place of residence, world view, political party membership and military reserves duties.

Equal Opportunities for People with Disabilities

The Law of Equal Opportunities for People with Disabilities intends to protect the dignity and freedom of any person with disability; anchor their right of equal and active participation in society in all aspects of life; and provide adequate response to their special needs, in a way that would enable them to live their lives with maximal independence, in privacy and honorably, fully living up to their potential.

Extension Order for the Employment of People with Disabilities¹³

The extension order aims to implement the adequate representation of people with disabilities in employment, by mandating the employment of people with disabilities at a rate of 2% of employees by October 2015, and 3% by

October 2016. This obligation applied to employers of 100 workers or more.

The Right to Work While Sitting

The employer must provide sitting to employees, and to enable them to work while sitting down, except for special cases in which the nature of the work does not enable sitting. The employer is obligated to provide sitting for employees also during work breaks.

Comprehensive Pension Insurance in the Economy

All salaried employees in Israel are entitled to a retirement pension, necessitating employers to set aside a percentage of wages to pension funds.

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Appendix 2: Production of Food and Beverages

Sector Analysis by Bank Leumi, August 2018

*The following is a translation of the abstract of a document published by Bank Leumi in August 2018, titled **Production of Food and Beverages**. The document was written by Gili Ben Avraham, Capital Markets, Economics Division, Bank Leumi. The full document is available online in Hebrew via [this link](#).*

A preceding document by Bank Leumi analyzing the sector (under the same title) was published in May 2017, and was also referred to in this document. The 2017 document is available online in Hebrew via [this link](#).

Abstract

- The figures regarding personal food and beverage consumption have intensified during the first half of 2018, due to supportive employment market data. An examination of private consumption of food and beverages by category indicates that the outstanding food categories in the past decade (2008-2017) are alcoholic beverages and meat and its products, which have grown in a higher rate than the average growth rate for food and beverages overall. Conversely, the categories of milk

and dairy products, fresh vegetable and fresh fruit were notably negative.

- Food prices are in the midst of an upward trend, expected to intensify after the High Holidays. A number of prominent food producers either have recently, or are intending to increase their product prices after the holidays. The reasons for this are varied – rising prices of ingredients and crude food products; regulatory changes in the beef sector; and sectoral planning in the poultry sector.

- The import price index of crude food products has already started increasing since late 2016, but between mid-2017 and March 2016, the growth rate weakened. Food commodities import data indicate that the imports of crude products for the food industry concentrates in these categories: livestock, grains and oil seeds. The prices of some commodities included in this category have increased since the beginning of 2018, which might validate additional price escalations. Particularly relevant

are products manufactured from barley, wheat, sugar and soybeans.

- The industrial production index of food, beverages and tobacco had demonstrated weakness during the first half of 2018, primarily on the backdrop of a weakness of the food sub-sector. This probably results from a decline in non-household demands and a strengthening in food product imports.

- The data of public companies in the food and beverage production sector, have demonstrated broad improvements in profitability, liquidity and solvency indices in the first quarter of the year. However, it appears that the timing of Passover this year had a central role in this improvement.

Appendix 3: About Maala

Maala is the non-profit CSR standards-setting organization in Israel.

Founded in 1998, Maala was established with the goal of promoting corporate social and environmental responsibility (CSR) in Israel. Today, the organization serves the needs of some [110 members](#), comprised of Israel's large and mid-size companies, committed to excellence in corporate citizenship.

Since 2003, Maala has produced the annual [Maala Index](#), which ranks publicly-traded, as well as privately-held Israeli companies, based on CSR criteria. The Index leaders, in various economic sectors, are announced each year at the Tel Aviv Stock Exchange in the presence of Israel's business, financial and CSR leadership.

Maala offers various programs for sharing practical knowledge and experience, to help businesses set local and international benchmarks and to promote innovation in CSR, based on Israel's specific needs and circumstances. As part of its effort to train qualified CSR personnel, Maala operates an annual training course for CSR managers, in

cooperation with [BDO Ziv Haft](#).

To ensure that Israel keeps in step with global standards, priorities and ongoing discussions, Maala is part of key global organizations that promote corporate responsibility. It serves as the focal point of the [UN Global Compact](#) Israeli network, is the Israeli partner of [WBCSD](#), a member of [CSR 360](#), and maintains ongoing working relations with leading organizations such as [BSR](#) and others.

Since 2016, Maala holds annual International Conferences, providing yet another forum for dialog and interaction among CSR professionals from Israel and around the world. This international effort is now boosted with the launch of our new project: Gateway to Israeli CSR.

Maala ESG Rating

The Maala ESG Rating, launched in 2003, is based on global ESG standards, addressing the 10 Global Compact principles, GRI criteria and other international standards, while adapting them to priorities of the Israeli market, as well as commonly acceptable working procedures in

Israeli corporations. It annually rates around 25% of the 350 largest companies in Israel, serving as an internal management tool as well as a benchmark for Israeli performance on Environmental, Social and Governance standards (ESG), following local priorities. Participation in the Maala Rating is on a voluntary basis.

