



## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2020**

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## **CORPORATE INFORMATION**

### **FULL NAME**

B.S.D Crown Ltd

### **LOCATION**

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## CHAIRMAN STATEMENT

## CAUTIONARY STATEMENT

*This Chairman's Statement and the Business Review have been prepared solely to provide additional information to shareholders to assess B.S.D Crown Ltd's (the "**Company**" or "**BSD**") strategies and the potential for those strategies to succeed. These reports should not be relied on by any other party or for any other purpose. The Chairman's Statement and Business Review may contain certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.*

## HIGHLIGHTS FOR THE PERIOD ENDING 31 DECEMBER 2020

The following sections reflect the position of the Company as at 31 December 2020 as well as several updates relating to the period from 1 January 2020 until the date of this report:

### *Financial Highlights*

1. The Company's consolidated financial statements have been prepared, in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**");
2. The Company's consolidated financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.
3. Primary assets as at 31 December 2020 and to the date of this report:
  - The company hold approximately 62 percent of Willi-Food Investments Ltd ("**WFI**") listed on Tel-Aviv stock exchange (TASE). **WFI** hold approximately 59% of G. Willi-Food International Ltd ("**WFINT**") , which operates in the import, marketing and distribution of food products (mainly in Israel) and listed on NASDAQ and TASE. The company hold approximately (directly and indirectly) 42 percent of **WFINT**.
4. The Company through Willi-Food continued to generate a positive cash flow from operating activities, and as of the end of the reporting period has short term deposits and financial assets of NIS 358 million, which include:
  - NIS 207 million in cash, short term bank deposits and financial assets with an original maturity of three months from 31 December 2020 and NIS 151 million in financial assets as shares, bonds and mutual funds with high liquidity.
5. Revenues for the year ended December 31, 2020 total of NIS 472.4 million (2019: NIS 414.2 million) and consolidated income from continued operations totalled NIS 47.1 million (2019: NIS 41.3 million). The net income in 2020 was, mainly, attributed to operating gain of NIS 52.3 million in WFI and from finance income, net results of NIS 9.5 million which resulted mainly due to revaluation of WFI portfolio

of securities to its fair value which amounted to approximately NIS 5.6 million and from interest and dividends received during 2020 which amounted to approximately NIS 5.3 million.

### *Shareholding Highlights*

6. The total number of issued shares of the Company as of 31 December 2020 was 140,578,154 of which 129,340,252 ordinary shares were outstanding, and 11,237,902 shares were held in treasury. For further information with respect to the sale of treasury share in August 2017 see Note 18(A) to the consolidated financial statements.
7. The trading of Company's shares was temporarily suspended from 29 of April 2016 and resumed again for trading on 13 December 2017 due to delay in publishing the financial statements reports as a result of events made in the past with respect to foreign bank deposits as described in Note 16(C)(3) to the consolidated financial statement.
8. Since 5<sup>th</sup> of May 2017 the Company is controlled by Mr. Joseph Williger after all its previous directors (excluding the external director) were replaced by directors who nominated by Mr. Joseph Williger.

### *Other Highlights*

9. On 19 of July 2019 the Company received a decision of the Israeli Central District Court, in which the Court accepted partially the claims against the Company and certain of its former directors in respect of a claim that was filed in connection with the bankruptcy of Mr. Eli Reifman, one of the founders and a former director of the Company, by its creditors. According to the Court decision, the Company and its officer, together and separately, are obliged to pay the total amount of NIS 12,370 thousand linked to the CPI + interest from the date on which the claim was filed plus NIS 1,840 thousand to cover legal expenses of the parties.

Based on the arrangement between the Company and its Directors & Officers insurer, Company's share is 50%, NIS 6,185 thousand,145 linked to the CPI + interest from the date on which the claim was filed plus NIS 920 thousand to cover legal expenses of the parties. A provision was recognized in the current financial statements. The other loss in the current profit or loss statement includes an expense of NIS 6.2 million following the above provision. On 15 of August 2019 the Court accept Company's request to delay the execution of the foregoing court decision until filing an appeal with the Israeli the Supreme Court.

On 10<sup>th</sup> of November, 2019, the Company and its officers filed a notice of appeal with the Supreme Court, as well as a motion to delay execution of the judgment pending a decision on the appeal. At the same time, other parties filed a notice of appeal on their behalf, including in relation to the charge imposed on the Company and its officers.

On December 5, 2019, the Supreme Court ruled that the Company would transfer the owed amounts to a trust account opened by the plaintiffs' attorneys, and that these funds would be transferred to the plaintiffs only at the conclusion of the appeal process and subject to its consequences. On 15 of January, 2020, a supplementary decision was issued by the Supreme Court whereby transferring the funds to the trust account would stop the interest and linkage charges during the appeal period.

Subsequently, at the beginning of February 2020, the Company and the Insurance Company transferred a total of NIS 7,362 thousand to the trust account which powered by the attorney of Winton, (the first claimer), within that, the Company's part of this amount is NIS 3,681 thousand. The total amount remaining to Double U (second claimer) is NIS 8,255 thousand, within that the Company's part of this amount is NIS 4,127 thousand, and this amount will be transferred after opening a trust account for it by claimer's attorney.

On 1 of March, 2021, the supreme court approved a settlement agreement in Double U matter. accordance with this settlement agreement, the amount which the Company and its officers are required to pay was reduced to a total of NIS 4.75 million with the Company's part of this amount equal to NIS 2.375 million. The Company is required to pay its part of the amount within 180 days. On 8 of March, 2021, a hearing was held in the Israeli supreme court regarding the Company's appeal in the Winton's matter. In the hearing, the court recommended that attorneys for Winton accept the appeal filed by the Company and its officers, which would reverse the liability imposed on the Company and its officers in the Israeli district court to pay the amount of NIS 7.4 million with the Company part of this amount NIS 3.7 million. On 11 of March, 2021, Winton's attorneys announced that they would accept the court's recommendation. However, as of the date of this report, no verdict has been given by the court.

10. On 19 of July, 2016, prior to the change of control, a claim and motion to certify a derivative action (the "Motion to Certify") were filed with the Tel Aviv District Court (Economic Department) by Dan Iram (the "Applicant"), a shareholder of B.G.I Investments (1961) Ltd. ("BGI"), against BGI, the Company, the Company's auditors, and the former officers of the Company and BGI. the adjudication was transferred to the Central District Court. it was alleged that the amount of approximately \$46 million deposited by the Company in foreign banks and unlawfully pledged in favor of private companies related to the Company's previous controlling shareholders. According to the Applicant, the Company's former controlling shareholders, officers and auditors at the time, had violated their duties towards the companies. On 2<sup>th</sup> August, 2018, the Court granted the Applicant's request to withdraw from the Motion to Certify, due to the filing of a direct claim by the Company in connection with this case.
11. On 17 of June, 2018, the Company filed a Statement of Claim pursuant to Derivative Claim (Central District Court) Iram v. B.G.I Investments (1961) Ltd. On 2 of August, 2018, the Court decided to hear the claim, in a separate preceding. Accordingly, the abovementioned file was opened on 6 of August, 2018. In the Statement of Claim, the Company sued the amount of approximately NIS 163 million from its former controlling shareholder (Israel 18 B.V., hereinafter: "Israel 18"), the former members of its Board of Directors, its former CEO and CFOs, foreign banks, its former auditors and insurance companies which insured the officers' professional liability. The claim deals with two matters: the first deals with the Defendants' negligence in transferring approximately USD 46 million to banks with speculative rating in Austria and Azerbaijan; The second deals with a negligent decision to step into the shoes of the former controlling shareholder of the Company in a transaction for the purchase of car dealerships and negligence in transferring the Company's funds in respect of this transaction. In addition to the monetary relief, the Court was requested in the Statement of Claim to grant declaratory relief regarding the breach of the duty of care by the directors and the CFOs; the controlling shareholders' violation of the duty of care and the duty of trust towards the Company; and that the Company does not owe the foreign banks any funds. On 22 of November, 2018, the Statements of Defense of 17 of the 20 Defendants in this proceeding were submitted. On 18 of December, 2018, the Company submitted a response to these Statements of Defense. On 27 of March, 2019, the Statement of defense of a foreign defendant, Meinel Bank AG, was submitted. On 15 of May, 2019, the Company submitted a response to this Statement of Defense. On 10 of September, 2019, the Statement of Defense of another foreign defendant, was submitted. On 10 of October, 2019, defendant filed to the Supreme court a motion to appeal on the decision approved the service of the claim to this registered address. Which is still pending. On 21 of January, 2020, the Court granted the Company's motion to amend the statement of claim, and ordered the Company to submit the amended of claim by 2 of February, 2020. On 24 of May, 2020, the company filed an amended answer with the court, thereby bringing the stage of submission of written pleading to an end. On December 16, 2020, the AAB BANK AG (formerly Meinel Bank) - filed a motion withing the above-mentioned proceeding. According to the motion insolvency proceedings were opened against defendant 15 and the insolvency

administrator rejected the company's insolvency's claim and authorized the defendant 15 lawyers in Israel to represent the defendant 15 in the above mention proceedings.

On 12 of April, 2021 the Company updated that Israel 18 B.V., a privately held Netherlands company ("Israel 18"), and Mr. Alexander Avdeev ("Mr. Avdeev", and together with Israel 18, the "Defendants") have been found by the Central District Court of Israel (the "Court") to be in violation of court orders relating to discovery proceedings. In connection thereto, the Court removed the Defendants' statements of defence filed as part of the litigation proceedings described above. And Further to it, on 18 of March, 2021 and 30 of March, 2021, in ex parted rulings, a verdict in the sum of NIS 173,447,815 (plus indexation differences and interest from the date of the verdict) was imposed against Israel 18 and a verdict in the sum of NIS 164,389,764 (plus indexation differences and interest from the date of the verdict) was imposed against Mr. Avdeev. The Company believes that it is very unlikely that it will be successful in collecting the awarded amounts.

In view of the preliminary stage of the proceeding, Company's legal advisers are unable to estimate the chances of the claim.

**The Company wishes to clarify that the Accused no longer hold any positions in the Company and / or any of its subsidiaries.**

#### **Subsequent events to the financial reports**

1. Since 30 of March, 2020 the company is no longer in compliance with Section 14.2.2 of the Listing Rules (the "Listing Rules") pursuant to which at least 25% of the Company's issued share capital is required to be held in "public (EEA) hands" The Financial Conduct Authority ("FCA") has been notified accordingly. Under the Listing Rules, the FCA may suspend the trading and/or cancel the listing of securities where it appears to it that the Company is no longer comply its continuing obligations with Section 14.2.2. On 3 of August, 2020 the FCA approved the company's request for temporary modification of 14.2.2 for a period of 6 months until 3 of February, 2021 to allow the company to undertake steps to increase the level of shares held in public hands in one or more EEA states to 25% or more. On 11 of March 2021, the FCA approved the company's request for further temporary modification of 14.2.2 for a period of 90 days.in order to allow the company to undertake the necessary steps to complete the merger proposal, currently being discussed with the company's controlling shareholders. For more information of the merger proposal see Note 2.
2. In October 2020, the controlling shareholders of the Company (the "Controlling Shareholders") presented a proposal to the Board of Directors whereby they would purchase all shares of the Company not held by them (or their affiliates), approximately 15% of the shares of the Company (the holders of such shares, "Minority Shareholders"), at price of 0.27 British Pound Sterling per share. Following such proposal, the Board of Directors authorized the audit committee of the Company, consisting of the Company's external and independent directors only, to serve as a special and independent committee that would not be dependent on the Company or the Controlling Shareholders (the "Independent Committee"). The Independent Committee was assigned to examine, formulate, and negotiate the terms of the transaction from the point of view of the Company's minority shareholders and to determine whether such a transaction would be in the best interest and for the benefit of the Company.

On 17 of March, 2021, the members of the Independent Committee approved the Company to enter into an Agreement and Plan of Merger (the "Merger Agreement", and the transaction

contemplated thereunder, the "Merger") with the Controlling Shareholders and a special purpose vehicle wholly owned by the Controlling Shareholders ("Merger Sub"), whereby the Merger Sub would merge with and into the Company with the Company surviving the Merger, resulting in the payment to the Minority Shareholders of 0.30 British Pound Sterling per share, all subject to the terms and conditions set forth in the Merger Agreement. In a circular published on 22 of March, 2021, the Independent Committee explained why it believes that the Merger is in the best interests of the shareholders of the Company and recommends that the shareholders of the Company approve the consummation of the Merger. The Merger and certain related matters will be submitted to shareholder approval at an extraordinary general meeting of the Company that will be held on 27 of April, 2021. Under the Israeli company's law, the Merger will be subject to the approval of the holders of at least 75% of the shares present, in person or by proxy, and voted at the meeting, as well as the approval of a special majority of the shareholders of the Company other than the Controlling Shareholders.

On April 27, 2021 at the extraordinary general meeting of the Company all resolution as set out in the notice of the extraordinary general meeting of the shareholders of the company dated 22 March, 2021 (including the Merger Agreement) were approved in accordance with the Israeli law.

