



# MAX Stock Ltd.

Environment, Social and  
Governance Report (ESG)  
2021-2022





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Governance Report (ESG)  
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# CEO's Statement

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I am happy to present you with Max Stock's first environmental, social and corporate governance report for 2021 and 2022.

From inception in 2004, the chain's mission has been to sell a wide range of products at affordable prices while maintaining the company's commitment to its customers and business partners. The company acts on a daily basis to maintain this image and continues to provide its customers with products at affordable prices.

The chain, which as of the reporting date, has 55 branches throughout Israel, from Kiryat Shmona to Eilat, sells a wide range of products to millions of customers every year, including kitchenware, toys, toiletries and cosmetics, ornaments and gifts, fashion apparel, arts & crafts and many more.

This report discusses Max Stock's central activities in 2021 and 2022, including the maintenance and development of the company's human capital, investment in occupational diversity, making the branches accessible for all population segments, promoting digital transformation and innovation, the company's community contributions, and its activities with respect to data and cyber security and more.

The report manifests Max Stock's commitment to its employees, customers, suppliers, business partners and its investor public to make a better, friendlier and healthier environment for everyone. In recent years, while the world has been facing crisis upon crisis, Max Stock has stood firm in a bid to maintain business continuity and offer its customers products at affordable and competitive prices. We did it, among other things, by adapting the company's products, changing designs, offering a variety of different and

alternative products, all in an attempt to overcome the rising costs involved in shipping, raw materials and manufacturing.

Even in the current environment, while we are witness to price increases and attempts by large companies in the Israeli market to significantly increase the prices of many products and services, Max Stock still remains committed to its customers and will do everything in its power to pursue its credo and make its products accessible to everyone at affordable prices.

I have no doubt that we still have a lot of work ahead of us, but we are committed to the company's employees, customers, suppliers, our investor public and other stakeholders and we will continue to act responsibly in a bid to promote values relating to the environment, society and corporate governance as part of the company's significant and diverse activities. I believe that strengthening these issues will strengthen the company and will create an appropriate, efficient and fair work environment for all of us.

I wish to take this opportunity to thank all of the company's employees forming part of the Max Stock family and who are full partners in its success, for their hard work, professionalism and commitment to the company and its customers and wish us all good and peaceful days.

Sincerely,

**Ori Max**  
CEO

<sup>1</sup> The data for 2022 are as of September 30, 2022.



# Major Data for Stakeholders



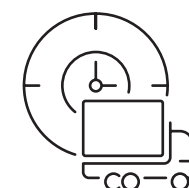
**NIS 797M**

Revenues as of  
September 30, 2022<sup>2</sup>



**58,500**

Sqm commercial areas



**3**

Logistic centers



**4%**

Of the employees  
are people with  
disabilities



**14.8%**

Increase in company's  
revenues for Q3/2022  
compared to Q3/2021<sup>2</sup>



**About 55**

Branches across the  
country:  
32: owned  
23: Franchised



**About  
2,200**

Employees<sup>5</sup>



**100%**

Of the branches are  
accessible for people  
with disabilities



**3.9%**

Increase in SSSG data<sup>4</sup>



**50%**

Of the company's  
products are purchased  
from local suppliers



**About 63%**

Of the employees were  
women in 2022.  
About 62% in 2021.



**15.4%**

Increase in adjusted EBITDA  
for Q3/ 2022 compared to  
Q3/2021<sup>4</sup>



**13.5M**

The average number  
of customers that the  
company served in  
2021-2022

**About 33%** women in  
the managerial level in 2022 as  
well as in 2021

**About 38%** women  
on the board of directors. The  
board is chaired by a woman.



<sup>2</sup> See financial Reports for September 30, 2022

<sup>3</sup> Same Store Sales – data reflecting the scope of the chain's sales in owned stores operating at least one year comparing store sales in the above period relative to the parallel period the previous year.

<sup>4</sup> See company's investors' presentation for Q3/2022.

<sup>5</sup> These data are as of EoY 2021 and include the chain's employees including the human resource employees.



# About MAX STOCK

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# Our History

Max Stock was incorporated in 2004 by a young, enthusiastic and ambitious entrepreneur who was eager to enable consumers to **“Dream Big and Pay Small”**, and thereby make a large variety of products accessible at affordable prices.

The underlying basis of Max Stock's success accompanying it over the years are its employees, forming one big family, who are guided by the moto **“One for all and all for one”**.

The unity, strong sense of family, and alliance drove the company and pushed it forward. As a result, within only a decade from establishment, Max Stock opened approximately 30 branches (owned and franchised) across the country, and the company went public on the Tel Aviv Stock Exchange in 2020. As of the reporting date, the company spans 55 branches (owned and franchised).

Max Stock has succeeded to change the rules of the game allowing consumers to enjoy a wide variety of products at fair, competitive and accessible prices. Max Stock succeeds to win millions of satisfied customers each year due to the chain's ability to identify new consumer trends and provide its customers with a unique shopping experience, while maintaining great value for money.





# About the Company

102-1 | 102-2 | 102-3 | 102-6

Max Stock Ltd. (hereinafter: the “company” or the “chain”) was established in 2004 and is an extreme value retailer operating a national chain store which offers a large variety of consumer products at attractive prices. The chain has 55 branches throughout Israel from Kiryat Shmona to Eilat. Most branches are operated by company-owned subsidiaries while the others are operated by franchisees.

The company imports and sells various products at its stores, focusing on several main categories including school supplies, consumables, plastic and storage products, toys and arts & crafts. In addition, the company imports and sells at its stores, ornaments and gifts, fashion apparel and textiles, toiletries and cosmetics, furniture, lighting fixtures, garden and camping equipment and more.

40% of the company's products are rotated seasonally and according to changing consumer trends. This is done in a bid to always keep the company's products current and up-to-date and stay in line with consumers' needs and preferences.

The chain, which was established in 2004 with the opening of the first branch in Kiryat Eliezer, Haifa, has over the years garnered a devoted customer base which contributed to the chain’s growth. The company has been listed on the Tel Aviv Stock Exchange as of September 2020.

Max Stock is one of the leading extreme value retailers in Israel. The high and stable demand enjoyed by the company is mainly attributable to the company’s management's expertise in identifying new consumer trends, providing a unique customer experience, high correlation between the price and the value, keeping the items offered by the chain stores current according to the changing seasons and holidays, as well as by constantly making the necessary adjustments and adaptations to meet the customers' needs and preferences.

The chain's management and headquarters operate from the company's offices at 16 Hashita Street, Caesarea.

## Company's Holding Structure



Max Stock Ltd.<sup>6</sup>

<u>Ori Max Ltd.</u>	<u>Oria &amp; Iris Ltd.</u>	<u>Moose Holdco Ltd.</u>	<u>Public</u>
17.73%	0.06%	27.92%	54.29%



Houseware



Toys & Babies



Consumables



Arts & Crafts



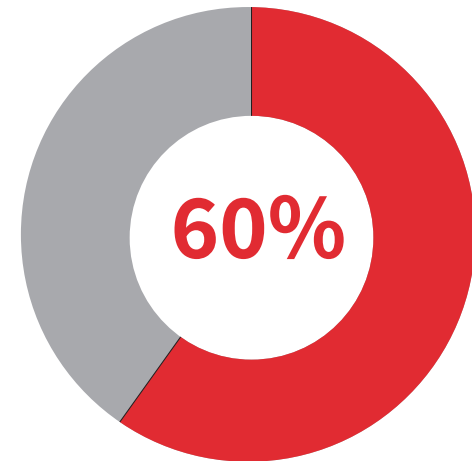
Apparel Basics



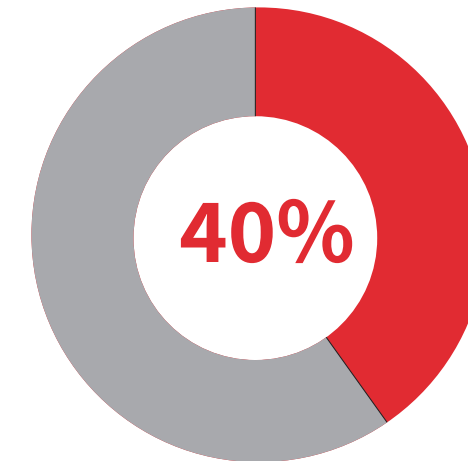
Office & School Supplies

<sup>6</sup> Max Stock Ltd. owns shares in 32 operating subsidiaries, which are private companies incorporated in Israel. The company's shareholdings in most of these companies range from 70% to 100%. For additional details see [the periodic report for 2021](#).