Companies are ranked within their categories of industry, size and ownership (public / private / state). Results are analyzed using a computerized model, with the exception of the environmental chapter, which is evaluated by [Greeneye](#).

Maala-Globescan Radar

The **Maala-GlobeScan Radar** is a survey of public expectations from businesses and institutions, and has been conducted and published in Israel consecutively since 2014. The Israeli survey questions have been adapted from the international [GlobeScan Radar](#) methodology by **Rotem AR Advanced Marketing Research**, and in February-March 2018 surveyed a representative sample of 1004 adult Israelis. It links between public expectations and the businesses' **social license to operate** – a term

Maala considers to embody a component of legitimacy awarded be the public to any business, beyond formal regulations and licensing; requiring constant attention and investment.

Gateway to Israeli CSR

Recently, Maala and the Israeli government launched a joint venture for expanding the existing comprehensive knowledge portal on corporate responsibility in Israel, which thus far was predominantly available in Hebrew. The expansion aims to make the portal accessible for a global audience, focusing on CSR and SRI professionals. In this framework, a series of in-depth reports are being written, covering different aspects of CSR in Israel. This report on the food and beverage sector is the second in this series, following the [banking sector profile](#).

The Israeli CSR Experience | Maala International Conference | Innovation for Good Life

In 2016, the annual Maala conference was modified and customized to cater to a more global perspective and audience, and has since developed dynamic community discourse and a vibrant platform for dialogue on CSR issues and responsible investments in Israel. This unique two day

event is comprised of engaging talks on the main stage and working-lab brainstorming sessions; along with immersive field tours, providing intimate insights into practices of Israeli companies and how they contribute to good life.

The conference is constructed with ample opportunity for exchange of knowledge with international professional leaders and thought formers, as well as key actors from large Israeli companies. In 2017, the conference's 800 participants benefitted from the dynamic lectures and presentation, open and candid discussions in breakout sessions and many opportunities for conversations with speakers and other participants.

Conference speakers, both International and Israeli, business leaders and thought leaders, represent a wealth of experience, knowledge and creative ideas for new business models and innovation for good life.

The second day of the conference offers an experience of social and sustainable innovation in action around Israel. Participants are invited to join one of our field tours for site visits to a range of Israeli companies, for intimate insights into their pioneering practices.

We invite you to join the conversation about responsible business and responsible investments in Israel.

- Participate in the annual Maala international conference. For more information see: www.maala-en.org.il
- We are available for professional opinions and trends, in depth discussion and conversations about specific issues. Contact us: info@maala.org.il

The People Behind this Document:



Momo Mahadav | CEO | Maala | momo@maala.org.il

Momo is a key player in the Israeli CSR arena and has a proven track record of leading value and behavioral based change processes within the business, public and social spheres. He joined Maala in early 2006, bringing with him extensive experience working in public policy frameworks and environmental and community work.



Tami Leffler | Director of Membership, Social Innovation and Information Management | Maala | tami@maala.org.il

Tami has a vast experience in working with large Israeli companies on their social innovation strategies. Tami joined Maala in 2002 and her expertise includes knowledge management in the CSR research realm, as well as consulting companies on human capital investments, designs and executes corporate events and collaborative initiatives.



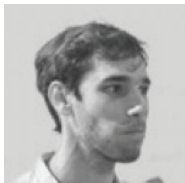
Yair Cohen | Director of Membership and Maala ESG Rating & Indexes Manager | Maala | yair@maala.org.il

Yair has been managing the Maala ESG Rating and Indexes for the past 8 years. He has extensive experience in initiating and driving sustainability and CSR changes within leading companies. Yair joined Maala in 2010 after completing an M.B.A. in finance and a B.A. in management, both at Ben-Gurion University in Beer-Sheva. Prior to joining Maala, he worked as a research and teaching assistant in the department of management at Ben-Gurion University.



Shani Tal | Project Manager | shani@maala.org.il

Shani is profoundly interested in the field of sustainable urban development. She has a B.A. in Sustainability & Government from the Interdisciplinary Center (IDC) Herzliya, with a focus on community development. Shani joined Maala in 2016 as an intern, and assumed a full-time position once she graduated.



Elisha Silberklang | Project Manager | Maala | elisha@maala.org.il

Elisha followed his passion for sustainability and environment and joined Maala in 2017. Previously he was involved in a Jerusalem culture and night-life startup and worked as a research assistant in the Department of History at The Hebrew University of Jerusalem. Elisha holds a B.A in history from The Hebrew University.



Sagit Porat | Consultant, Editor and Translator | sagit@spsp.co.il

Sagit is a creative and attentive project manager, with expertise in sustainability and urbanism and the interfaces between policy, business and the environment. She is a proficient writer, translator and editor (Hebrew/English).

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