Further to the passing of the Resolutions, and in accordance with the circular dated 22 March 2021, it is proposed that the cancellation (the "Cancellation") of the listing of the Company's ordinary shares of NIS 0.01 each on the Official List will take effect from 31 May 2021.

3. COVID 19 - In the first quarter of 2020, the corona virus began to spread around the world, an event declared by the World Health Organization as a global epidemic (the "crisis"). As part of dealing with the crisis, many countries around the world, including Israel, have imposed restrictions on various activities in the economy, including movement and gatherings restrictions. The crisis and the restrictions imposed and still pose challenges that were reflected in an unprecedented decline in business activity, both in terms of its intensity and in terms of the speed with which it occurred. In December 2020, the US Food and Drug Administration approved, for the first time, the use of the vaccine to prevent the corona pandemic. In mid-December, an extensive vaccination campaign began in Israel, and as of the date of the report, a significant proportion of the population has been immunized and the morbidity indices have declined significantly. Thus, the government has approved measures to alleviate the limitations, however, the development of different mutations of the virus still leads to significant uncertainty regarding the continued spread of the virus and its intensity and how and when to exit the crisis. It should be emphasized that this is an ongoing event whose scope and duration are not under the Company's control and therefore the Company is unable to assess the full extent of the economic impacts on its areas of activity.

WFINT is defined as an essential enterprise according to the Labor Service Law in Emergencies. WFINT's business activity in the food sector during 2020 was characterized by an increase in demand for WFINT's products.

During 2020, revenues of WFINT increased by NIS 58.5 million, or 14.8%, to NIS 454.1 million from NIS 395.6 million recorded in fiscal year 2019. Revenues increased primarily due to the COVID-19 pandemic, which led to an increase in demand for WFINT's line of products, primarily in retail chains, and due to a redirection of resources in favor of sales, increasing the variety of WFINT's products, improving WFINT visibility in the stores and improved inventory management. During 2020, WFINT received many requests from its customers, mainly in the institutional market, to defer payments and / or payment layout, as a result of their inability to meet payments due to the reduction and / or cessation of their business activities. WFINT has reached agreements with its customers and most of their debts are insured with credit insurance and / or through deposits and / or bank guarantees and / or promissory notes and / or personal guarantees, so that the effect of deferred payments and / or spread of debts on WFINT's financial results is not material. WFINT purchases its goods from about 135 suppliers around the world, including the Far East, Europe, the United States, South America and Israel. As the crisis continues, WFINT estimates that various restrictions on the production of products by some of its suppliers may apply, which may make it difficult for WFINT to import goods in sufficient

quantities from those suppliers. It will be clarified that at the date of the report, WFINT is not dependent on any of its suppliers.

For further information related, see the chapter of INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS, Risks Related to Our Business and Industry

## **BUSINESS REVIEW**

This Business Review is designed to provide a fair review of the business of the Company during the financial period ended 31 December 2020 as well as several updates relating to the period from 1 of January 2020 until the date of this report. It has been prepared for the Company as a whole and therefore gives greater emphasis to those matters which are significant to the Company and to its subsidiary undertakings when viewed as a whole. A description of the principal risks and uncertainties facing the Company can be found at the end of this section.

The Company was incorporated in Israel on 19 of January 1994. We maintain our principal executive offices at 7 Menachem Begin Road, Gibor Sport Tower (8<sup>th</sup> floor), Ramat Gan 5268102, Israel and our telephone number is +972 (3) 740 1770. BSD completed the initial public offering of its ordinary shares on the alternative investment market of the London Stock Exchange in October 1996 and thereafter completed a listing on the Official List of the London Stock Exchange in 1998.

## **BUSINESS OPPORTUNITIES**

The Company's management team is determined to change the Company's past business trajectory and to continue to actively seek to utilise the Company's resources in order to maximise value for its shareholders.

The Company intends to be continued its actively involvement in the management of Willi-Food and to improve the results and profitability of Willi-Food, which should create a value for the Company and its shareholders.

## **PREVAILING LITIGATION**

1. On 1 of March, 2021, the supreme court approved a settlement agreement in Double U matter. accordance with this settlement agreement, the amount which the Company and its officers are required to pay was reduced to a total of NIS 4.75 million with the Company's share of this amount equal to NIS 2.4 million. The Company is required to pay its share of amount within 180 days.

On 8 of March, 2021, a hearing was held in the Israeli supreme court regarding the Company's appeal in the Winton matter. In the hearing, the court recommended that attorneys for Winton accept the appeal filed by the Company and its officers, which would reverse the liability imposed on the Company and its officers in the Israeli district court to pay the amount of NIS 7.4 million with the Company share of this amount NIS 3.6 million. On 11 of March, 2021, Winton's attorneys announced that they would accept the court's recommendation. However As of the date of this report, no verdict has been given by the court.



**For more information about the Winton and Double U matters see Highlights for the period note 9**

2. On 25 December 2015 a labor claim was filed by former Company employee, against the Company to the Regional Labor Court in Tel-Aviv in the amount of approximately NIS 1.6 million with respect to the termination of her employment. On 16 of July 2017 the Company filed a counterclaim against the employee in the amount of approximately NIS 1 million. On 15 of January, 2020 both sides reached a final settlement agreement, juxtaposed with mutual agreement to drop claims in amount that isn't material to the Company.
3. On 12 of April 2021, the Company announced that Israel 18 B.V., a privately held Netherlands company ("Israel 18") and Mr. Alexander Avdeev two of the defendants ("Mr. Avdeev", and together with Israel 18, the "Defendants") have been found by the Central District Court of Israel (the "Court") to be in violation of court orders relating to discovery proceedings. In connection thereto, the Court removed the Defendants' statements of defense filed as part of the litigation proceedings described above. In addition, in ex parte rulings on 18 of March, 2021 and 30 of March, 2021, respectively, a verdict in the sum of NIS 173,447,815 (plus indexation differences and interest from the date of the verdict) was imposed against Israel 18 and a verdict in the sum of NIS 164,389,764 (plus indexation differences and interest from the date of the verdict) was imposed against Mr. Avdeev. The Company believes that it is very unlikely that it will be successful in collecting the awarded amounts. In view of the preliminary stage of the proceeding, the Company's legal advisers are unable to estimate the chances of success of the claim

**For more information of the statement of claim the Company filled against its former controlling shareholder, former members of its Board of Directors, former CEO and CFOs, foreign banks, former auditors and insurance companies which insured the officers' professional liability, see Highlights for the period note 11.**

### **Contingent liabilities regarding WFI and WFINT**

- On 23 of July, 2017, Mr. Iram Graiver, former CEO of G.Willi-Food Company and Willi-Food (hereinafter - "Mr. Graiver") filed a lawsuit to the Regional Labor Court in Tel Aviv Jaffa (hereinafter - "the Labor Court") claiming payment of social rights and different compensations at the total amount of NIS 2,377,305. On 26 of November, 2017, the Company filed a statement of defense. On 27 of July, 2017, the Company filed a lawsuit to the Labor Court against Mr. Graiver, demanding that he repays funds that he has taken unlawfully from the Company, amounting to NIS 1,694,325. According to the Company, throughout his term of employment as an office holder in the Company, the defendant has unlawfully taken from the Company salary, bonus in respect of 2016 and reimbursement of expenses. According to the Company, Mr. Graiver has done so while breaching his fiduciary duty and his duty of care towards the Company as well as the cogent provisions of the Companies Law, 5759-1999, whereby it is mandatory that payments of the type taken from the Company by Mr. Graiver are approved by the General Meeting of the Company's shareholders; according to the Company, Mr. Graiver has not obtained such an approval. On 2 of November, 2017, a resolution was issued to join the hearings pertaining to the two proceedings described above. On 26 of November, 2017 statements of defense were filed by the Company and Mr. Graiver and on 7 of March 2018 a preliminary hearing was held. The parties are in the process of document discovery and review. Proof hearing was held on 15 of January 2020. Second Proof hearing was held on 7 of June 2020. further proof hearing has yet to be scheduled. In view of the above, Company's management is of the opinion that the disclosure regarding the proceedings in the financial statements and in the notes thereto is sufficient.
- On 24 of February, 2016, a motion to certify a derivative action (hereinafter - the "Motion") was received at WFI offices. The Motion was filed with the District Court (Economic

Department) in Tel Aviv by Yaad Peer Management Services Ltd. (hereinafter - the "Applicant"), that holds shares of WFI. The motion was filed against all directors and office holders in WFI. WFI and WFINT were added as respondents to the Motion. The Motion deals with the Applicant's claim for damages suffered by WFI, which is estimated by the Applicant, as of the filing of the Motion, at approximately \$ 3 million, due to an alleged violation of the directors' and officers' fiduciary duty, duty of care and duty of expertise towards WFI in connection with a \$3 million investment in a company registered in the Czech Republic and which holds an inactive hotel in the Czech Republic. According to the Applicant, the investment is not related in any way to the activity of WFI and is probably used to assist the controlling shareholder of the WFI in other matters or to cover his other obligations. On 16 of August 2018, WFINT filed a notice whereby it intends to lodge a lawsuit against the office holders in connection with the events which are the subject matter of the motion and therefore it is no longer needed to discuss the motion to approve a derivative action. In view of WFI's notice, the said motion was stricken out and by a court ruling on 4 of October, 2018 and the case was closed. on 4 of November, 2018 WFINT filed a NIS 4,183,208 lawsuit against WFINT's former controlling shareholder – Mr. Gregory Gurtovoy and against five (former) WFINT directors and senior office holder - Israel Joseph Schneerson, Pavel Buber, Iram Ephraim Graiver. Ilan Menachem Admon and Zalman Vigler (hereafter jointly: the "Defendants"). According to WFINT, the Defendants conspired to cause the use of millions of NIS of WFINT funds as collaterals to loans extended to foreign private companies related to WFINT's controlling shareholders on dates which are relevant to the lawsuit without obtaining the required approvals from WFINT's directors and without issuing the required report to WFINT's shareholders. The lawsuit is based on the claim that an agreement signed by WFINT, whereunder it has allegedly invested in the bonds of a Czech company, is not a genuine agreement; rather, it is claimed, the purpose of the agreement was to assist the then controlling shareholders (Gregory Gurtovoy and others) to secure private loans extended by the Austrian bank Meinl, while using WFINT's funds for their concealed and inappropriate purposes. WFINT demands that the Defendants compensate it for the funds that were not refunded to WFINT (in NIS values) plus a compensation at the rate of the alternative yield and a compensation equal to the amounts paid by WFINT to enable the refund of the funds. On 24 of January, 2019, the Defendants filed statements of defense, various motions (to dismiss in limine and/or delay the proceedings) and a counterclaim against WFI and against WFINT as part of this proceeding. In their counterclaim the Defendants claims that they are entitled for funding of their legal defense and/or for indemnification and exemption from WFINT in respect of the lawsuit and request the Court to order the WFINT to fund their legal defense against WFINT's lawsuit. Since the Defendants are accused of breaching their fiduciary duty to WFINT, WFINT's management is of the opinion that their claims on this matter will be rejected. On December 25, 2019, the Court issued a resolution which approves an application to give a Court ruling status to a compromise agreement signed between WFINT and Mr. Ilan Admon; according to the said compromise agreement, the mutual claims lodged on behalf of the parties in this filed were rejected without issuing an order for court costs. The proceedings relating to the other defendants shall continue as planned. A pre-trial hearing was set to 29 of April, 2021. In view of the above, WFINT's management is of the opinion that the disclosure in the financial statements and in the notes thereto is sufficient.

- On 29 of October, 2009, WFINT, and the subsidiary Euro European Dairies Ltd. (hereafter – the "Companies") filed to the Rishon-LeZion Magistrates Court a lawsuit demanding the refund of import permit fees at the total amount of approximately NIS 1.3 million. In a ruling issued on 13 of May 2015, the Rishon-LeZion Magistrates Court accepted the position of the Companies to the effect that the fees in respect of early registration for food import permits were collected unlawfully and that the Companies and other food importers have an independent cause to demand the repayment of the fees that were paid, by virtue of the Unjust Enrichment Law, 1979 (hereafter – the "Law"). In addition, a partial exemption from refund was determined in accordance with Section 2 of the Law in respect of an amount equivalent to 30% of the amounts of fees claimed and proven, due to the Ministry of Health's mechanism for regulating imported food, which granted the Companies protection from criminal and civil

lawsuits in respect of damage caused to consumers from damaged imported food. As a result of the ruling, WFINT received in 2015 a total of approximately NIS 1.1 million. After the Ministry of Health appealed against the ruling, on 19 of April ,2017, a partial ruling was issued that upholds the rulings of the Magistrates Court unchanged in connection with the refund of fees and the rate of fees to be refunded; however, the question relating to the threshold for proving the damage remained outstanding. On 15 of November, 2015, the Companies filed a second lawsuit against the Ministry of Health for the refund of early registration fees for food import permits at the total amount of approximately NIS 2 million, which were paid by the Companies in 2009-2016. On 1 of January, 2019, it was proposed by the court to go to the outline of mediation. On 31 of December, 2019, a settlement agreement was signed under which WFINT is entitled to receive NIS 0.6 million in addition to NIS 1.1 million received in 2015.