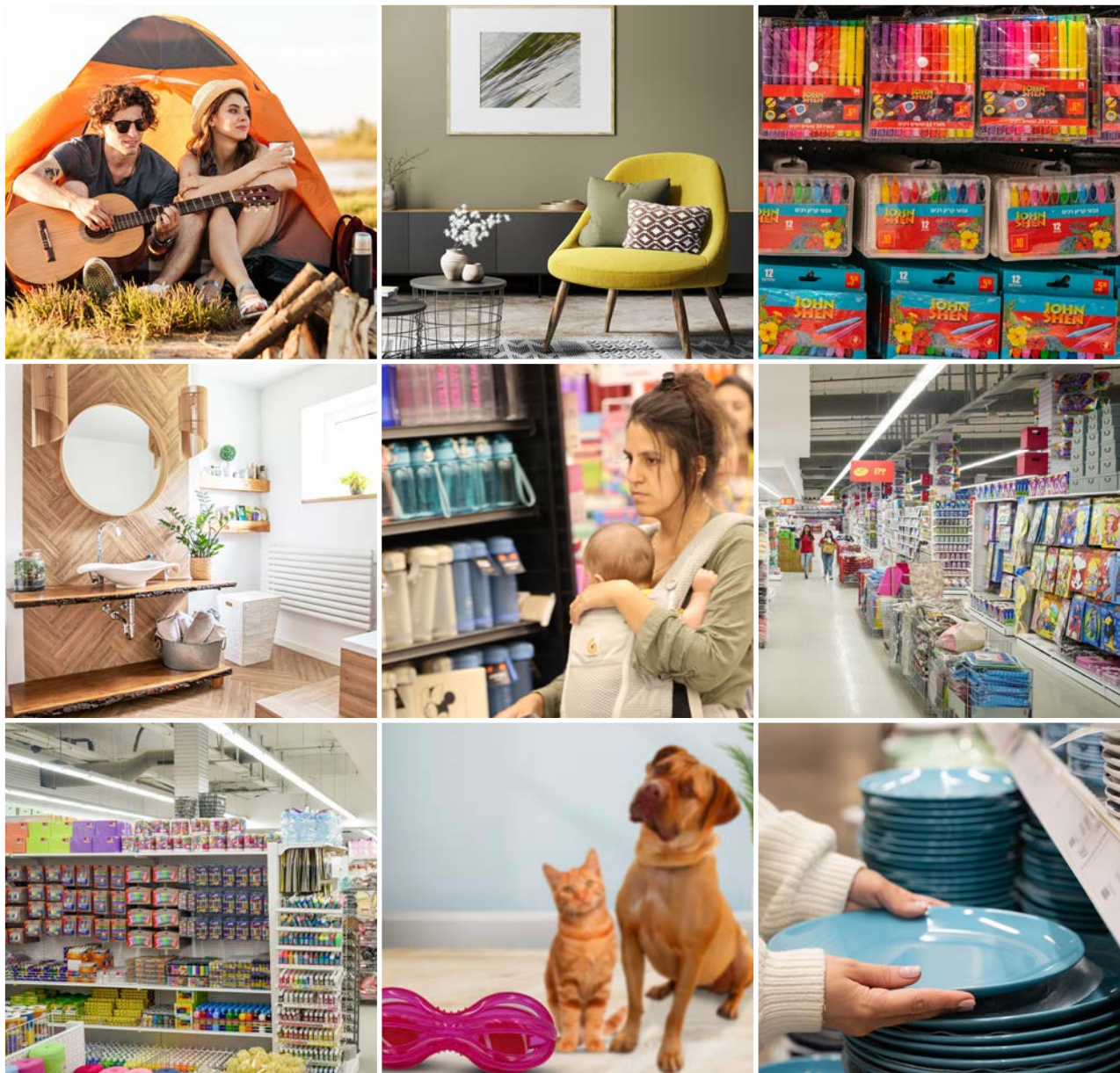




A large assortment of high-quality products for customers' daily needs



Constantly changing products based on seasonal shopping trends





# Organizational Structure

102-5 | 102-18 | 102-22 | 102-23 | 102-45

## Company's management and senior office holders

Company's board of directors

8  
Directors

37%  
Women on the board  
The board is chaired by a woman

25%  
External directors

12.5%  
Independent directors

The Company's Management

12  
Members of company's management

33%  
Of company's management are women

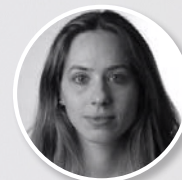
### The Company's Board of Directors



**Zehavit Cohen**  
Board chairperson



**Ori Max**  
CEO and board member



**Limor Brik Shai**  
Board member



**Shlomo Zohar**  
Board member



**Suzan Mazzawi**  
Independent board member



**Shai Abba**  
Board member



**Eitan Michael Stoller**  
External board member



**Peretz Guza**  
External board member

### The Company's Management



**Ori Max**  
CEO and board member



**Shlomo Cohen**  
Deputy CEO



**Ni Dagan**  
CFO



**Ifat Nir-Katz**  
General Counsel and Company Secretary



**Oz Kursia**  
Chief Trade Officer



**Roy Ben Nun**  
Chief Overseas Operations



**Maya Goldin**  
Chief HR Officer



**Talia Sessler**  
Chief Corporate Development and Investor Relations Officer



**Eran Tsairi**  
Chief Logistics Officer



**Moran Ironi**  
Director of Marketing



**Chen Goldfarb**  
Director of IT



**Ofir Edri**  
Stores General Manger



# Board Committees

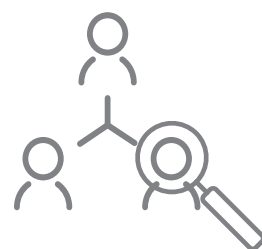


## Financial Statements Committee

This committee examines all of the issues relating to the company's financial reports, which include, *inter alia*, reviewing the financial reports, reviewing estimates and assessments concerning the data included in the financial reports, accounting policies and accounting treatment of the company's material issues, examining the independence of the company's auditor and evaluating the effectiveness of the internal auditing and control mechanism for financial reporting purposes (ISOX), all pursuant to applicable law.

**Sessions in 2022:** 4

**Sessions in 2021:** 4



## Audit (Remuneration) Committee

The audit committee (including when acting as the company's remuneration committee) examines transactions with interested shareholders including negligible transactions, special transactions and material transactions, decides whether or not to approve actions and transactions requiring the approval of the audit committee according to the Israel Companies Law, reviews the internal auditor's work plan, the internal audit plan including the resources allocated thereto, the scope of work of the external auditor and their remuneration, and flaws in the management of the company's business. In addition, the audit committee in its capacity as the remuneration committee makes recommendations to the company's board of directors on the company's remuneration policy for senior officers, recommendations on revisions that should be made thereto from time to time and examines the implementation thereof.

### Sessions in 2022:

By the end of Q3: 5 sessions (1 Remuneration Committee, 4 Audit Committee)

### Sessions in 2021:

9 sessions (5 Audit Committee, 4 Remuneration Committee)



## IT and Cyber Security Steering Committee

The IT and Cyber Security Steering Committee was established in October 2021 following a meeting which discussed the measures that should be taken by the company to protect itself from cyberattacks and raise the company's awareness and ability to effectively handle IT related issues. The committee discusses IT and cyber security issues and examines the progress made by the company in handling such risks.

**Sessions in 2022:** 7

**Sessions in 2021:** 2





# Materiality Assessment

102-42 | 102-47 | 103-1 | 103-2 | 103-3

A materiality assessment is a major process used to create an organizational strategy on environmental, social and corporate governance topics. This process identifies the most critical economic, environmental and social impacts of a company and reveals how these impacts affect the decision making process of the company's stakeholders, which are defined as the relevant bodies which affect and are affected by the company's activities.

This process consisted of several stages:

- In the first stage**, discussions were held with the company's senior executives. In addition, relevant materials relating to the company's activity and its stakeholders were reviewed. The review, included, inter alia, the following sources:
  - Report by Global Reporting Initiative (GRI) – an organization engaged in identifying significant topics for stakeholders;
  - Significant topics identified by the Sustainable Accounting Standards Board (SASB);
  - The UN sustainable development goals (SDGs);
  - Examination of local and international leading peer retailers.

This stage produced a long list of potential significant topics which was presented to the company's management for review and deliberation.

- In the second stage**, the most critical topics for the company and its stakeholders were identified. This stage included prioritization and grading by the company's management of the list of potential critical topics identified in the first stage. This process was carried out on the basis of customary risk management methodologies and qualitative and quantitative grading criteria.
- In the last stage**, the critical topics which had been chosen were validated. The validation included an examination of the grading process for the identification of critical topics. In addition, a comprehensive discussion was held on the selected critical topics. The purpose of this stage was to validate the topics and approve them as a basis for the company's report.