- On December 1, 2013, the Companies filed to the Rishon-LeZion Magistrates Court a lawsuit against the Ministry of Health, demanding the refund of customs clearance fees at the total amount of approximately NIS 2.1 million. The fees were paid to the Ministry of Health in respect of clearance of food products from the port, which, according to the Companies, was in effect carried out by the Customs Authorities and therefore the fees were collected unlawfully. On 13 of May, 2015, a ruling was issued stating that the closure release fees were collected by the Health Ministry unlawfully. The ruling ordered the Ministry of Health to repay 70% of the fees paid by the Companies. On 8 of July, 2015, appeals were filed by both parties. After several appeals hearings, the court offered the parties to proceed to a mediation proceeding. The parties agreed to enter into a mediation process on all issues included in the appeal and the pending lawsuits. On 31 of December, 2020, a settlement agreement was signed, under which a total of NIS 1.3 million will be paid to the Companies. On 9 of January, 2020, the Magistrate's Court upheld the ruling. During April 2020 WFINT received approximately NIS 1.3 million from the ministry of health.
- On March 2019, the Yavne municipality issued an amended municipal taxes assessment (hereafter – the “Assessment”) in respect of an asset located in Yavne, in which the Company operates. As part of the Assessment, occupied land at the area of 3,600 square meters was added to the amount of the assessment. The municipality also amended the Assessment retroactively in respect of the years 2016-2019, such that according to the municipality the overall addition for payment amounts to NIS 734,186 as of the end of 2020. Following the said amendment of the Assessment, the Company contested it and filed an appeal and an administrative petition, which describe the Company's claim against the additional amount payable in respect of 2020 and thereafter and object to the municipality’s decision to apply the amendment of the Assessment retroactively 2016-2019 contrary to a valid compromise agreement. As part of the negotiations that were conducted commensurate with the legal proceedings, an outline of a compromise was reached with the Yavne Municipality, whereby WFINT will pay a total of NIS 380 thousand in settlement of all the claims made by the municipality with regard to the additional land as mentioned above through December 31 2020.
- A lawsuit and a motion to approve it as class action was filed on 17 of July, 2019, against WFINT and 11 other respondents to the Jerusalem District Court for allegedly not complying with the food labelling standard in connection with one of its products and thereby misleading consumers. The applicant claimed generally that the respondents have jointly caused monetary damages of NIS 5 and more than NIS 3 million to him and the other members of the group of plaintiffs, respectively. WFINT filed an application to dismiss the motion. On 5 of March 2020 a pre-trial was held. During the pre-trial, the court recommended to the parties to apply an application for consent to withdraw from the request for approval. On 12 of May a verdict was held. according to the verdict the motion will be deleted and the personal lawsuit will be dismissed subject to payment of unmaterial amounts to WFINT to the claimant in the case.

- A lawsuit and a motion to approve it as class action was filed on 7 of May, 2020, against WFINT and 2 other respondents to the central district court. The applicant claimed that WFINT marketed several products as products approved by the chief rabbinate of Israel before the actual rabbinate approval was obtained. Thus, the applicant alleges a violation of various laws. The applicant contends that at this time he cannot estimate the amount of the class action in relation to all the members of the class action. A response to the request for approval was filed on 4 of February, 2021 and a pre-trial hearing was set for 15 of March, 2021. Further proof hearing has yet to be scheduled. At this early stage, WFINT and its legal counsel are unable to assess the chances of the class action.
- A lawsuit and a motion to approve it as class action was filed on 24 of June, 2020, against WFINT, its subsidiary, Euro European Dairies, and another respondent to the Haifa District Court. The applicant claimed that WFINT marketed several products with misleading captions and contrary to the provisions of the law and the relevant regulations. A response to the request for approval was submitted on 9 of November, 2020, and a pre-trial hearing was scheduled for 12 of July, 2021. At this early stage, WFINT and its legal counsel are unable to assess the chances of the class action.
- A lawsuit and a motion to approve it as class action was filed on 9 of September, 2020, against Euro European Dairies to the Haifa district court. The applicant claimed that Euro European Dairies violated its obligations to import and market cheese products in the quantities and prices it undertook as part of duty-free tenders. The applicant claims that he and the members of the group suffered damages in the amount of NIS 57 million. A response to the request for approval was submitted on 1 of February, 2021 and a pre-trial hearing was set for 13 of September, 2021. At this early stage, WFINT and its legal counsel are unable to assess the chances of the class action.
- On 26 of May, 2020, a lawsuit was filed by Tnuva against WFI and WFINT. According to the applicant, the packaging of several products marketed by the company constitutes an alleged infringing imitation of the packaging of Tnuva products. As part of the lawsuit, a declaratory order was requested that Tnuva's rights were violated, permanent restraining orders to prevent the continued use of the product packaging by the company, product collection orders from points of sale and an order to provide accounts regarding WFINT's revenue from sales of those products. In addition, financial remedies were requested for the payment of compensation valued at NIS 2.6 million. On 26 of July, 2020, a settlement agreement was signed between the parties, which concludes the proceedings in the case according to which Tnuva waived its financial claims against the parent company.

## **RISK MANAGEMENT**

The primary focus areas of the board of directors of the Company (the “**Board**”) include reviewing key risks and uncertainties that it considers to be strategic, operational and financial risks and identifying actions to manage and mitigate those risks. Set out below are the main features of the internal control and risk management system related to Company's financial reporting process.

Having carried out a robust assessment of the principle risk facing the Company, it provides the following information on its principal risks and uncertainties:

## **RISKS RELATING TO THE GROUP**

### **1. External risks**

BSD and its subsidiaries (the "**Group**") are subject to a number of external risks. The Group defines external risks as those arising from factors that are mainly outside of its control. These risks often result from the nature of the Group's businesses and the industries in which they operate.

#### **1.1 *Risks associated with changes in customer and health protection, legal and regulatory frameworks***

The Group is subject to extensive regulation, both secular and religious, in Israel and in other countries, in which it and its suppliers are operating, as well as in the countries where its customers are located. These regulations include, inter alia, regulations related to stock exchange requirements, customer and health protection, licensing, tariffs, kosher certification and import/export (quota) policies.

Therefore, changes in any customer and health protection regulations, legal (from both religious and secular perspectives) and regulatory frameworks may affect various areas of the Group's activities, including importation and transportation of products, storage, distribution and sale of products to customers, marketing, labelling and packaging of food products and the eligibility of the products for kosher certification. Accordingly, such changes may increase the Group's administrative or regulatory compliance costs and in the event that the Group should breach any such regulations, it may incur financial penalties and sanctions such as the withdrawal or recall of products, which may have material and adverse effects on the Group's brands, its reputation, performance and financial situation.

The Ministry of Trade and Industry or the Ministry of Finance of the State of Israel may increase the tariff levels for importing goods, which would have a direct impact on the Company and its financial performance.

#### **1.2 *Risks associated with changes in the global economy and consumer demand***

The Group's businesses are at risk from changes in the global economy and consumer demand for its products.

Negative prospects for the global economy may affect demand for the Group's products. Deterioration in the economic situation in Israel may erode the purchasing power of potential consumers and, consequently, the Group may sell fewer products which will have an impact on the Group's financial results.

The cost of food commodities and other food products is cyclical and subject to market factors which may fluctuate significantly. As a result, the cost to the Group in securing these products is subject to substantial increases over which the Group has no control. In addition, fuel costs, which represent the most significant factor affecting both utility costs at the Group's facilities and its transportation costs, are subject to significant fluctuations. The Group may not be able to pass on to customers the increased costs associated with the procurement of these products and fuel. Moreover, there has in the past been, and there may in the future be, a delay between incurring such increased costs and passing on such increases to customers. To the extent that increases in the prices of the Group's products cannot be passed on to customers, or there is a delay in doing so, the Group is likely to experience an increase in its costs which may materially reduce the Group's profitability.

Further, there is a delay between the time the Group purchases (or commits to purchase) products from its suppliers until the time the Group sells such products to its customers. Consequently, to the extent that the selling price for goods already purchased (or committed to purchase) decreases during that time, the Group's profitability may be materially reduced.

The Group's success depends on its ability to anticipate the tastes and eating habits of consumers and to offer products suiting their preferences. Consumer preferences change from time to time and the Group's failure to anticipate, identify or react to these changes, the failure to anticipate the tastes and eating habits of consumers generally or the cost of innovation in relation to new products which do not prove popular may result in a reduction of the attraction and potential selling price of the Group's products and/or affect the results and profitability of the Group. Moreover, the Group has to cope with the unpredictability of consumer demand.

### **1.3 *Credit and market risks***

The Group is exposed to credit risk concentrations since its cash is held in various financial institutions and each of these institutions bears its own credit risk. The Group's cash preservation methods include utilising cash and cash equivalents, short-term deposits, securities and marketable securities (debentures) held in several Israeli and international financial institutions.

With regard to investing cash reserves, the Group holds a portfolio of marketable securities traded on the TASE and international stock exchanges. This portfolio of marketable securities is subject to various market risks resulting from fluctuations in interest rates and foreign currency, exchange rates, price fluctuations and other market risks in Israel and abroad.

A further credit risk to the Group is the risk that customers may default on their payment obligations, which would result in a financial loss to the Group. Such loss may have an adverse effect of the Group's financial position.

### **1.4 *Foreign exchange risks***

The Group is exposed to fluctuations in the rates of the US Dollar, the Euro and the New Israeli Shekel as against each other. A significant movement in one of these currencies against another could have a material adverse effect on Willi-Food's results of operations and financial condition.

### **1.5 *Competition risks***

The food distribution business in Israel is highly competitive. The food market in Israel is very price sensitive, barriers to entry in the food market are low and new potential competitors are constantly joining the market.

The Group's major competitors, which include international global brands, are more established than Willi-Food, benefit from greater market and brand recognition and have greater financial and marketing resources and a larger workforce. Competition to obtain shelf space for the Group's branded products with retailers is primarily based on the performance of the Group's product sales relative to its competitors.

The Group faces direct competition from both local manufacturers and wholesalers, as well as from a number of existing importers of food products. Local manufacturers are not subject to the financial risks of importing food products or to governmental policies regarding taxation of imported food products to which the Group is subject.

Competitive pressures could cause the Group to lose market share, which may require it to lower prices, increase marketing expenditures, and/or increase the use of discounting or promotional programmes, each

of which would adversely affect profit margins and could result in a decrease in the Group's operating results and profitability.

In addition, in the event the Group further expands its activity in the international food markets, the Group will also face similar competitive issues to those set out above from manufacturers and/or distributors in those locations.

#### **1.6 *Risks associated with the protection of intellectual property rights***

The Group seeks to maintain the efficient protection of its intellectual property rights so as to maintain the respective competitive position of its members. Although the Group has registered trademarks for a number of its brands, including "Willi-Food" and "Gold Frost", there can be no assurance as to the degree of protection that the registration of the Group's trademarks will afford or that the Group's competitors will not infringe the Group's rights.

#### **1.7 *Political risks***

The Group's businesses are at risk from political and military conditions.

The principal companies of the Group are incorporated under the laws of Israel, its principal offices are located in Israel and for the date of this report all of the Group's officers, employees and directors are residents of Israel. Accordingly, political, economic and military conditions in Israel have a direct influence on the Group. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbours. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners could materially and adversely affect the Group's operations. This environment is exposed to conflicts involved with as such as missile strikes by terror against civilian targets in various parts of Israel which negatively affected business conditions in Israel. Ongoing or revived hostilities related to Israel may have a material adverse effect on the Group's business. The recent revolutions and political uncertainty in surrounding countries, particularly Syria, are affecting the political stability of those countries. This instability may lead to deterioration of the political relationships that exist between Israel and these countries, and have raised concerns regarding security in the wider region and the potential for armed conflict.

Many of the Group's executive officers and employees in Israel are obliged to perform annual military reserve duty in the Israeli Defence Forces and, in addition, may be called to active duty under emergency circumstances at any time. If the current military conflict continues, or a war arises, these individuals could be required to serve in the military for extended periods of time. The Group's operations could be disrupted by the absence for a significant period of one or more of its executive officers or key employees or a significant number of the Group's other employees due to reserve duty. Any disruption in the Group's operations may have a material adverse effect on the Group's business.

The Group's commercial insurance does not cover losses that may occur as a result of events associated with the security situation in the Middle East. Any losses or damages incurred by the Group could have a material adverse effect on its business.

From time to time, pro-Arab organisations in various locations around the world promote local boycotts of products from Israel. Prompted by political, religious or other factors, these and other restrictive laws or policies directed towards Israel and Israeli businesses may affect the Group's financial condition and results of operations.

## **2. Internal risks**

Internal risks are those arising from factors primarily within the control of the Group or its businesses, including those that result from the corporate structure of the Group and its businesses and the way each carries on its business.