By the end of this process, 11 critical topics were chosen, as specified in the chart and materiality matrix below, underlying this report.

## The UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) are 17 global goals concerning sustainability related issues. They reflect the most critical global goals identified by the international community, whose purpose is to encourage governments, companies, business entities and NGOs to cooperate in finding solutions therefor. The goals were adopted by the world's leaders in September 2015 in a bid to promote issues such as: reducing poverty, increasing social equality within and between countries and reducing the environmental impact arising from human activity by 2030.



Max Stock contributes towards meeting the UN Sustainable Development Goals. For details about its contribution see the chapters discussing the critical topics.

### THE GLOBAL GOALS For Sustainable Development

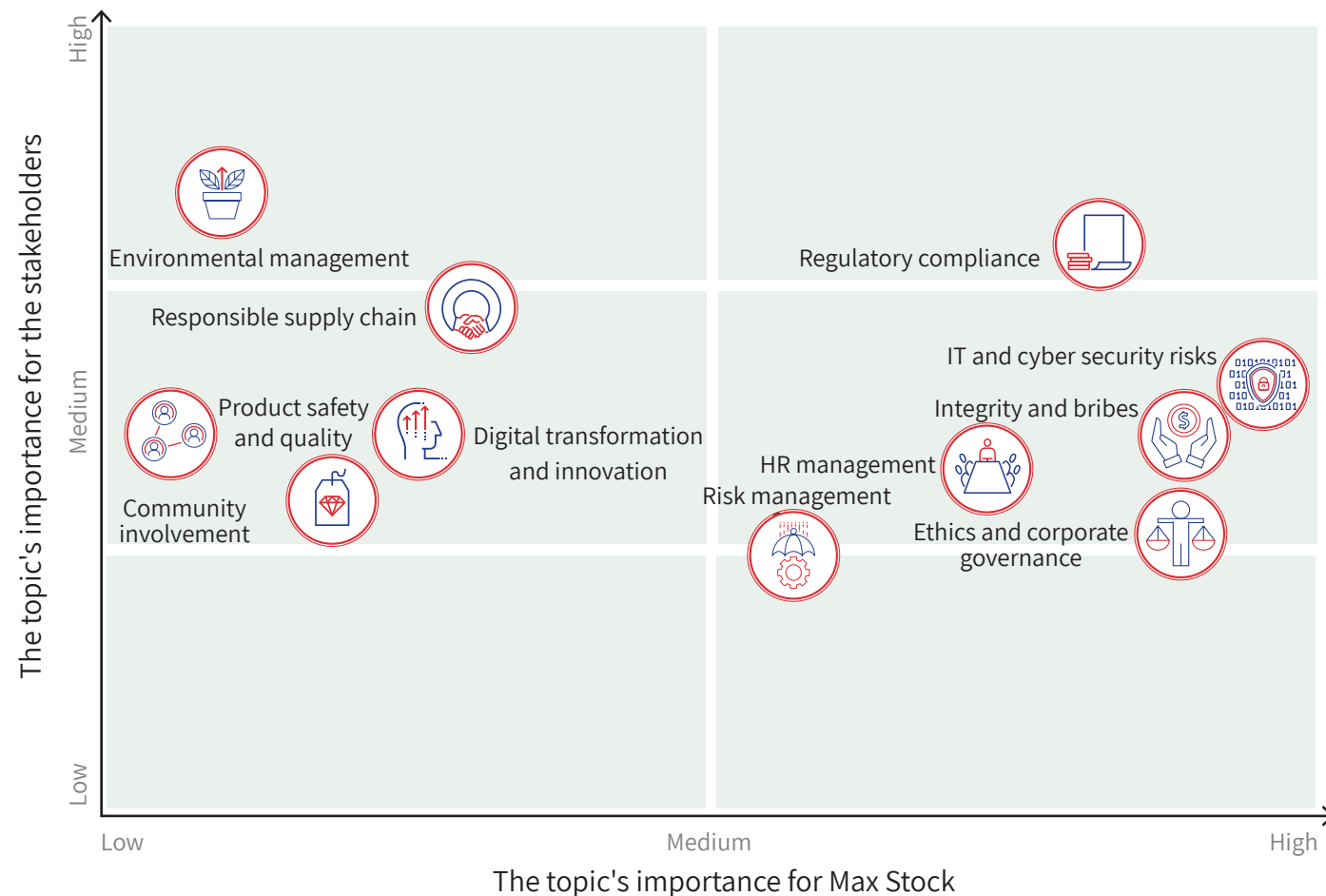
Within the company  Outside the company 

Critical Topic	Reporting Scope <sup>7</sup>	Contribution to SDGs
Responsible supply chain		
Product safety and quality	 	
Digital transformation and innovation		
HR management		
Social responsibility	 	
Environmental management	 	 
IT and cyber security risks		
Regulatory compliance		
Ethics and corporate governance		
Risk management		
Integrity and bribes		

<sup>7</sup> The term 'reporting scope' pertains to the scope of the company's reference to the chosen topic.



## Environmental management



## Dialogue with Stakeholders

102-21 | 102-40 | 102-43 | 102-44

The following is a list of the communication channels through which Max Stock communicates with its stakeholders:

Stakeholders	The dialogue with the stakeholders
Customers	<ul style="list-style-type: none"> <li>The company's website includes information about the company, its departments, branches and more, and enables communication on any other relevant topic.</li> <li>Professional teams in all of the chain's branches.</li> <li>Social and professional networks – Facebook, Instagram, Tiktok, YouTube and LinkedIn – through which the company creates communication channels for the purpose of advertising sales and new products, activity which is carried out by the company, marketing, commercial and financial messages strengthening the company's connection with its customers and investors.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Innovative employee portal through which updates can be received on cell phones.</li> <li>Training sessions for executives and employees.</li> <li>Employee reports to the company's management through an anonymous email inbox.</li> <li>Personal discussions with the employees.</li> </ul>
Investors	<p>Investors notices which include:</p> <ul style="list-style-type: none"> <li>Comprehensive financial information.</li> <li>Company's profile and data regarding the company.</li> <li>Financial reports.</li> <li>Immediate reports.</li> <li>Presentations and conference calls for the capital market.</li> <li>Conventions and investor events.</li> </ul>
Suppliers and Franchisees	<ul style="list-style-type: none"> <li>Dialogue with the chain's suppliers and franchisees as part of an ongoing work process.</li> </ul>
Regulatory authorities and governmental bodies	<ul style="list-style-type: none"> <li>Working opposite the customs authorities.</li> <li>Working opposite the Ministry of Economy and Industry and the Israeli Standards Institute for the purpose of receiving standard mark approvals for the products.</li> <li>Working opposite the Ministry of Agriculture for the purpose of receiving standard mark approvals for the relevant products.</li> <li>Professional, routine and special-purpose meetings with these bodies and authorities.</li> <li>Working opposite the Israel Securities Authority and the Stock Exchange as part of the company's obligations as a public company.</li> <li>Routine work opposite the Israel Registrar of Companies.</li> <li>Ad-hoc dialogue and communications with additional regulatory authorities (the Consumer Protection Authority, the Competition Authority and more).</li> </ul>



# ECONOMY

—

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- Product safety and quality .... 30
- Digital transformation and innovation ..... 32
- Business performance ..... 36





# Responsible supply chain

102-9 | 102-10 | 103-1 | 103-2 | 103-3 | 204-1



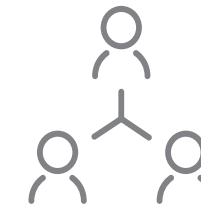
## Purchasing at Max Stock

Max Stock is an extreme value retailer. About 50% of its products are purchased from local suppliers and the rest are imported by it from abroad. Max Stock believes in working opposite the local suppliers as part of supporting local “blue and white” manufacturing and the Israeli market. Many of the Israeli suppliers have been working with the company for many years, from its early days and Max Stock regards them as full partners for its achievements and success. As such, alongside their business engagements and collaborations the suppliers participate in the company's private events and in the opening of new stores.