### **2.1 *Risks associated with legal proceedings***

The Group is exposed to legal and financial risks from existing legal disputes and proceedings brought by, amongst others, former employees, directors and customers of the Group to which members of the Group are parties. The Group is, and may in the future be, subject to litigation in the ordinary course of its operations. If such litigation results in fines, payments or damages, or causes reputational damage to the Group or its brand, the Group's business could be materially adversely affected. Significant claims or a substantial number of small claims may also be expensive to defend and may divert time and money away from the Group's operations, which could disrupt the Group's operations and have a material adverse effect on the Group's results and/or financial condition.

### **2.2 *Risk associated with the availability of key people***

The activities of key people may affect the Group's business. The Group benefits from the activities of certain key people such as Mr. Zvi Williger and Mr. Joseph Williger. There is no key-man insurance policy in place for any Group member. The loss of any such person could harm or delay the plans of the Group either whilst management time is directed to finding suitable replacements (who, in any event, may not be available to the Group) or, if not, covering such vacancy until suitable replacements can be found. In either case, this may have a material adverse effect on the future of the Group's business.

### **2.3 *Risks associated with business continuity***

Willi-Food stores most of its products in one main logistics centre warehouse situated in Yavne, Israel. Any interruption to this storage facility, whether by power failure, flooding (including in connection with any hostilities referred to above) or such other event, may have a material adverse impact on the Group's business.

Willi-Food imports the majority of its food products. Consequently, any disruption to the Israeli transport network through industrial action or otherwise may have a material impact on the Willi-Food's ability to source its food products which in turn may affect the Group's financial position and prospects.

The Group holds inventory of basic foodstuffs and other food products based on its expectations of the consumption of these products by its customers. If actual consumption does not meet predictions and the shelf-life of such products expires or the Group cannot otherwise sell such products, there may be material and adverse effects on the Group's reputation. On the other hand, to the extent that the Group does not have adequate inventory of these critical products (due, for example, to an emergency situation or a failure to anticipate the rate of consumption of such products), the Group may not be able to meet the needs of its customers which may adversely affect the Group's potential revenues and its reputation.

### **2.4 *Risks associated with product liability claims for misbranded, adulterated, contaminated or spoiled food products***

The Group sells food products for human consumption, which involves risks such as product contamination or spoilage, misbranding, product tampering and mishandling and other adulteration of food



products. Consumption of a contaminated, spoiled, misbranded, tampered with, mishandled or adulterated product may result in personal illness or injury. The Group could be subject to claims or litigation relating to an actual or alleged illness or injury, and the Group could incur liabilities that are not insured or that exceed its insurance coverage.

A product that has been actually or allegedly misbranded or becomes adulterated could result in product withdrawals, product recalls, destruction of product inventory, negative publicity and damage to the Group's brands and substantial costs of compliance or remediation. Any of these events, including a significant product liability judgment against the Group, could result in a loss of confidence in its food products, which could have an adverse effect on the Group's brands, its financial performance, reputation and future prospects.

## **2.5 *Risks associated with the Group's dependence on key customers***

The Group's main customer, Shufersal Ltd, represented 14.2 percent, of Willi-Food's income for the year ended 31 December 2020. The Group does not have any long-term and/or minimum purchase agreements in place with any of its customer. Accordingly, there is no guarantee that Shufersal will continue to purchase goods and products from the Group. Therefore, any significant reduction in sales to, or the loss of any significant customers, would have an adverse impact on the Group's financial performance and prospects.

Dependency on a limited number of major customers also increases the risk for the Company. Should any force majeure event affect any of the limited number of major customers on which the Group is dependent, this would have a direct impact on the Company's trading or financial results.

## **3 Risks relating to the Ordinary Shares**

### **3.1 *Trading in Ordinary Shares***

Investors should be aware that the value of the Company's shares may go down as well as up and that they may not be able to realise their investment. Sales of a substantial number of the Company's shares in the public market could depress the market price of the Company's shares.

### **3.2 *If the Company is wound up, distributions to holders of the Company's shares will be subordinated to the claims of creditors***

On a return of capital on a winding-up, holders of the Company's shares shall be entitled to be paid out of the assets of the Company available for distribution to members only after the claims of creditors of the Company have been settled.

### **3.3 *Dividends***

The ability of the Company to pay a dividend on the Company's shares will depend on, inter alia, the solvency of the Company. The Company may make a distribution of its profits (the "**profit criterion**") provided that the Directors have no reasonable grounds to believe that such distribution might deprive the Company of its ability to pay its existing and anticipated debts when the time comes for so paying (the

“**ability to pay criterion**”). This test requires the Board to make a future assessment by making reference to the profit criterion and the ability to pay criterion being satisfied immediately after a distribution or dividend payment is made. If at the time any dividend payment is to be authorised, or at any time before any dividend payment is to be made, the Directors believe that the profit criterion and/or the ability to pay criterion cannot be met, then no payment may be made to holders of the Company’s shares.

### 3.4 *Net asset value*

There is no guarantee that the market price of the Company’s shares will fully reflect the underlying value of the assets held by the Company, be influenced by the market price of the Company’s shares and the supply and demand for the Company’s shares in the market. As such, the market value of the Company’s shares may vary considerably from the underlying value of the Group’s assets.

### 3.5 *Volatility*

The market price of the Company’s shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Company’s shares or in response to various factors and events, including legal or regulatory changes affecting the Group’s operations and variations in the Group’s operating results.

### 3.6 *Holders of Depositary Interests must rely on the Custodian to exercise rights attaching to the underlying Company’s shares for the benefit of the holders of Depositary Interests*

The rights of holders of Depositary Interests will be governed by, among other things, the relevant provisions of the CREST Manual and the CREST Rules (as defined in the CREST Terms and Conditions issued by CRESTCo). The Custodian will hold the voting and other rights conferred by Israeli law and the Articles for the benefit of the relevant holder. Consequently, the holders of Depositary Interests must rely on the Custodian to exercise such rights for the benefit of the holders of Depositary Interests. Although the Company will enter into arrangements whereby CRESTCo will make a copy of the register of the names and addresses of holders of Depositary Interests available to the Company to enable the Company to send out notices of shareholder meetings and proxy forms to its holders of Depositary Interests and pursuant to CRESTCo’s omnibus proxy arrangements, subject to certain requirements, the Custodian will be able to give each beneficial owner of a Depositary Interest the right to vote directly in respect of such owner’s underlying Shares, there can be no assurance that such information, and consequently, all such rights and entitlements, will at all times be duly and timely passed on or that such proxy arrangements will be effective.

## **INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS**

The Board is responsible for establishing and maintaining the Company’s system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Company will ensure that its system of internal controls will apply to the whole Group.

In order to create an ongoing process to fulfil this responsibility, the Board has established a number of measures in order to identify, evaluate and manage the key financial, operating and compliance risks faced by the Company throughout the year and up to the date of the signing of the accounts.

The Board considers that the internal controls in place are appropriate for the size, complexity and the risk profile of the Group. The key elements of the Group's control system include:

- the Board generally meets at least four times a year and is responsible for the major business risks faced by the Company and for determining the appropriate course of action to manage those risks;
- the Company's non-executive directors meet together from time to time in the absence of management;
- the Board has a budgetary process in which the key risks faced by the Company are identified. Performance is monitored and relevant action taken through the monthly reporting to the Board of variances from the budget, updated forecasts for the period together with information on the key risk areas;
- capital expenditure is regulated by the budgetary process and authorisation levels. For expenditure beyond certain levels, detailed written reports have to be submitted to the Board;
- responsibility levels are communicated throughout the Company, including delegation of authority and authorisation levels, segregation of duties and other control procedures.
- the Financial Balance Committee, reviews the consolidated financial statements to ensure appropriate financial reporting. In this scope the Financial Balance Committee reviews the main assumptions and estimate made by the management, appropriateness of accounting policies applied and adequacy of the overall presentation and discloser made in the financial statements. The findings of the Financial Balance Committee are communicated to the Board;
- the Financial Balance Committee, through the internal audit, monitors controls which are in force and any perceived gaps in the control environment and also considers and determines relevant action in respect of any control issues raised by the external auditors.; and
- the Board ensures that the Company sets the appropriate policies on internal control and maintains a sound and effective internal control system to safeguard the shareholders' investments and the Company's assets. In this respect, the Board takes ultimate responsibility for the internal controls of the Company.

#### **Additionally and elaboration on Risks Related to Our Business and Industry**

Our results of operations may be impacted by monetary risk. Our portfolio of marketable securities is subject to various market risks.

We are exposed to fluctuations in the rate of the United States Dollar and Euro versus the NIS. Most of our income is in NIS, whereas most of our purchases are in United States Dollars and in Euros. A significant depreciation in the NIS vis-à-vis the United States Dollar and/or Euro could have a material adverse effect on our results of operations and financial condition.

We strive to minimize market risks arising from exchange rate fluctuations and the cost of imported goods, especially by opening documentary credit arrangements (a/k/a letters of credit) for suppliers abroad, holding foreign currency reserves and initiating forward transactions and foreign currency options.

As a method of investing cash reserves, we hold a portfolio of marketable securities traded on the Tel Aviv Stock Exchange as well as other stock exchanges. This portfolio of marketable securities is subject to various market risks resulting from fluctuations in interest rates, exchange rates, price fluctuations and

other market risks in Israel and abroad. We do not utilize derivative securities for trading purposes, enter into swap arrangements or otherwise hedge our currency in a manner that we believe could expose us to significant market risk.

**We depend on a small number of principal clients who have in the past bought our products in large volumes. Our business may be materially affected if any of our major client's default on their payments to us.**

Financial instruments that potentially subject us to concentrations of credit risk consist principally of trade receivable. Despite our large number of clients (approximately 1,600 customers, 3,200 selling points in Israel and abroad), a major part of our sales is made to a limited number of customers. Our largest customer is Shufersal Ltd. ("Shufersal"), which owns, among other things, supermarkets which accounted for approximately NIS 64.6 million (which represents 14.2%) of our sales revenue during 2020. We generally do not require collateral from our big supermarket chain customers, such as Shufersal, although we do require collateral from most of our remaining clients in Israel to ensure security in collecting payments that are due to us. In addition, we buy credit insurance for many of our customers. We maintain an allowance for doubtful debts based upon factors surrounding the credit risk of specific customers, historical trends and other information which our management believes adequately covers all reasonably anticipated losses in respect of trade receivable. There can be no assurance that this allowance will be adequate. In the event that any of our major clients default on their payment obligations to us, we will not possess sufficient security to collect the entire debt.

**We cannot assure that our principal clients or any other client will continue to buy our products in the same volumes, on the same terms or at all.**

We do not have long term purchase contracts with our clients, including our major clients like Shufersal, and our sales arrangements do not have minimum purchase requirements. We cannot assure that our major clients will continue to buy our products at all or in the same volumes or on the same terms as they have in the past. Losing one or more of them may adversely affect our business results. In addition, we cannot assure that we will be able to attract new customers. Our failure to do so may significantly reduce our sales.

**The failure to attract and retain key personnel could adversely affect our business.**

Our success depends in large part on our ability to continue to attract, retain, develop and motivate highly skilled professional personnel. Competition for certain employees, particularly top management, is intense. We may be unable to continue to attract and retain sufficient numbers of highly skilled employees. Our inability to attract and retain additional key employees or the loss of one or more of our current key employees could adversely impact our business, financial condition and results of operations.

In particular, we depend on the management services provided to us by Mr. Zwi Williger and Mr. Joseph Williger through management companies that they control, each of whom is a director and Co-Chairman of the Board. We do not have any key-man life insurance policy on either Mr. Zwi Williger or Mr. Joseph Williger. The loss of either or both of Mr. Zwi Williger and/or Mr. Joseph Williger could adversely impact our business, financial condition and results of operations.

**We work with a limited number of key suppliers. If these suppliers raise prices or terminate their engagement with us, our operating results could be adversely affected.**

Although no one company supplies the majority of any of our products, we work with a limited number of key suppliers. If one or more of our key suppliers raises their prices, our operating results may be

adversely affected. See risk factor below - "Increases or decreases in global product prices have in the past, and in the future, may continue to have a material adverse effect on our profitability". We believe that there are alternative suppliers for purchasing our products; however, we cannot assure that the products of the alternative suppliers will become immediately available and that the terms of purchase will be similar to those provided by current suppliers.

**We may not be able to successfully compete with larger competitors who have greater operations, financial, marketing, labor and other resources than we have.**

The food distribution business in Israel is highly competitive. We face competition from existing competitors in respect of imported as well as locally manufactured food products. Local producers are not subject to the financial risks of importing food products or to governmental policies regarding taxation of imported food products to which we as importers are subject. We may also face competition from potential newcomers to the local food manufacturing business as well as from existing importers and/or manufacturers not currently offering the same lines of products as us. In addition, in the event we further expand our activity in international food markets, we will also face competition from manufacturers and/or distributors in those markets. Certain of our current and potential competitors are substantially more established, benefit from substantially greater market recognition and have greater financial, marketing, labor and other resources than we have. If any of our competitors materially reduces prices, we may be required to reduce our prices in order to remain competitive. Such reductions, if effected, could have a material adverse effect on our financial condition and results of operations.

**Increases or decreases in global product prices have in the past, and in the future may continue to have a material adverse effect on our profitability.**

The cost of food commodities and other food products is cyclical and subject to other market factors and may fluctuate significantly. As a result, our cost in securing these products is subject to substantial increases over which we have no control. In addition, fuel costs, which represent the most significant factor affecting both utility costs at our facilities and our transportation costs, are subject to wide fluctuations. Although we are making best efforts, we cannot assure that we will be able to pass on to customers any increased costs associated with the procurement of these products. Moreover, there has been in the past, and there may be in the future, a time lag between the occurrence of such increased costs and the transfer of such increases to customers. To the extent that increases in the prices of our products cannot be passed on to customers or there is a delay in doing so, we are likely to experience an increase in our costs which may materially reduce our margin of profitability.

Further, there is an additional lag time from the date we purchase inventory from our suppliers situated outside of Israel (or commit to purchase inventory from such suppliers) and the date we sell the inventory to our customers in Israel. To the extent that the price we are able to sell such inventory to customers decreases from the time that we purchases it (or commit to purchase it), our margin of profitability may be materially reduced.

Increases or decreases in global product prices in the future may have a material adverse effect on our profitability.

**Our results of operations may be adversely affected if we do not accurately predict the rate of consumption of our products.**

We hold inventory of basic foodstuffs (such as preserved food, dairy and dairy substitute products, edible oils, pasta and rice (and other food products, and we accumulate inventories of these products based on our prediction of the rate of consumption of these products by our customers. If actual consumption does not meet our expectations, and the shelf life of such products expires or we cannot otherwise sell such products, this may materially and adversely affect our financial condition and results of operations. On the other hand, to the extent we do not have adequate inventory of our products to meet demand (for example, due to consumer conditions that create unexpectedly high demand or our failure to accurately predict the rate of consumption of our products), we will not be able to meet the needs of our customers and our revenues may be adversely affected.

**We may be unable to anticipate changes in consumer preferences, which may result in decreased demand for our products.**

Our success depends in part on our ability to anticipate the tastes and eating habits of our consumers and to offer products that appeal to their preferences. Consumer preferences change from time to time and our failure to anticipate, identify or react to these changes could result in reduced demand for our products, which would adversely affect our operating results and profitability.

**Our insurance coverage may not be sufficient to cover our losses in the event our products are subject to product liability claims or our products are subject to recall. In such event, it could have a material adverse effect on us.**

Our products may become the subject of product liability claims and product recalls, and there can be no assurance that our product liability insurance coverage limits will be adequate or that all such claims will be covered by such insurance. A product liability claim or product recall, even one without merit or for which we have substantial insurance coverage, could result in significant expenses, including legal defense costs, thereby lowering our earnings and potentially resulting in additional losses. Successful product liability claims or other judgments against us in excess of our insurance coverage could have a material adverse effect on us and our reputation.

**We may be adversely affected by any interruption to our storage facility.**

We store most of our products to be distributed to customers in one main location – a logistics center warehouse situated in Yavne, Israel. Any interruption to this storage facility, whether by power failure, flooding or otherwise, would have a material impact on our ability to trade in the ordinary course of our business.

**We may be subject to product liability claims for misbranded, adulterated, contaminated or spoiled food products.**

We sell food products for human consumption, which involves risks such as product contamination or spoilage, misbranding, product tampering, and other adulteration. Consumption of contaminated, spoiled, misbranded, tampered with or adulterated products may result in personal illness or injury. We could be subject to claims or lawsuits relating to an actual or alleged illness or injury, and we could incur liabilities that are not insured or that exceed our insurance coverage. Even if product liability claims against us are not successful or fully pursued, these claims could be costly and time consuming and may require management to spend significant time defending the claims rather than operating our business. In addition, a product that has been actually or allegedly misbranded or becomes adulterated could result in product withdrawals, product recalls, destruction of product inventory, negative publicity, temporary plant closings, and substantial costs of compliance or remediation. Any of these events, including a significant product liability judgment against us, could result in a loss of confidence in our food products, which could have an adverse effect on our financial condition, results of operations or cash flows.

**Our operating results may be subject to variations from quarter to quarter.**

Our operating results may be subject to variations from quarter to quarter depending on, among other things, the timing of sales campaigns and special events initiated both by us and our customers, the major Jewish holidays (such as the Jewish New Year and Passover), our ability to manage future inventory levels in line with business opportunities and anticipated customer demand, competitive developments in the market, changes in government regulations, periodic work stoppages or disruptions, changes in the rates of inflation in Israel and fluctuations in NIS/dollar and NIS/euro exchange rates. There can be no assurance that our sales or net income (if any) in any particular quarter will not be lower than the preceding and/or comparable prior-year quarter or that our sales or net income (if any) in a particular quarter will be indicative of our results of operations for the entire year. The trading prices of our ordinary shares may fluctuate significantly in response to variations in our quarterly operating results.

**Our branded products may not be able to compete successfully with nationally branded products.**

Competition to obtain shelf space for our branded products with retailers is primarily based on the expected or historical performance of our product sales relative to our competitors. The principal competitive factors for sales of our branded products to consumers are brand recognition and loyalty, product quality and price. Most of our branded product competitors have significantly greater resources than we do and may have a competitive advantage over our products due to greater brand name recognition.

Competitive pressures or other factors could cause us to lose market share, which may require us to lower prices, increase marketing expenditures, and/or increase the use of discounting or promotional programs, each of which would adversely affect our margins and could result in a decrease in our operating results and profitability.

**We may not successfully integrate our acquisitions.**

We have made acquisitions in the past and may do so in the future. Our success will depend in part on our ability to manage the combined operations of any acquired company, to integrate the operations and personnel of such company together with our other subsidiaries into a single organizational structure, and to replace those subsidiary managers who have departed or may in the future leave our employ. There can be no assurance that we will be able to effectively integrate the operations of our subsidiaries and our acquired businesses into a single organizational structure. Integration of operations could also place additional pressures on our management as well as on our other key personnel. The failure to successfully manage any integration could have an adverse material effect on results of our operations.

**If we are unable to protect our intellectual property rights, our competitive position could be compromised.**

We market certain products under the trademarks "Willi-Food", "Euro European Dairies", "Donna Rozza", "Manchow", "Gold Frost", "Tifeeret", "The Chef Dish", "Art Coffe", "Mr Chang", "Muchi", "Euro Butter", "Euro Spread", "Euro Cheese", Euro Cream", "Euro Dessert", "Euro Veg", "Ha-Bulgaria", "Gelato", and "Emma". Although we have registered trademarks for these brands, we cannot assure that the degree of protection from this registration will be sufficient to protect our rights in these trademarks.

**One shareholder owns a majority of BSD shares.**

As of 27 of April, 2021, Willi-Food directly owned approximately 59.14% of WFINT ordinary shares (approximately 59.14% on a fully-diluted basis), and its majority shareholder, the company counting the holding of Willi-Food and additional ordinary shares that it held directly, beneficially owned approximately 5.56% of the outstanding shares (approximately 5.56% on a fully-diluted basis). Messrs.

Zwi Williger and Joseph Williger together own a majority of the outstanding shares of the company and therefore may be considered the beneficial owners of all shares beneficially owned by the company.

Our Articles of Association do not provide for cumulative voting rights with respect to the election of directors and every resolution in a general meeting of shareholders is deemed duly passed if passed by a simple majority of the shareholders present and voting unless another majority is required by the Israeli Companies Law (the "Companies Law") or by our Articles of Association. Therefore, our majority shareholder, Willi-Food, is able to control the outcome of matters requiring shareholder approval that do not require a special majority.

**If we fail to maintain an effective system of internal controls, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our ordinary shares may be adversely affected.**

Our reporting obligations as a public company place a significant strain on our management, operational and financial resources and systems. We implemented financial and disclosure control procedures and corporate governance practices that enable us to comply, with the Sarbanes-Oxley Act of 2002 and related Securities and Exchange Commission, or the SEC, rules. For example, we developed accounting and financial capabilities, including the establishment of an internal audit function and development of documentation related to internal control policies and procedures. Failure to establish the necessary controls and procedures would make it difficult to comply with SEC rules and regulations with respect to internal control and financial reporting. We need to take further actions to continue to improve our internal controls. If we are unable to implement solutions to any weaknesses in our existing internal controls and procedures, or if we fail to maintain an effective system of internal controls, we may be unable to accurately report our financial results or prevent fraud and investor confidence and the market price of our ordinary shares may be adversely impacted.

**Our results of operations may be impacted by cyber-attacks on the Company's information systems.**

Suspension or malfunction of internal or third-party information systems, or unauthorized access, misuse, computer viruses and cyber-attacks affecting such systems, could impact our results of operations. Our businesses rely on secure processing, storage, transmission and reception of personal, confidential and proprietary information on our systems. We may become the target of attempted unauthorized access, computer viruses or malware, and other cyber-attacks designed to access and obtain information on our systems or to disrupt and cause other damage to our services. Although these threats may originate from human error or technological failure, they may also originate from the malice or fraud of internal parties, such as employees, or third parties, including foreign state actors and extremist parties. Additionally, we could also be adversely impacted if any of the third-party vendors, exchanges, clearing houses or other financial institutions to which we are interconnected are subject to cyber-attacks or other informational security breaches. Such events could cause interruptions to our systems, reputational damage, client dissatisfaction, legal liability, enforcement actions or additional costs, any and all of which could adversely affect our financial condition and operations. While we continue to devote significant resources to monitor and update our systems and implement information security measures to protect our systems, there can be no assurance that any controls and procedures we have in place will be sufficient to protect us from future security breaches. As cyber threats are continually evolving, our controls and procedures may become inadequate and we may be required to devote additional resources to modify or enhance our systems in the future.

## **The City Code on Takeovers and Mergers**



The Company is incorporated in Israel and its head office and place of central management is in Israel. Accordingly, transactions in shares of the Company are not subject to the provisions of the UK City Code on Takeovers and Mergers (the “**City Code**”) and the Company’s shareholders are therefore not afforded the protections of the City Code.

## **Israeli Law**

Shareholders’ rights and responsibilities will be governed by Israeli law and these differ from the rights and responsibilities of shareholders under English law or the law of other non-Israeli jurisdictions. The Company is incorporated under Israeli law. The rights and responsibilities of holders of the Company’s shares are governed by the Company’s articles of association and by the Israeli Corporate Law. In particular, a shareholder of an Israeli company has a duty to act in good faith towards the company and other shareholders and to refrain from abusing his power in the company, including, amongst other things, in voting at the general meeting of shareholders on certain matters.

The directors continue to monitor all of the key risks and uncertainties and the directors will take appropriate actions to mitigate these risks and their potential outcomes. These actions include careful management of costs across all areas of the business with increased expenditure only in those areas that the directors decide are appropriate to drive growth and deliver long term strategic benefits.

## **FINANCIAL POSITION**

The Company's management and directors have reviewed the performance and forecasts of the Company. The management and directors have concluded that the Company has adequate resources to continue its operations in the foreseeable future. Following a review of the Company's risks and uncertainties and management’s current expectations, the Board believes that the Company will continue to meet all of its financial commitments as they fall due and will be able to continue as a going concern. The financial statements have therefore been prepared on a going concern basis.

## **OUTLOOK**

The Company is acting to preserve its investment in WFI and is continuing with its efforts to increase its value by being actively involved in WFI management through its nominee board members to WFI and its subsidiary board. Additionally, the current active chairman and several of the Company's board members have years of experience in the Food industry.

## **RESPONSIBILITY STATEMENT**

The Board are responsible for preparing the consolidated financial statements of BSD. The directors confirm that to the best of their knowledge:

- The consolidated financial statements of BSD have been prepared in accordance with IFRS. The accounting policies set in the financial statement have been applied consistently to all periods presented in these consolidated financial statements. The Financial Statements, prepared in accordance with IFRS give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Business Review includes a fair review of the development and performance of the business, the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

- The consolidated financial statements of BSD, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board,

Joseph Williger, Executive Chairman

27 April 2021

## BOARD OF DIRECTORS

### ACTING BOARD OF DIRECTORS

**Mr. Joseph Williger *Active Chairman, as from 5 May 2017 (FI)*.** Mr. Williger is a member of the board of Y.M Dekel Holdings and Investments Ltd and Yossi Willi Management and Investments Ltd, both private companies. Mr. Williger is also a member of the Presidium of the Chamber of Commerce Israel and serves as the chairman of the Committee of import and customs Israel Chamber of Commerce. Mr. Williger attended Business Administration studies in California State University, Los Angeles for two years, and Business Administration studies in Bar-Ilan University, Israel, for one year. Mr. Williger has held positions as a chairman at Willi-Food Investments Ltd, and as Chief Executive Officer, president and director at G. Willi-food International Ltd.