## Business continuity during the COVID-19 pandemic

The company has the required experience, knowledge and ability to deal with crises. During the COVID-19 pandemic, Max Stock acted creatively opposite its suppliers and customers and many adjustments were made to continue operating ‘business as usual’, to supply the products to the stores and for the stores to be open the public. During the COVID-19 pandemic, the company faced numerous and assorted challenges, including: a slowdown with operating activities, operational difficulties vis-a-vis suppliers abroad, rising costs of raw materials and shipping costs and delays with international shipping. All of the aforementioned issues, together with the new and unfamiliar reality and strict regulation, generally affected the chain's activities, and particularly those of its stores. However, the company adapted itself to this new reality, focusing on products which were in demand at that time (carried out extensive import of PPE products and expanded the variety of the various essential products), supplying them to the chain's stores as well as to third parties (including security bodies and other chains). In addition, in view of the increase in shipping costs, the company streamlined the supply chain from China and purchased a large inventory ahead of time, benefiting throughout from preferential treatment by its international suppliers in view of the good and long-term relationship between the parties. Despite the impact of COVID-19 on economic activity in Israel, the chain succeeded to adapt itself to the new reality and to operate its stores according to the regulations. Ultimately, COVID-19 did not materially affect the operating results of the company and its stores.



## Relationship with franchisees

As of the publication date of this report, 23 stores are operated by franchisees. Max Stock regards these franchisees as an integral part of the chain and its stores and although they constitute separate legal entities, according to the spirit which runs like a golden thread throughout the chain, these stores also enjoy the chain's support in many ways. The franchisees undergo a very careful and long selection process in which their abilities and suitability to the values and needs of the chain are meticulously examined. Some of Max Stock's franchisees grew from within the chain after having been employed by Max Stock. Every franchisee enters into a special-purpose agreement with the company arranging how the store is to be operated according to the chain's policies and procedures. To enable Max Stock's customers to enjoy the wide and high-quality variety of its products at competitive prices according to Max Stock's vision and policy, all of the products and prices are determined uniformly by the company's management. Similarly, out of loyalty and the desire to keep the chain's important suppliers, the various suppliers and their terms of payment are also determined uniformly by the chain's management.



### Responsible supply chain

Max Stock contributes to achieving the goal, inter alia, by integrating ethical issues including bribery and corruption into its purchase agreements with its suppliers for the benefit of creating a responsible supply chain.



# Product Safety and Quality

103-1 | 103-2 | 103-3 | 403-5

Maintaining the safety and quality of the products is at the top of the company's priorities and is managed by Max Stock's trade department. The chain is committed to and responsible for the products which are marketed by it and is therefore required to meet strict standards under Israeli rules and regulations. All of the company's products are meticulously examined to comply with applicable regulatory requirements and applicable law. Imported products which require the approval of the Standards Institute or Ministry of Agriculture, undergo a pre-import examination for the purpose of receiving all of the necessary approvals required by the regulator.



## Product Safety and Quality

Max Stock contributes to achieving this goal, inter alia, by requiring that the products marketed by it undergo strict quality control tests according to the applicable legal and standardization requirements.

## Store Safety

Occupational safety and hygiene at the chain stores is viewed by the company as an essential issue. Thus, store safety and safety at the logistic centers is under the respective responsibility of the Deputy CEO and Chief Logistics Officer and is enforced by them. The company has a safety procedure which uniformly defines the safety procedures for all the chain's stores. The company's safety system consists of a safety supervisor in charge of the chain's stores and a safety supervisor in charge of the logistic centers, who were appointed by the company in accordance with applicable law. This system meticulously ascertains that a safe work environment is maintained, that safety incidents are prevented and that work routine is maintained according to the company's safety procedures.

Max Stock strictly maintains, administers and integrates the company's safety procedures. The branch managers are responsible for enforcing the safety procedures, and for training all of the branch employees. Every new chain employee is required to receive safety training according to the procedures. In addition, the chain strictly ensures that ongoing safety trainings are carried out once annually for the purpose of refreshing the safety guidelines and for the purpose of conducting annual trainings on the issues of work at height and fire-fighting.

In addition, a risk and hazard survey is conducted annually at each one of the chain's branches. The purpose of the survey is to assist the branch managers to manage the safety risks and hazards and prevent scenarios which may lead to accidents (personal injury or damage to property). As part of the survey, the chain's safety supervisor examines and monitors the safety measures at the branches, the safety procedures entailed in the work processes, the building and the equipment, the trainings, special-purpose signage and the like. After the survey, each manager is obligated to rectify the deficiencies within 48 hours from their receipt of the report.

In order to learn from safety incidents, every incident is investigated, studied and is reported to the district manager and the legal department. In doing so, the company acts to reduce the number of accidents, mitigate the severity of the harm and property damage and prevent the recurrence of similar incidents in the future. Every safety incident in the branches is managed and handled by the branch manager.

No substantial safety incidents occurred over 2021-2022.



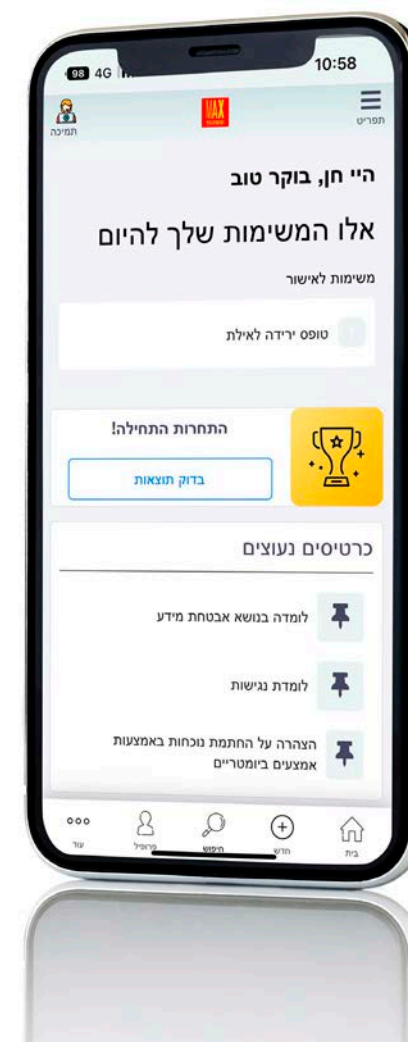


# Digital Transformation and Innovation

103-1 | 103-2 | 103-3

Max Stock believes that investing in and integrating technological systems into its operating activities is one of the factors underlying the company's success. As of 2021, Max Stock has been promoting the connection with its employees through a special-purpose organizational portal installed on the employees' mobile phones. The company sends its employees through the portal organizational messages and information including tasks, educational software programs and more. In addition, the chain operates a website where its customers can find information about the chain's branches as well as seasonal catalogues, all of the above for the purpose of strengthening the relationship with its customers. The company is also extensively active on the social networks and is widely followed by its customers. At the same time, Max Stock is aware of the needs of the market and constantly acts to improve customer experience and the quality of the service in the branches, such as self-service checkouts.

Using advanced technology supports:



## Employee support

The company uses an innovative digital organizational portal to effectively manage its staff. The platform is installed on the cellular phones of most of the chain's employees and unifies all organizational contents and guidelines conveyed by the management of the chain to the store employees. The application is adapted to the retail sector according to regions, branches and logistic centers. The portal assists with a host of issues, commencing from routine management in the branches according to tasks such as a morning checklist, through a checklist for operating the cash register, training sessions and regulatory educational software systems and the possibility to report defective products. In addition, the portal has an "AnonyMax" system – whose purpose is to facilitate anonymous calls and reports by employees on any subject they wish to bring-up. Anonymous reports can be made on issues relating to violations of the securities laws according to the company's enforcement plan. Access is provided to the call management system and requests can be submitted to the chain's technical support department. This system assists the organization to manage and monitor the flaws. The portal is managed by the HR department



### Digital Transformation and Innovation

Max Stock contributes to achieving this goal, inter alia, by promoting innovation in the company's activities by integrating technological developments to improve customer experience and by integrating technological solutions such as an organizational portal forming part of the work processes.



## Customer support

Max Stock invests in improving the customer experience at the chain stores and wishes to make the most suitable products available to its customers at competitive prices. The company has acted in several ways over the years to strengthen the relationship with its customers, including, among other things, by:

**1. Installing self-service checkout kiosks** – during 2022 the chain installed several self-service checkout kiosks in some of the chain's branches. These checkout kiosks shorten the lines during peak times and help the company create an efficient and unique customer experience. In the next few years, the company intends on installing additional self-service checkout kiosks in its other branches.

**2. Digital invoices** – as part of a growing trend towards environment preservation and due to the company's desire to maintain an orderly and effective work process vis-à-vis its customers, instead of a printed invoice, Max Stock sends digital invoices via SMS to customers interested in this option. Beyond the fact that digital invoices enable Max Stock to keep a greener environment, it significantly improves the service that the company provides to its customers by allowing them access to the purchase invoices which are available anytime and anywhere.