**Mr. Zwi Williger *Non-Executive Director, as from 29 May 2017 (FI)*.** Mr. Zwi Williger also serves as a director in Zvi. V & Co. Ltd. and Titanic Ltd., both private companies. Mr. Williger is one of the founders of Willi Food group and has held positions as a CEO and director in Willi-Food Investments Ltd. and as an active chairman in G. Willi-Food International Ltd. and its subsidiaries. Mr. Williger attended Business Administration studies in Fresno California University, for two years and advance management program in Harvard University, for two months.

**Mr. Gil Hochboim *Non-Executive Director, as from 7 May 2017*.** Mr. Hochboim is the CFO of S.R. Accord Ltd., a public Israeli company traded in TASE which active in the finance market. Mr. Hochboim served more than 15 years as the CEO and CFO in Willi Food Investments Ltd. and G. Willi Food International Ltd. Mr. Hochboim is a certified public accountant (Israel) and holds a Bachelor's degree in Business Management and Accounting from The Academic College of Management, Israel.

**Mr. Amir Ariel, *External Director, as from 11<sup>th</sup> of August, 2020*.** Adv. Mr. Ariel served and held senior management positions in public companies for about 23 years. Mr. Ariel has vast experience and many years of activities both in Israel and abroad serving as Legal Director and Secretary Company, Chief Regional Manager and VP Business Development with public issued companies. Mr. Ariel's past and present experience includes also extensive experience serving as an independent director and as external director with financial and professional expertise with public issued Companies in the finance, real estate, commercial and investment entities. Mr. Ariel currently serve as VP of Business Development and Assets at the public company Adriel Israel Properties Ltd. (formerly the CEO of the private companies in the group). Mr. Ariel holds a Bachelor of Laws degree and MBA degree.

**Mr. Shmuel Yanai, *External Director, as from 11<sup>th</sup> of August, 2020*.** Adv. Mr. Yanai serves as an advisor to Yorkville Advisors LLC since 2007, in addition to other organizations in the Middle East., particularly with investment banker at Axe Y Capital - public M&A. Mr. Shmuel Yanai also had a career with the TheMarker as a journalist and as the investment manager of the Willifood Group. Mr. Yanai started his career with the Ram Caspi law firm in Tel Aviv.

**Mr. David Freidenberg, *independent Director, as from 5<sup>th</sup> of November, 2020*** Adv. Mr Freidenberg serves as a Vice president, sales & business development in Technologies public company since 2018. Mr David also had a Chief Revenue officer, CEO cybersecurity Start-up between 2014-2018. Mr David's past and present experience includes Strategic global executive leader offering extensive experience leading key growth initiatives in the telecommunications and information technology (IT) industries. Known as an expert in forging partnerships, securing funding, and building strategic relationships that increase revenue and brand awareness. Proven track record of creating and executing on GTM strategies with P&L accountability while

serving as the brand champion. Leader of high-performing and engaged global sales and operations teams through fostering an innovative culture and hands-on coaching.

The Active Chairman of the Board is not the Company's Chief Executive Officer. The Company currently does not have Deputy Chairman and Chief Executive Officer.

The aforesaid board members approved the consolidated financial statements as of 31 December 2020

**A** - Member of the Audit Committee

**FBC** – Member of the Financial Balance Committee

**R** - Member of the Remuneration Committee

**FI**- Member of the Financial Investments Committee

## **INTERNAL CONTROLLER**

The Company's internal controller is responsible for the conduct of all internal auditing at the Company, and have a key role in the management of risks of the Company and contribute to safeguarding the shareholders' investment and rights in the Company and the Company's assets. The internal controller report to the Audit Committee of the Board which approve its work plan and review report and it supervise the financial statements preparation statements. In addition, the internal controller enables the Company to ensure performance efficiency, mitigate actual or potential risks, duly and timely complete the Company's reporting obligations, ensure compliance with applicable laws and preserve the Company's assets.

On 18 of February 2018, the Board (after the approval of the audit committee) appointed Mr Doron Yonisi as the Company's internal controller.

## **CORPORATE GOVERNANCE**

Incorporated in Israel, BSD is listed on the Standard List of the Official List of the London Stock Exchange. A standard listing requires the Company to comply with the harmonised regulatory requirements imposed by the EU that apply to all securities that are admitted to trading on EU regulated markets. As a company with a Standard Listing, the Company is not required to comply with the super-equivalent provisions of the Listing Rules which apply only to companies with a premium listing, including, without limitation, complying with or explaining against the UK Corporate Governance Code published by the Financial Reporting Council in July 2018 (the "**UK Corporate Governance Code**"). A copy of the UK Corporate Governance Code can be found at the following website address: <http://www.frc.org.uk>. However, the Board will apply certain provisions of the UK Corporate Governance Code on a voluntary basis and will comply with the requirements set out in rule 7.2 of the Disclosure and Transparency Rules.

This statement describes how the principles of corporate governance are applied to the Company and the Company's compliance with the provisions set out in the UK Corporate Governance Code.

The Company has not complied with the requirement under the UK Corporate Governance Code to have a Nomination Committee. Instead, the Company complies with Israeli law with respect to the nomination of members of the Board of Directors.

## THE GENERAL MEETING OF SHAREHOLDERS

The general meeting of shareholders is the supreme body of BSD. Shareholders are required to approve a certain number of resolutions such as, *inter alia*, appointing the external auditors of the Company, approving allotment of shares, approving distribution of dividends, approving the directors' remuneration and the Remuneration Committee Policy, approving any change to the articles of association of the Company. Shareholders exercise their rights by attending and voting at general meetings. For each resolution, proxy appointment forms are provided to shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote. The Company holds its annual general meeting once a year. The last annual general meeting was held on 11 of August, 2020.

## THE BOARD

The Board is responsible for the Company's corporate governance policy. It recognises the importance of high standards of integrity and consistently seeks to apply the provisions set out in the UK Corporate Governance Code. The Board is responsible for the overall conduct of the Company's business and has the powers, authorities and duties vested in it by and pursuant to the relevant laws of Israel and its articles of association.

The Company is controlled through the Board whose main role is to:

- create value for shareholders;
- provide leadership of the Company;
- approve the Company's strategic and operating objectives;
- review management performance;
- consider, and if thought fit, to approve major acquisitions and disposals;
- provide treasury policies;
- provide the Company's governance policies;
- ensure that the necessary financial and other resources are made available to the management to enable them to meet those objectives; and
- operate within a framework of effective controls which enables the assessment and management of principal business risks.

The Board is responsible for approving, *inter-alia*, the Company's overall strategy and financial policy, acquisition and investment policy and major capital expenditure projects. It also appoints and removes members of the Board (including the independent non-executive directors but excluding External Directors) and Board committees, reviews recommendations of the Audit Committee and the Financial Balance Committee and Remuneration Committee and is responsible for the appointment of the independent auditor. The Board also reviews the financial performance and operation of each of the Company's businesses,

approves financial statements after discussions with the Financial Balance Committee, changes in capital structure, appointment, removal and compensation of senior management, engagement of professional advisors, internal control arrangements, risk management and corporate governance. The Board sets the standards and values of the Company and much of this has been embodied in the Company's Code of Conduct and Ethics and Human Rights Policy which can be found on the Company's website, [www.bsd-c.com](http://www.bsd-c.com). These are matters specifically reserved to the Board for its decision. Other matters are delegated to management.

The Company's Code of Conduct and Ethics applies to all directors, officers and employees of the Company. The Company's Code of Conduct and Ethics contains provisions under which employees can report violations of company policy or any applicable law, rule or regulation. The current procedure provides for information to be given anonymously or by named employees under conditions of confidentiality. Those employees who come forward and give their name are assured that they will receive the full protection and no retaliation will take place.

The Chairman is responsible for setting the Board's agenda in particular to discuss strategic issues. The Chairman also promotes culture of openness and debates, involves non-executive directors in the strategic decisions of the Company in particular and ensures constructive relations between executive and non-executive directors.

The Chairman is also responsible for ensuring that the directors receive accurate, timely and clear information and ensuring effective communication with shareholders. In addition the Chairman is also responsible for the induction and training of each member of the directors whether executive or non-executive, and regularly reviews and agrees with each director their training and development needs.

The Board, which is responsible for the Company's overall leadership, believes that it holds an appropriate balance of skills, experience, and knowledge of the Company to enable it to discharge its respective duties and responsibilities effectively. To the date hereof, the Company's subsidiary WFI, is managed, by the current Executive Chairman, Mr. Joseph Williger together with professional management teams, other two board members of the Company are acting as board members in WFI, thus allowing the Company to control its main asset in a way that should raise the Company's value.

Directors are subject to re-election at every annual general meeting (with the exception of the External directors, as further described below). The Board has the power at any time, and from time to time, to appoint additional directors (either to fill any vacancy or as additional directors) provided that the number of directors does not exceed the maximum permitted in accordance with the Company's articles of association. In such cases, the newly appointed director holds office until the next annual general meeting of shareholders immediately following such appointment. By an ordinary resolution of shareholders any member of the Board can be removed.

Under the Israeli Corporate Law, a person who lacks the necessary qualifications and the ability to devote an appropriate amount of time to the performance of his or her duties as a director shall not be appointed director of a publicly traded company. While determining a person's compliance with such provisions, the company's special requirements and its scope of business shall be taken into consideration. Where the agenda of a shareholders meeting of a publicly traded company includes the appointment of directors, each director nominee should submit a declaration to the company confirming that he or she has the necessary qualifications and that he or she is able to devote an appropriate amount of time to performance of his or her duties as a director. In the declaration, the director nominee should specify his or her qualifications and confirm that the restrictions set out in the Israeli Corporate Law do not apply.

Under the Israeli Corporate Law, if a director ceases to comply with any of the requirements provided in the Israeli Corporate Law, such director must immediately notify the company, and his or her term of service shall terminate on the date of the notice.

On appointment, non-executive directors receive a range of information about the Company which aims to provide an understanding of the Company as a whole, including its strategy, structure, financial position, technologies and people, as well as their legal responsibilities as directors. There is in place a procedure whereby the directors may, in furtherance of their duties, take independent legal and financial advice at the Company's expense, and also have access to the advice and services of the financial controller who is responsible to the Board for ensuring that Board procedures are complied with. As of 31 December, 2020, the Executive Chairman of the Board, Mr. Joseph Williger holds together with his private companies, in Y.M Dekel Holding and Investments Ltd. and Yossi Willi Management and Investment Ltd., 42.54 per cent of the voting rights of the Company's shares and Zwi Williger, a member of the Board of Directors, holds 41.91 per cent of the voting rights of the Company's shares. To the Company's best knowledge, all other directors and their respective immediate families had no direct or indirect interests, both beneficial and non-beneficial, in the ordinary shares of the Company at the day of this report.

Under Israeli law, the Board of Directors of an Israeli company has the power to cause the company to either issue or repurchase securities of such company, subject to the conditions set forth in the Israeli Corporate Law and the company's articles of association as well as any agreement to which such company is party.

The Company does not comply with the requirement under the UK Corporate Governance Code that its Board's Committees' and individual Directors' evaluate their performance on an ongoing basis since the Company follows in this respect the Israeli Corporate Law.

## **SHARE CAPITAL**

Total number of issued shares of the Company as at 31 December 2020: 140,578,154

Total number of issued and outstanding shares of the Company as at 31 December 2020: 129,340,252.

## **DIRECTOR'S REMUNERATION**

Members of the Board are paid for the performance of their duties and reimbursed for expenses arising from the exercise of their functions. The remuneration of independent and non-independent members of the Board is determined according to the laws and approved by the shareholders during the annual general meeting.

The Company's Remuneration Policy is further detailed in the Office Holders' Remuneration section below.

## **BOARD MEETINGS**

The Board meets on a regular basis to discuss the overall direction and strategic plan of the Company. Ad hoc meetings may also be convened at any time to deal with matters between scheduled meetings as appropriate. Prior to each Board meeting, each director receives background materials related to the matters for discussion at the meeting. A budget is discussed and approved by the Board for the following year in each board meeting which approves the financial statement. All directors are properly briefed on progress with respect to matters discussed at Board meetings and further information requested by a director is made available.

It is expected that all directors attend physically or by teleconference the Board and relevant committee meetings, unless they are prevented from doing so by prior commitments. Directors leave the meeting where matters relating to them, or which may constitute a conflict of interest to them, are being discussed.

The Board votes on decisions by simple majority. Each member of the Board has one vote. The quorum for meeting is the majority of its members.

Board members have the opportunity to ask any questions and request any additional information on agenda items

The table below shows the current acting board of director's attendance rate at scheduled Board meetings and at meetings of the Audit, Financial Balance and Remuneration Committees for a period of 12 months ended 31 December 2020:

Meetings held in 2018	Board	FBC	Remuneration	Audit	Financial Investments
<u>Meetings attended:</u>					
Mr. Joseph Williger	100%	n/a	n/a	n/a	-
Mr. Zwi Williger	69%	n/a	n/a	n/a	-
Mr. Gil Hochboim	100%	-	n/a	n/a	-
Mr. Amir Ariel *	46%	-	-	100%	-
Mr. Shmuel Yanai*	46%	-	-	50%	-
Mr. David Friedberg**	23%	-	-	-	-

\*Mr. Shmuel Yanai and Mr. Amir Ariel serves as external directors since 11 of August, 2020.