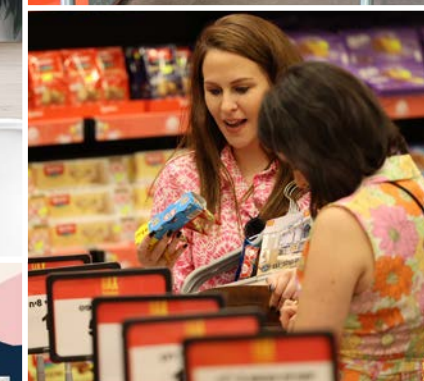
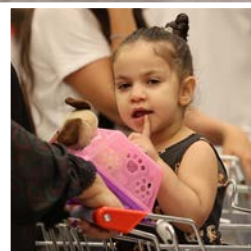
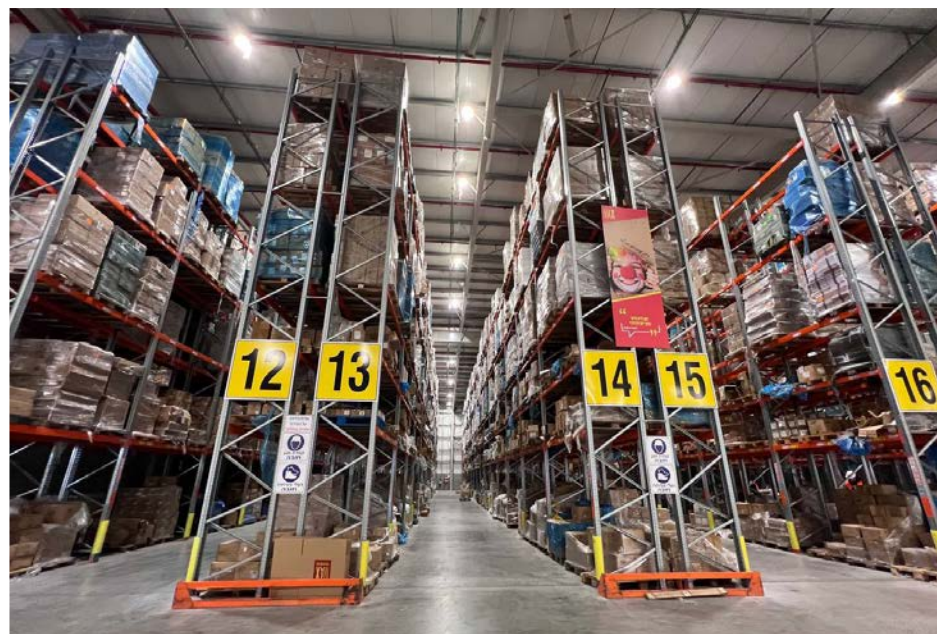
**3. Website** – the company operates a website where its customers can find information about the chain's branches and to view the catalog which is constantly being updated according to the seasons or holiday seasons in a convenient and friendly manner.

**4. Max's friends** – the chain launched its 'Max's Friends' club, which grants its members exclusive benefits and privileges and a first priority right for new products. New members can join 'Max's friends' through the company's website and links appearing on the social networks.

**5. Digital platform** – the chain has a digital platform, enabling the chain's marketing department to analyze the customers' purchasing habits and understand the needs and demands of its clientele, to examine the frequency of shopping at the chain's stores and the demand for special products. The system helps Max Stock offer products to its customers based on demand.

## Supplier support

The work with the local suppliers is totally digitized, and includes issues such as: supply forecasts, charges, credits and returns. Max Stock recently launched an innovative import portal whose purpose is to manage all the company's import processes opposite its international suppliers. Through the portal, all import processes are digitized, commencing from the initial contact with the supplier and up to the design of the product for the purpose of adapting it to the Israeli market, gathering information on customs and import regulations, pricing of containers and items, coordination with the logistic centers and more.





# Business Performance

103-1 | 103-2 | 103-3

## Expanding the activity

### New Stores

As part of its expansion strategy and the desire to reach the chain's clientele throughout Israel, the company is acting to keep expanding its activities and to improve its operating results. The company expands its activities through the opening of new stores in new areas and through the opening of new and upgraded stores replacing stores located in areas with existing activity. In addition, the company examines new locations for the opening of flagship stores according to pre-determined criteria which are strategically established by the company's management. As of the date of this report, the company's flagship stores are located in Rishon LeZion and Kfar Saba.

Four new stores were opened in 2021, at the following locations: (1) a branch in Ramle; (2) a branch in Sderot; (3) the first flagship branch in Rishon LeZion which replaced an existing store; and (4) a branch in Dimona which replaced an old branch that had been closed. Three new stores were opened in 2022, at the following locations: (1) a branch in Nahariya; (2) a branch in Nof Hagalil; and (3) another flagship branch in Kfar Saba (which replaced an existing store).

The chain's strategy is to mainly focus on the opening of subsidiary operated stores. As of the date of this report, the chain operates 16 stores across the country (some of which are owned and some are franchised) under the "Mini Max" or the "Max 20" brands. The chain examines the possibility of expanding this set-up while changing the operating model and range of products sold in these stores according to the product mix determined by the chain from time to time in a manner benefitting the chain's customers and their needs.



- Stores that were opened in 2021
- Stores that were opened in 2022



# 3-5

new stores to be opened each year. Company's goal for the next few years.

## Expansion Abroad

Over 2021 and 2022, the company examined the feasibility of expanding its operations abroad, and in 2022 it entered into an engagement with a Portuguese partner for the purpose of incorporating and managing Max Stock stores in Portugal and Spain. According to the business plan, the chain shall first operate in Portugal and may later expand its activities to Spain as may be determined by the parties and the board of directors of the jointly owned company.





# Product Diversity

The company acts to expand the product categories according to changes in customer taste, fashion trends, demand, changing market trends and the like. In addition, the company acts to increase the percentage

of directly imported products sold at its stores. As of the date of this report, approximately 50% of all products marketed by the company are directly imported by it including products specifically designed for the

company. By expanding direct imports, the company can maintain its unique ability to offer its customers products at lower cost relative to its competitors.

## Product categories<sup>8</sup>



29%

Homewares

23%

Other

14%

Toys and infants

12%

Consumables and party-ware

9%

Office and school supplies

7%

“Basic” apparel

6%

Arts & crafts

<sup>8</sup> [See financial Reports for September 30, 2022](#)



# SOCIAL

—

HR management .....	42
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# Human Resource Management

406-1 | 405-2 | 405-1 | 404-3 | 103-3 | 103-2 | 103-1 | 102-41 | 102-17 | 102-12 | 102-8 | 102-7

Max Stock's employees are the company's heart and soul. They are the company's most valuable asset and are the face of each one of the chain's branches. The employees are the key factor for the company's success and for Max Stock's ability to keep serving its customers in the best way possible over time. The employees create substantial value for the company by providing warm and friendly service and by their availability and they are the ones assisting the company to grow and develop.

Max Stock is committed to its employees and offers them an opportunity for professional development, while creating a respectful workplace enabling both the employees and the company to grow. Max Stock's work environment is the key to success and therefore the company demands that its employees maintain a pleasant and respectful work environment free of violence and harassment. In addition, the company formulated a comprehensive code of ethics consisting of standards and procedures for maintaining

organizational values and culture which all contribute towards establishing trust, credibility and integrity between the company, its employees and managers, and all external parties engaged with it. Max Stock has adopted a zero tolerance policy towards conduct which is inconsistent with the company's values. In this context, and for the purpose of promoting the company's values and the desire to promote transparency and openness among the chain's employees and managers and improve the company's existing work environment, the chain developed the "AnonyMax" system via the organizational portal, which enables its employees to make anonymous reports 24/7 on any topic that comes to mind, including reports concerning inappropriate conduct or conduct contrary to the chain's code of ethics

Max Stock makes decisions regarding human capital solely based on professional considerations, without discrimination of any kind, including discrimination on the basis of religion, race, gender, medical status, sexual orientation, socio-economic status, political views or marital status. No complaints about discrimination were received over the 2021-2022 reporting years. Max Stock's employees are not covered by collective agreements.



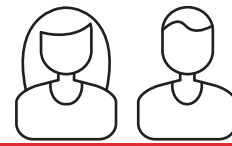
## Human Resource Management

Max Stock contributes to achieving this goal, inter alia, by promoting women engaged in the company's activities at all levels - 63% of the company's employees are women and the company has 37% and 33% women on its board of directors and management, respectively.



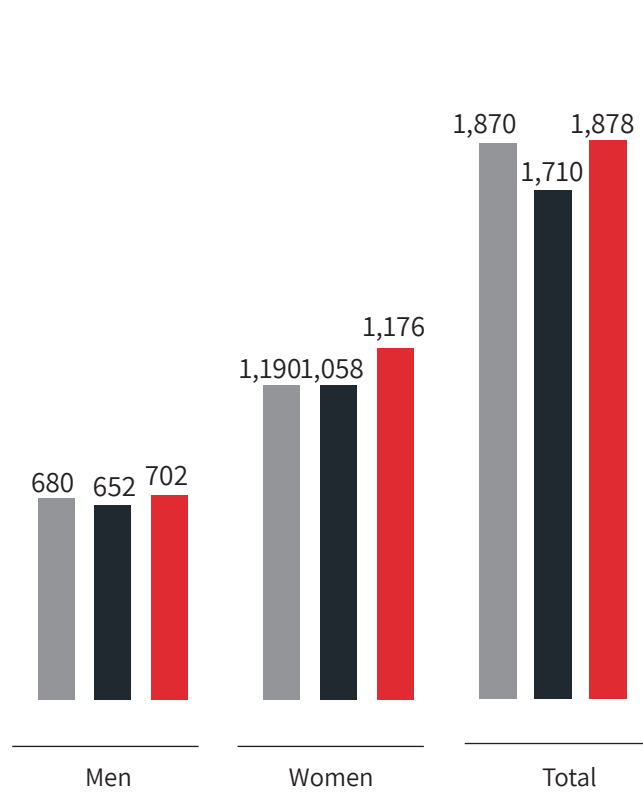


# Max Stock HR Data<sup>9</sup>



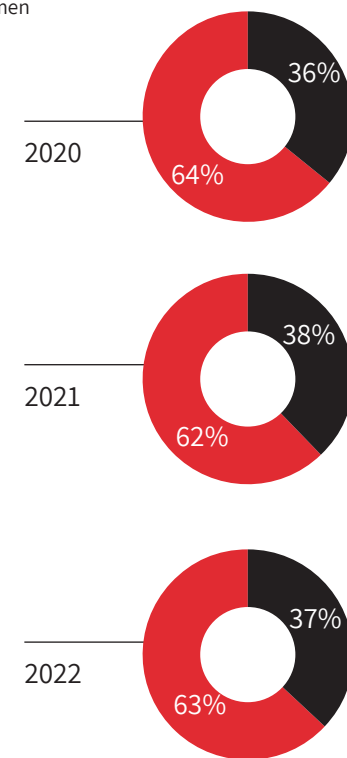
## Employee Segmentation

2020 2021 2022



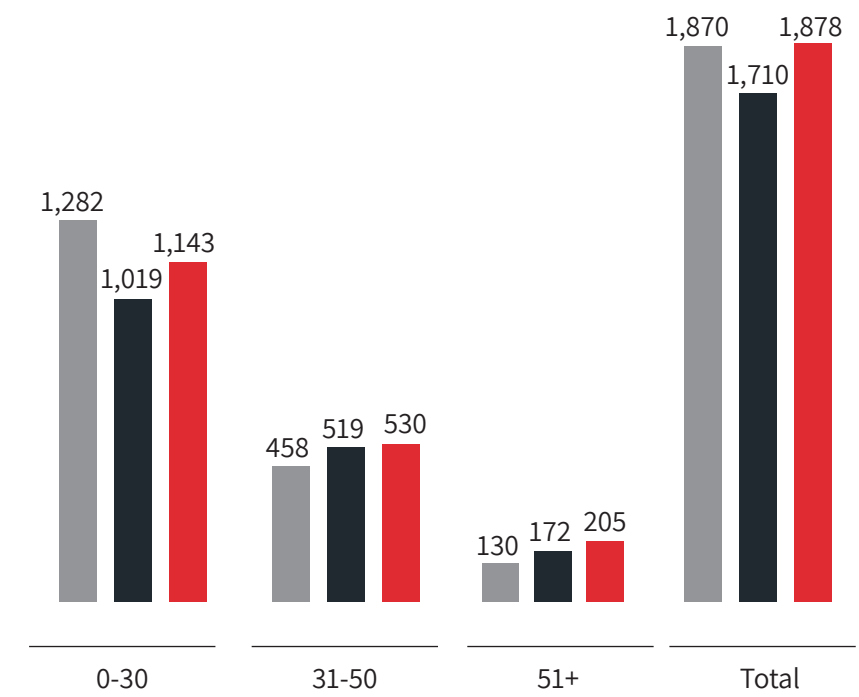
### % Men & Women out of Total

■ % Men  
■ % Women



## Segmentation according to employee age

2020 2021 2022



## Segmentation of employees with disabilities as a percentage<sup>10</sup>

	2022	2021	2020
% of total employees	4%	4%	4%

<sup>9</sup> The HR data presented in this report represent the total number of employees directly employed by Max Stock Ltd.

<sup>10</sup> The number of employees with disabilities presented in the report refers to the number of employees employed by Max Stock Ltd. through Elwyn Israel, an NGO assisting with the employment of persons with disabilities. Namely, the number of additional employees with disabilities employed by the chain independently, not through its collaboration with Elwyn Israel, cannot be assessed.





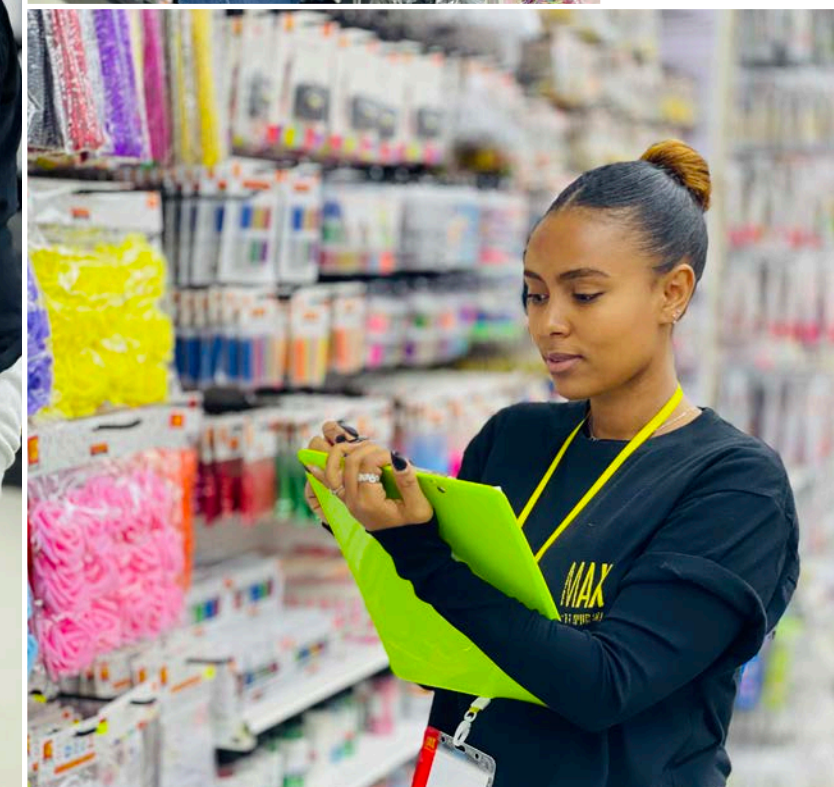
# Occupational Diversity

Max Stock endeavors to create an inclusive workplace, on the basis of human dignity regardless of religion, race and sex. Max Stock's board of directors is committed to building a diverse company, where all employees are given an equal opportunity for development and progress solely based on professional considerations.

The company is proud of the fact that approximately 75% of the regional's managers and more than 60% of the chain's total employees are women and the company's employees represent all sectors and populations comprising Israeli society. The company employs male and female employees from underemployed populations, such as the Ethiopian community, ultra-Orthodox, new immigrants from Ukraine and other countries and Arab citizens of Israel. In addition, and as shall be discussed in detail in the chapter "Accessibility for employees and customers", due to its sincere desire to bring about a change and raise awareness of the importance of integrating employees with disabilities in the employment arena

and in society, the chain engages employees with disabilities in all its branches. As of the date of this report, approximately 4% of the chain's employees are persons with disabilities.

All of the chain's employees enjoy fair employment conditions and wages according to the provisions of applicable law. External salary checks for direct employees are performed as part of Goshen fair-employment procedures as well as by the company's internal auditor.