\*\*Mr. Friedberg serves as independent director since 5 of November, 2020.

n/a = not applicable (where a director is not a member of a committee).

During 2020, other directors have attended meetings of the Financial Balance Committees, Remuneration Committee and Audit Committee by invitation. These details are not included in the table above.

## INDEPENDENCE & QUALIFICATION

The UK Corporate Governance Code sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. The UK Corporate Governance Code recommends that at least half the board of directors of a UK listed company (excluding the chairman) should comprise 'independent' non-executive directors being individuals determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement.

In particular, the UK Corporate Governance Code provides that smaller companies (i.e. companies which are below the FTSE 350 throughout the year immediately prior to the reporting year) should have at least two independent non-executive directors. The UK Corporate Governance Code states that the board of directors should determine whether a director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment. The Board has considered the independence of its non-executive directors in line with the principles of the UK Corporate Governance Code (section B.1.1) and, following careful consideration, assessed the independence of the non-executive directors as set out herein.



Pursuant to the Israeli Corporate Law, companies incorporated under the laws of Israel whose shares have been offered to the public in or outside of Israel are required to appoint at least two statutory independent directors (“**External Directors**”) who meet certain statutory criteria of independence. The Israeli Corporate Law provides that a person may not be appointed as an External Director if the person is a relative of the controlling shareholder of the company or if that person or his or her relative, partner, employer, another person to whom he or she was directly or indirectly subject, or any entity under the person’s control, has, as of the date of the person’s appointment to serve as External Director, or had, during the two years preceding that date, any affiliation or one of certain other prohibited relationships with the company or any person or entity controlling (or relative of such controlling person), controlled by or under common control with the company (or, in the case of a company with no controlling shareholder, any affiliation or one of certain other prohibited relationships with a person serving as Chairman of the board of directors, Chief Executive Officer, a substantial shareholder or the most senior office holder in the company’s finance department). The term “affiliation” and the similar types of prohibited relationships include:

- an employment relationship;
- a business or professional relationship, even if not maintained on a regular basis (but excluding a de minimis level relationship);
- control; and
- service as an office holder.

No person may serve as an External Director if the person’s position or other business activities create, or may create, a conflict of interest with the person’s responsibilities as an External Director or may otherwise interfere with the person’s ability to serve as an External Director or if the person is an employee of the Israel Securities Authority or of an Israeli stock exchange. Furthermore, a person may not continue to serve as an External Director if he or she accepts, during his or her tenure as an External Director, direct or indirect compensation from the company for his or her role as a director, other than amounts prescribed under the Israeli Corporate Law regulations (as described below) or indemnification, the company’s undertaking to indemnify such person, exemption and insurance coverage. If, at the time of election of an External Director, all other directors who are not the company’s controlling persons or their relatives are of the same gender, the External Director to be elected must be of the other gender.

Pursuant to the Israeli Corporate Law, all External Directors must have accounting and financial expertise or professional qualifications, and at least one External Director must have accounting and financial expertise. A director with “accounting and financial expertise” is a director that due to his or her education, experience and skills has a high expertise and understanding in financial and accounting matters and financial statements, in such a manner which allows him to understand deeply the financial statements of the company and initiate a discussion about the presentation of financial data. A director is deemed to have “professional qualifications” if he or she either (i) has an academic degree in economics, business management, accounting, law or public service, (ii) has an academic or other degree or has completed other higher education, all in the field of business of the company or relevant for his/her position, or (iii) has at least five years’ experience as either a senior managing officer in the company’s line of business with a significant volume of business, a public office, or a senior position in the company’s main line of business.

An External Director may be removed from office only: (i) by a court, upon determination that the External Director to be so removed ceased to meet the statutory qualifications for his or her appointment or if he or she violated his or her duty of loyalty to the company; (ii) by the same percentage of shareholders, acting through

a shareholders' meeting, as is required for his or her election, if the board of directors has determined that the External Director to be so removed has ceased to meet the statutory qualifications for his or her appointment or violated his or her duty of loyalty to the company and has proposed the removal to the shareholders. Such determination by the board of directors is to be made in the first meeting of the board of directors to be convened following learning of the said cessation or violation.

An External Director who ceases to meet the conditions for his or her service as such must notify the company immediately and such service shall cease immediately upon such notification.

As of the day hereof, Mr. Shmuel Yanai and Mr. Amir Ariel serves as external directors within the meaning of "external" as defined in the Israeli Corporate Law and as independent non-executive directors in accordance with the UK Corporate Governance Code. The initial term of an External Director is three years and may be extended by a general meeting of shareholders for up to two additional three-year terms.

The directors of the Company support high standards of corporate governance. As of the day hereof, the Company complies with certain of the provisions of the UK Corporate Governance Code. The Company's Board include an Executive Chairman, two independent non-executive directors which serves as external directors, one independent director and one non-executive directors, within the meaning of the UK Corporate Governance Code.

On appointment, non-executive directors receive a range of information about the Company which aims to provide an understanding of the Company as a whole, including its strategy, structure, geographic spread of operations, financial position, markets, products, technologies and people, as well as their legal responsibilities as directors. There is in place a procedure whereby the directors may, in furtherance of their duties, take independent legal and financial advice, at the Company's expense.

Finally, under the Israeli Corporate Law, the board of directors of a publicly traded company is required to make a determination as to the minimum number of directors (not merely External Directors) who must have accounting and financial expertise (according to the same criteria described above with respect to External Directors). In accordance with the Israeli Corporate Law, the determination of the board of directors should be based on, among other things, the type of the company, its size, the volume and complexity of its activities and the number of directors. Based on the foregoing considerations, the Board determined that the number of directors with financial and accounting expertise in the Company shall not be less than two. As of today, Mr. Gil Hochboim, Mr. Amir Ariel, Mr. David Freidenberg and Mr. Shmuel Yanai possess such accounting and financial expertise

Pursuant to section B.1.2 of the UK Corporate Governance Code, a smaller company (below the FTSE 350 throughout the year immediately prior to the reporting year) should have at least two independent non-executive directors. As of the day hereof, the Company has three independent directors- Mr. Amir Ariel, Mr. Shmuel Yanai (who were elected as External Directors under the Israeli Corporate Law) and Mr. David Freidenberg.

The Board has determined that Mr. Shmuel Yanai and Mr. Amir Ariel have the requisite accounting, financial and professional expertise as required of External Directors under the Israeli Corporate Law. Mr. Amir Ariel and Mr. Shmuel Yanai was appointed as External Director of the Company at the annual general meeting on 11 of August, 2020 for a period of three years.

Each committee of a Company's Board is required to include at least one External Director and the Audit Committee must include all of the External Directors.

An External Director is entitled to compensation as provided in regulations promulgated under the Israeli Corporate Law and is otherwise prohibited from receiving any compensation, directly or indirectly, in connection with services provided as an External Director or otherwise to the company.

As of the day hereof, the Board has determined that Mr. Shmuel Yanai, Mr. Amir Ariel and Mr. David Freidenberg meet the UK Corporate Governance Code's independence requirements, as they are independent of the Company's executive management and free from any material business or other relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Accordingly, the Board believes that there are no such relationships that could materially interfere with the exercise of its independent judgment.

As of 7 May 2017, the Company's Executive Chairman of the Board is Mr. Joseph Williger who holds as of the date of these financial statements, 42.52% of the outstanding share capital of the Company.

The Company complies with certain requirements under Israeli law with respect to the appointment of non-executive directors (including external directors, who must comply with certain requirements under Israeli law in order to be eligible for appointment as such) and their conduct after being appointed.

Minutes of meetings of a board of directors of an Israeli company are expected to reflect the matters discussed by the board members.

Under Israeli law, external directors of Israeli companies whose securities are listed on the London Stock Exchange may be appointed for up to three-year terms.

Where Directors have concerns which cannot be resolved about the management of the Company or a particular matter, they should ensure that their concerns are recorded in the Board Minutes.

The Company will institute and provide a sounding Board for the Chairman and serves as an intermediary with the other Directors when necessary and is also available to Shareholders if they have concerns where contact through the normal channels of Chairman, Chief Executive or other Executive Directors has failed to resolve the matter or where such contact is appropriate.

Each director prior to his appointment presented the shareholders with a director declaration pursuant to the Israeli Corporate Law. The Company does not appoint directors via appointment letters, and hence no such letters have been made available for inspection at the Company's annual general meeting in accordance with the UK corporate governance code.

## **BOARD COMMITTEES**

The Board has established Audit, Financial Balance and Remuneration Committees. The duties of these committees are set out in formal terms of reference and the Board is satisfied that these terms conform to best corporate governance practice. The terms of reference for all Board committees can be found on the Company's website at [www.bsd-c.com](http://www.bsd-c.com). In addition, the Board may appoint from time to time other committees and delegate to them certain responsibilities, subject to applicable law. For example, during 2018 the Board appointed a committee for financial investments.

### **AUDIT COMMITTEE**

In accordance with the requirements of the UK Corporate Governance Code and the Israeli Corporate Law, the Audit Committee is made up of at least three members who are all independent non-executive directors

and includes one member with recent and relevant financial experience. As of the day of the report the Audit Committee chaired by Amir Ariel, Non-Executive, External director. The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It receives and reviews reports from the Company's internal auditor relating to the internal control systems in use throughout the Company. The Audit Committee will generally meet at least three times a year at the appropriate times in the reporting and audit cycle and has unrestricted access to the Company's auditors. The committee is required to oversee the relationship with the Company's external auditors.

Under the Israeli Corporate Law, the Audit Committee must have at least three members, including all External Directors, and neither the Chairman of the Board, nor any person who is employed by or provides services to the Company nor any person having control over the Company (or any relative of such control person) may be a member of the Audit Committee.

Pursuant to the Israeli Corporate Law, the Audit Committee of a publicly traded company must consist of a majority of independent directors. An "independent director" is defined as an External Director and as a director who meets the following criteria:

- he or she meets the qualifications for being appointed as an External Director, except for (i) the requirement that the director be an Israeli resident (which does not apply to companies whose securities have been offered outside of Israel or are listed outside of Israel) and (ii) the requirement for accounting and financial expertise or professional qualifications; and
- he or she has not served as a director of the company for a period exceeding nine consecutive years. For this purpose, a break of less than two years in the service shall not be deemed to interrupt the continuation of the service.

The Israeli Corporate Law further provides that a company may also elect to impose, via the adoption of a proposed set of corporate governance rules, certain independence requirements with respect to the composition of the board of directors as a whole. Those requirements, if undertaken by a company, mandate that (i) if the company has no controlling shareholder or no shareholder that holds at least 25 per cent of the company's voting rights, most of the members of the board of directors must be independent directors, whereas (ii) if the company has a controlling shareholder or a shareholder that holds at least 25 per cent of the voting rights, then at least one-third of the directors need to be independent directors.

As of the date of this report, the Company has not elected to adopt these corporate governance rules and the Audit Committee comprises three members which includes two independent members non-executive directors: Mr. Amir Ariel (External Director) and Mr. Shmuel Yanai (External Director) and also one independent member, Mr. David Friedberg (non-executive director).

The Board has determined that the three members of the Audit Committee are independent for the purposes of the Israeli Corporate Law as well as for the purposes of the UK Corporate Governance Code. The members bring wide-ranging financial, commercial and management experience to the work of the Audit Committee. Hence, as previously described, the Board has determined that Mr. Amir Ariel (External Director) and Mr. Shmuel Yanai (External Director) and also one independent member, Mr. David Friedberg (non-executive director) are 'financial expert' as that term is defined under the Israeli Corporate Law, having recent and relevant financial and accounting knowledge and experience.

The Audit Committee meets at least two times a year and on other occasions when circumstances require. The quorum for a meeting of the committee is two members. The Company's financial team and representatives from the independent auditor and the internal auditor attend meetings under a standing invitation.

In accordance with its terms of reference, the Audit Committee is required to oversee the relationship with the Company's external auditors and to monitor compliance with statutory and listing requirements for any exchange on which the Company's shares are quoted. It reviews the Company's internal control and risk management. The Audit Committee also reviews the arrangements by which the Company's employees may, in confidence, raise concerns about improprieties in matters of financial reporting and other matters (commonly referred to as "whistle-blowing" procedures).

The UK Corporate Governance Code and the Israeli Corporate Law require the Company to ensure a sound system of internal control to safeguard shareholders' investments and the Company's assets. Such system should cover all material controls – financial, operational, compliance and risk management. To comply with this provision, the Board appointed an internal auditor, who is responsible for examination of the Company's internal controls and reviewing their effectiveness. All the recommendations provided by the internal auditor are presented to the Audit Committee for review and evaluation. The Audit Committee then recommends the required measures, if any, to the Board final decision and execution.

Part of the role of the Audit Committee is to review and monitor the independence and objectivity of the Company's external auditor as well as the effectiveness of the audit process. Following the acquisition of WFI, the Company is required to produce consolidated accounts for all members of its Group, including the Company, WFI and its subsidiaries.