## Employee Welfare and Remuneration Plans

In appreciation of the chain's employees and their hard work forming a major part of the company's success, and based on an outlook that attaches great importance to the wellbeing of the company's employees and managers and which regards their wellbeing as comprising an integral part of the work routine and terms of employment, the chain promotes activities in the following areas:

- Holiday gifts and activities - distribution of gift cards before Rosh Hashana and Pesach, distribution of gift boxes on Hanukkah, Tu B'Shvat and Purim, and a company social event on Purim.
- Fun evenings on the branch level several times a year.
- Distribution of gifts on special occasions such as birthdays, celebrating newborns, Bar/Bat Mitzvah, weddings and more.
- A friend referral policy awarded to employees referring friends to work with the company.

Max Stock also supports its employees in times of personal crisis. As part of an organizational wellbeing support plan, Max Stock assists employees experiencing personal difficulties by providing them with financial assistance and loans according to need and company policy.

Max Stock engages its employees in accordance with applicable law and their wages are set at customary levels in the market. As part of the chain's commitment to its employees and the desire to ensure favorable employment conditions for its employees, the chain rewards its employees in several ways, including by periodic pay increases and bonuses given to the employees on the basis of a managerial evaluation and performance review.

It should be noted that both pay increases and bonuses are given according to a scale which is based on employees' position and seniority, all according to the company's policy established from time to time.

Max Stock evaluates and rewards senior and professional employees. All branch managers (who

are not franchisees) were promoted to their position after several years of employment with the chain in which they learnt about the nature of the work, demonstrated professionalism, service orientation and high managerial abilities. Every branch manager undergoes training on labor law, sexual harassment, wellbeing, corporate systems and safety matters. Most branch managers are shareholders of the subsidiary which operates the relevant store and participate in the store's profits. In so doing, the company demonstrates its trust in its employees and acknowledges their contribution to its success, while, at the same time, it motivates them and strengthens their sense of belonging to the company.

In 2022, the company began implementing a management reserve plan (the "Talent Program"). The purpose of the program is to locate quality employees from within and without the chain, and to train them as deputy branch managers and branch managers. These employees will undergo training aimed at providing them with managerial and operational tools for future integration as managers in the chain alongside the management courses described under the "Employee and manager training" section below.





## Wage segmentation by gender

Max Stock supports equal pay regardless of ethnic differences, religious belief, gender, sexual orientation or any other aspect which does not reflect the professional skills of the company employees relevant to the area of their engagement. Therefore, following the amendment to the Equal Pay Law, 1996, which became effective in June 2022, the company published a report describing gender pay gaps. According to the company's data, the average gross pay gaps according to segmentation groups are insignificant and range from 1% to 9% in favor of male employees<sup>11</sup>.

The report can be viewed on the company's website [here](#).

## Employee retention at Max Stock

Understanding the crucial significance of employee retention, the company gives special attention to strengthening vertical relationships (between the employee and the manager) as well as horizontal ones (between employees). Max Stock acknowledges the importance of support and empowerment alongside financial remuneration. A “big brother” program was developed during the year which provides personal mentoring to new company employees, creating a friendly and supporting environment for the employees and facilitating optimal integration at the workplace.

## Employees and manager training

Every year the company's employees undergo training on sexual harassment, data security, safety and legal regulation. Some of these training sessions are provided through the organizational portal by educational software programs in an accessible and convenient manner and some are provided frontally by the appropriate professional bodies. The trainings given through the portal are documented by the company in an orderly manner and form an integral part of the organizational routine and the employees are required to confirm attendance by their signature. Frontal trainings are given annually to the managerial staff at the chain stores on consumer issues and legal updates and extended trainings are given by the HR department on labor, welfare and sexual harassment issues.

In addition to the mandatory trainings conducted according to applicable law, Max Stock provides its managers with professional and educational training on labor and welfare laws and system operation. The branch managers and regional managers undergo frontal trainings on safety issues, consumer laws, legal issues and information systems. In addition, the managers undergo trainings on how to conduct job interviews and how to create a safe workplace.

Since the chain acknowledges the importance of promoting its employees from the sales floor to branch management, Max Stock ensures that all of its branch managers undergo a comprehensive and professional management course qualifying them to manage and operate the branches including personnel management, logistics management and more.



<sup>11</sup> Max Stock's equal pay report refers solely to the data of Max Stock Ltd., excluding its subsidiaries, all according to applicable law.



# Social Responsibility

103-3 | 103-2 | 103-1

## Employee and Customer Accessibility

Max Stock is committed to promoting accessibility at its sites and branches. The company's objective is to enable all customers, including customers with disabilities, to enjoy a fair, dignifying and accessible customer experience.

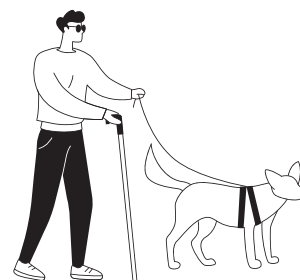
The company's branches, as well as its digital channels through which it operates, are suited for accessibility. These accessibility adjustments are made according to the Equality of People with Disability Law, 1998, and the regulations promulgated thereunder. In addition, the company complies with applicable law concerning the obligation to provide accessible service, training and reviews.

All company branches are equipped with an accessible door, an accessible cash register and are adapted for the needs of the hearing impaired. In addition, priority is given to customers with a duly issued disability certificate. The company is advised by an accessibility consultant responsible for all accessibility approvals including for the branches' entrances and exits and accessible bathrooms. In addition, periodically – reminder notices are sent on accessibility issues.

The company promotes diversity at the workplace by hiring employees representing different communities and population groups, including employees with disabilities who have been engaged by the company for over a decade. The company collaborates with Elwyn Israel, an NGO which assists the company

to locate skilled employees with disabilities and employs them at all its branches. 4% of the chain's current employees are persons with disabilities<sup>12</sup>. Accordingly, the company made its branches and logistic centers accessible and provides training and support on a regular basis for the branch managers in a bid to achieve optimal integration of employees with disabilities in the branches and to make its branches accessible to the chain's customers.

In addition, the company constantly acts to identify additional ways to make its branches accessible to diverse populations with special needs. Accordingly, for instance, during 2022, the company launched a collaboration with RightHear, a company which assists the visually impaired and blind to easily orient themselves at the chain branches using a special-purpose app and advanced technology. To date, the company has integrated the systems in all of the branches owned by it.



# 100%

of the chain branches are accessible to employees and customers, including the visually impaired and blind



The company's website is accessible and accessibility adjustments were made therein according to Israeli standard (IS) 5568 for the accessibility of website content on an AA level. The site provides a semantic structure for assistive technologies and supports the customary operation pattern using a keyboard. In addition, the site supports NVDA software and can be accessed via a smartphone. The site's accessibility level allows for easy and convenient use by all customers, including customers with disabilities and an optimal browsing experience. The company appointed an accessibility coordinator responsible for inquiries on accessibility issues at the branches and website.

“Accessibility is another way which helps businesses to serve all their customers, based on the understanding that it does not matter how many people use it, but rather how much people need it.

Max Stock chose to provide independence and equality to all its customers as part of the company's values, which we commend.”

**Dalia Farkash**  
Manager of Israel Market

<sup>12</sup> See footnote 10 above.



## Community involvement

Community involvement is one of Max Stock's central values. It plays a central role in the company's policy. All aspects of the company's policy pertaining to community involvement are managed by the chain's HR department, which acts to promote the issue through collaborations and contributions to society in several ways:

- A volunteer day when headquarter employees volunteer at a boarding school run by “Emunah” - the Women's National Religious Movement
- Community service days when headquarter employees volunteer at the NGO “Meir Panim”. Their activities include preparation, packaging and distribution of food kits to be sent to people in need, distributing holiday gifts and cooking soup kitchen meals.
- Contribution to the IDF and adoption of the 53rd Armored Regiment – seen through donations of both money and company products, including participating in a shared sports day with the regiment.
- Financial donations and product donations from the company's product collection to various entities:
  1. Make a Wish Foundation
  2. Hakfar Hayarok
  3. IDF units – LIBI foundation
  4. Friends of Sheba Tel Hashomer Medical Center
  5. Lev Chabad – Charity and Healing Center Haifa
  6. Medical Research Fund, Infrastructure Development – Hillel Yafe Medical Center



לקוות הספרים שלנו

Make-A-Wish  
ISRAEL

אוגוסט 2022

לכבוד מקס סטוק,

בשמה של משפחת Make-A-Wish® Israel, ברצוננו להודות לכם מקרב לב על קניית הכרטיסים לאירוע של סטטיק ובן אל למען Make-A-Wish.

תרומתכם ותמיכתכם בעמותה מאפשרת הגשמת משאלות משנות חיים לילדים הנלחמים במחלות מסכנות חיים.