As of 11 of August 2020, and following the re-approval at the shareholder meeting after receiving the recommendation of the Company's Audit Committee and the Board, the Company's independent auditors are BDO Israel ("**BDO**") who are also the independent auditors of the company. The Board and the Company's Audit Committee consider that it presents greater efficiency and value for the Company to engage the same firm of independent auditors for the entire Group, so as to minimize costs to the Company and prevent duplication of the work. The general meeting held on 11 of August, 2020 approved the appointment of BDO as the Company's independent auditors, and to serve as the Company's auditors for the year ending 31 of December, 2020 and until the appointment of independent auditors at the next annual general meeting of the Company.

The Audit Committee has recommended the appointing of BDO as the Company's external auditors, inter alia, after considering the following considerations:

1. BDO also serves as WFI external auditors;
2. BDO is a leading firm and one of the largest 'big 4' firms in Israel;

For the year ended 31 December 2020, the Board of the Company, upon the recommendation of the Audit Committee, has determined the audit remuneration of its external auditors at the rate of NIS 100 thousand for a year.

The Company complies with the Israeli Corporate Law with respect to the appointment of its external auditors, and the discharge of the Audit Committees' responsibility regarding the external audit process.

#### ***FINANCIAL BALANCE COMMITTEE***

Pursuant to the Israeli Corporate Law, Israeli companies must appoint a Financial Balance Committee to monitor compliance with statutory and listing requirements for any exchange on which the Company's shares are quoted. The Financial Balance Committee reviews the Company's internal control and risk management.

The UK Corporate Governance Code and the Israeli Corporate Law require the Company to ensure a sound system of internal control to safeguard shareholders' investments and the Company's assets. Such system should cover all material controls – financial, operational, compliance and risk management. To comply with this provision, the Board appointed an internal auditor, who is responsible for examination of the Company's internal controls and reviewing their effectiveness. All the recommendations provided by the internal auditor are presented to the Financial Balance Committee for review and evaluation. The Financial Balance Committee then recommends the required measures, if any, to the Board for final decision and execution.

The Financial Balance Committee must have at least three members and the Chairman of the Financial Balance Committee shall be an External Director. To the date of the report, the Financial Balance Committee is chaired by Mr. Amir Ariel, an External Director. In addition, all of the Company's External Directors shall be the members of the Financial Balance Committee and the majority of the members of the Financial Balance Committee shall be independent directors. The members of the Financial Balance Committee shall have the skills necessary to read and understand financial statements and at least one the independent directors shall have accounting and financial expertise and shall make a declaration before their appointment in this respect. In addition, members of the Financial Balance Committee can be those members that comprise the Audit Committee as set out above. The Financial Balance Committee meets at least twice a year and on other occasions when circumstances require.

As of the date of the report the Financial Balance Committee of the Company includes 3 independent non-executive directors: Mr. Amir Ariel (*External Director*) Mr. Shmuel Yanai (External Director) and also one independent director, Mr. David Friedberg (non-executive director). The members bring wide-ranging financial, commercial and management experience to the work of the Financial Balance Committee.

The quorum required for discussions and the Financial Balance Committee's decision-making process is the majority of its members provided that the majority of the attending directors are independent directors and includes at least one External Director.

According to the Israeli Corporate Law, prior to the approval of the financial accounts by the Board, the Financial Balance Committee shall discuss the financial statements of the Company and formulate recommendations to the Board in respect of, inter alia, data and underlying assumptions, internal controls over financial reporting, the completeness and adequacy of disclosure in the financial statements.

The internal auditor is invited to meetings of the Financial Balance Committee to examine the financial statements.

## **REMUNERATION COMMITTEE**

In accordance with the requirements of the UK Corporate Governance Code and the Israeli Corporate Law, the Remuneration Committee is made up of at least three members who are all independent non-executive directors.

As of the date of this report, the Remuneration Committee is made up of three members which includes: 3 independent non-executive directors: Mr. Amir Ariel (*External Director*) Mr. Shmuel Yanai (External Director) and also one independent director, Mr. David Friedberg (non-executive director). In accordance with

its terms of reference, the Remuneration Committee reviews the remuneration of all of the Company's senior executives and is responsible for making recommendations to the Board on the Company's framework of executive remuneration to the Board and for determining on behalf of the Board the remuneration package for each executive director and chairman. In accordance with the Israeli Corporate Law, the remuneration of executive directors requires the approval of the Company's Audit Committee, the Board and its shareholders, in this order. No director participates in Board discussions on, or votes on matters relating to, their own remuneration unless the discussions are relating to general matters affecting the majority of the directors.

The primary responsibilities of the committee are:

- to recommend to the Board, a remuneration policy for directors (which should be re-approved every three years) and any updates that are recommended from time to time as well as how such policy should be implemented;
- to recommend the approval or rejection of conditions of service and employment of directors, where such approval is required pursuant to Israeli law;
- to ensure that individual pay levels for executive directors should generally be in line with levels of pay for executives in similar companies with similar performance achievement and responsibilities;
- to ensure that share option and bonus schemes, if any, should be set at a level that provides sufficient incentive to the executive to produce results that will reflect the Board's expectations;
- to ensure that total pay and long-term remuneration will be sufficient to retain executives; and
- to ensure that aggregate pay for all executive directors is reasonable in light of the Company's size and performance;

The Company does not have a Nomination Committee as matters normally reserved for this Committee are dealt with by the full Board.

According to Companies' Regulation (Easements on the mandatory requirement for Compensation Policy)-2013, Company's Remuneration Policy approved by the board on 17 of June 2018, and after receiving Remuneration Committee approval. An update of the policy decision and the warrant of remuneration was updated and approved on the 27<sup>th</sup> of May 2019.

## **EMPLOYEES**

The Company's employees are all located in Israel. The Group carefully monitors its overhead and employment expenditure to insure streamlined and efficient operation, both on the cost side and from a professional aspect. The Group is subject to various Israeli labour laws and labour practices, and to administrative orders extending certain provisions of collective bargaining agreements between the Israeli General Federation of Labour ("**Histadrut**") and the Coordinating Bureau of Economic Organizations (the Israeli federation of employers' organizations) to all private sector employees. For example, mandatory cost of living adjustments, which compensate Israeli employees for a portion of the increase in the Israeli consumer price index, are determined on a nationwide basis.

Israeli law also requires the payment of severance benefits upon the termination, retirement or death of an employee. The Company meets this requirement by (i) contributing on an ongoing basis towards funds that combine pension, insurance and, if applicable, severance pay benefits and (ii) payment of differences, if

applicable. In addition, Israeli employers and employees are required to pay specified percentages of wages to the National Insurance Institute. Other provisions of Israeli law or regulation govern matters such as the length of the workday, minimum wages as well as terms of employment and discrimination restrictions.

As of 31 December 2020, the Group has 184 employees.

The table below shows the geographical breakdown of employees by their main activity.

<i>Company</i>	<i>Total No. of Employees</i>	<i>Management</i>	<i>Accounting and Import</i>	<i>Sales</i>	<i>Administration &amp; Logistics</i>
BSD Group	184	7	39	38	100

## **RELATIONS WITH SHAREHOLDERS**

The Company places a high degree of importance on maintaining good relationships and communications with both institutional and private investors and ensures that shareholders are kept informed of significant Company developments.

The Company's website ([www.bsd-c.com](http://www.bsd-c.com)) contains up to date information on the Company's activities and published financial results.

The Company welcomes dialogue with its shareholders and communicates with them through timely announcements, its interim and annual reports and through the Company's website, which is regularly updated. Regular meetings are held with institutional investors and the Company encourages the direct approach of its senior management by shareholders for questions and clarifications on the Company's business activities.

The Company's annual general meeting is also used as an opportunity to communicate with shareholders. All shareholders are encouraged to attend the Company's annual general meetings in order to take advantage of the opportunity to ask questions to the Company's representative attending the meeting. Separate resolutions are proposed on each substantially different issue so that each receives proper consideration, including the approval of the annual report and accounts. Proxy votes are announced after each proposed resolution is voted on by a show of hands.

Notice of general meetings and related documentation are sent to shareholders generally at least 14 (but up to 35) days in advance of such meeting (as permitted by Israeli Corporate Law).

The Board have not considered it necessary to take steps to ensure they understand the views of the Company's major shareholders as those shareholders have had representation on the Board during the accounting period.

## **SHAREHOLDERS' RIGHTS**

The Company has one class of ordinary shares in issue of NIS0.01 each, which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The total issued share capital of the Company as of the date of the report is 140,578,154 of which, 129,340,252 ordinary shares are outstanding.



## SHAREHOLDERS' DUTIES

Under the Israeli Corporate Law, a shareholder has a duty to act in good faith towards a company in which he holds shares and towards other shareholders and to refrain from abusing his power in the respective company. The Company's articles of association represent the rules of contract between the Company and its shareholders and among shareholders themselves.

## MAJOR SHAREHOLDINGS

As at 31 December 2020, being the most recent practicable date prior to the publication of this report, the major shareholders and number of shares held (beneficially or otherwise) as notified to the Company in writing by the respective shareholders under the Disclosure and Transparency Rules:

	Number of Shares	Percentage Held (**)
Joseph Williger together with his private companies, Y.M Dekel holdings and Investments and Yossi Willi Management and Investment Ltd.	55,027,455	42.54
Zvi Williger and Zvi and Partners	54,206,503	41.91
Public	20,106,294	15.55

## OFFICE HOLDERS' REMUNERATION

In accordance with Section 267A of the Israeli Corporate Law (under Amendment 20), and the Companies Regulation (Easements on the mandatory requirement for Compensation Policy)- 2013, the Company is required to approve a remuneration policy, which prescribes the principles pursuant to which the Company's directors and officers are compensated (the "**Remuneration Policy**"). The Remuneration Policy was approved by the Board and following the evaluation and recommendation of the Company's Remuneration Committee on 17 of June 2018.

The Remuneration Policy shall be effective for three years as of the date of its approval by the Board and then, once every three years, will be presented for the renewed approval by the competent committees of the Company (being, in this case, the Company's Remuneration Committee and the Board), in accordance with Section 267A(d) of the Israeli Corporate Law and the Companies Regulation (Easements on the mandatory requirement for Compensation Policy)- 2013.

*Summary of the key terms of the Remuneration Policy*

Office holders' remuneration plans are designed to reflect their duties and responsibilities within the Company and to contain targets that are set for them in the context of promoting the Company's goals, its business plan and its policies in the short and long-term.

The Remuneration Policy's goals are:

- (a) the promotion of the Company's goals, its business plans and its policy in the short- and long-term;
- (b) the creation of appropriate incentives for the office holders, considering, inter alia, the Company's risk management policy; and
- (c) the recruitment and retention of high-quality managers who form the foundation of the Company's management, its continued development and success.

In setting the terms of employment for office holders, the Remuneration Policy takes into account:

- (a) the skills, expertise, professional experience, education and achievements of the candidate or incumbent office holder;
- (b) the duties, responsibilities, term of employment of and previous agreements with the office holder (in the case of an existing office holder);
- (c) the Company's size and the nature of its business;
- (d) the recommendations of the office holder's supervisor;
- (e) the office holder's contribution to achieving the Company's targets and maximising its profits (with reference to variable remuneration components);
- (f) a comparison with: (i) the remuneration of office holders at a similar level in the Company (insofar as relevant); (ii) the salary of the previous office holder in the same position (insofar as relevant); (iii) the average salary and the median salary of the Company's employees and contract workers engaged by the Company. In this context, the effect of any disparity between the terms of employment of the office holders and those of the Company's other employees at the Company will be examined;
- (g) a periodic review of the remuneration of office holders in similar positions at similar companies. Similar companies for this purpose will be public companies similar to the Company in terms of the size and nature of its business. Key financial data, such as the market capitalisation, total assets and revenue will also be considered. The Company shall aim to have no less than eight companies in its comparison group at any one time; and

(h) the Company's financial position.

## **REMUNERATION OF NON-EXECUTIVE DIRECTORS**

The remuneration of the non-executive directors is set by the Remuneration Committee and approved by the Audit Committee and the Board (subject to the approval at the annual general meeting) and in accordance with the Company's Remuneration Policy.

Non-executive directors are entitled to fees of £15,000 per annum with regard of the AG approving, starting on the third quarter of the year paid quarterly. These fees have been determined with reference to available information on the fees paid to non-executive directors in other companies of broadly similar size, market cap and complexity. Remuneration of non-executive directors did not include share options or other performance-related elements. Non-executive directors were also entitled to reimbursement of reasonable out-of-pocket expenses.

Each director (excluding the External Directors) is subject to re-election at each annual general meeting. The two External Directors are appointed, as required by Israeli law, for a term of three years and may be appointed for two additional three-year term.

None of the directors is involved in any discussion with the Board or any committee of the Board relating to their own remuneration, nor do they participate in any vote on their remuneration by the Board or any committee of the Board unless the discussions are relating to general matters affecting the majority of the directors.

No share options were granted to the non-executive directors who held office during 2020 and of the date of this report.