בהגשמת משאלה, אנו שואפים להעניק לילד ומשפחתו חוויות המעניקות תקווה וכוונת. אנו יודעים כי במקומות רבים בעולם, הרופאים מתייחסים להגשמת משאלה כאל חלק בלתי נפרד מהטיפול התומך.

בעזרתכם, נמשיך להגשים משאלות משנות חיים של ילדים רבים הזקוקים להם כל כך בתקופה הקשה בה הם נמצאים.

בכבוד רב ובהוקרה,

דניס בר-אהרון

מייסדת ומנכ"לית

Make-A-Wish Israel

טל': 09-7602848 | 09-7454557 | פקס: 09-7454557 | 09-7602848 | דוא"ל: MAIL: MAW@MAKEAWISH.ORG.IL | WWW.MAKEAWISH.ORG.IL | P.O. Box 4333 RAANANA | 43662 רעננה 4333, ת.ד.





09.03.2022

לכבוד

מקס סטוק בע"מ

שלום רב,

ברצוני להודות לכם על חיבור התרומה וקשר עם המשפחתונים בכפר הירוק. תודה על הטיפול המכלי. תודה מיוחדת ליריקי היקרה טיפלה בנושא במסירות רבה, הביקשה של המשפחתונים כדי להכיר את אותנו מקרוב ראוי להעריכה רבה. תחילת של ידידות מופלאה.

בזכות התרומות והתרומים משפחתוני הכפר הירוק ממשיכים לפעול ולהעניק לילדים שלנו לעתיד טוב יותר.



תודה והערכה רבה על תרומתכם

בברכה

## בני פרדה

מנהל משפחתוני הכפר הירוק

עמותת רשומה בפקוח משרד החינוך  
**משרד ההגלה:** הנמני 21 מרחק, ירושלים | ת.ד. 9160 קריית יובל | ירושלים 9109101 | 02-6420070 | 02-6420080 | info@hamifal.org.il | www.hamifal.org.il  
**חשבון בנק לתרומות:** בנק הפועלים | (12) סניף קריית יובל | ירושלים (691) חשבון מס' 299080





# Environment

Environmental management..... 60





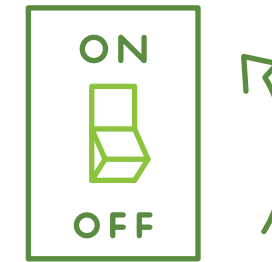
# Environmental Management

307-1 | 305-4 | 305-2 | 305-1 | 302-3 | 302-1 | 103-3 | 103-2 | 103-1

Max Stock operates in the retail market which is based on the use of raw materials, products and packages. The retail sector has an environmental impact requiring special attention given the global nature characterizing this activity. Max Stock acknowledges the importance of reducing the environmental impact of its activity and focuses on the need to create a balance between economic development and

the need to protect the environment. According to the provisions of the Law Regulating the Handling of Packages, 2011, Max Stock has been reporting to Tamir Corp. on the implementation of the above law since 2015.

No penalties or sanctions have been imposed on Max Stock for failure to comply with environmental laws and regulations during the years that it has been submitting the aforementioned reports.



## Reducing Power Usage

All branches, logistic centers and company's headquarters are equipped with an automatic switch which automatically turns-off the lights and air-conditioners after business hours. In addition, a Shabbat-clock was installed in all of the chain's branches to save on the power-usage of electronic signs.



## Green Products

As part of the global trend promoting environmental conscious consumption, Max Stock is aware of the increasing demand for products with a low environmental footprint. In recent years the company started selling recycled houseware consumables. In addition, in 2022, Max Stock added a wide variety of recycled products under the school supplies category.



### Environmental management

Max Stock contributes to achieving the goal, inter alia, by increasing the integration of products which consider the environmental footprint in the production process, as well as by strengthening local communities by expanding its activity and opening branches throughout the country and providing employment opportunities to local communities.





As part of the prevailing global trend, Max Stock presents ample consumable and recycled products under the consumable houseware category.





## Greenhouse Gas Emissions

According to the nature of its activity, Max Stock reports on greenhouse gas emissions originating from fuel consumption by the company's vehicles and energy consumption in the course of its day-to-day activity. The report includes two emission sources:



### Scope 1

Refers to all of the company's direct emissions (fuel consumption for transportation).



### Scope 2

Refers to the company's indirect emissions from activity (energy consumption).

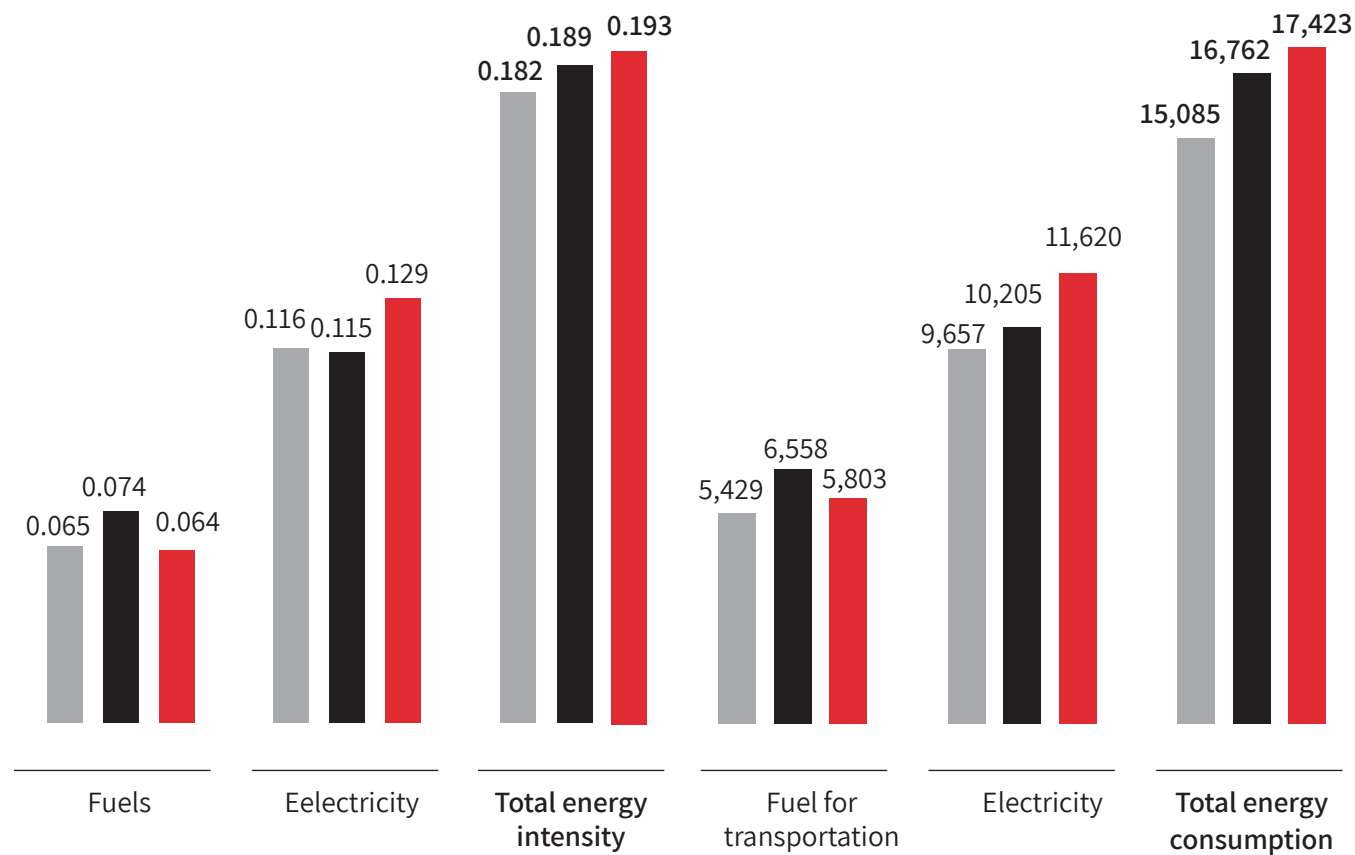
## Max Stock Environmental Data

### Energy Management

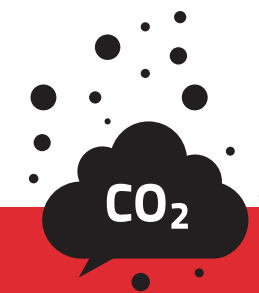
2020 2021 2022

Energy Intensity Fuels and Electricity (GJ/m<sup>2</sup>)

Fuel consumption for transportation and electricity (GJ)



	Units	2022	2021	2020
Total built-up area (company's offices)	m <sup>2</sup>	90,065	88,661	82,988

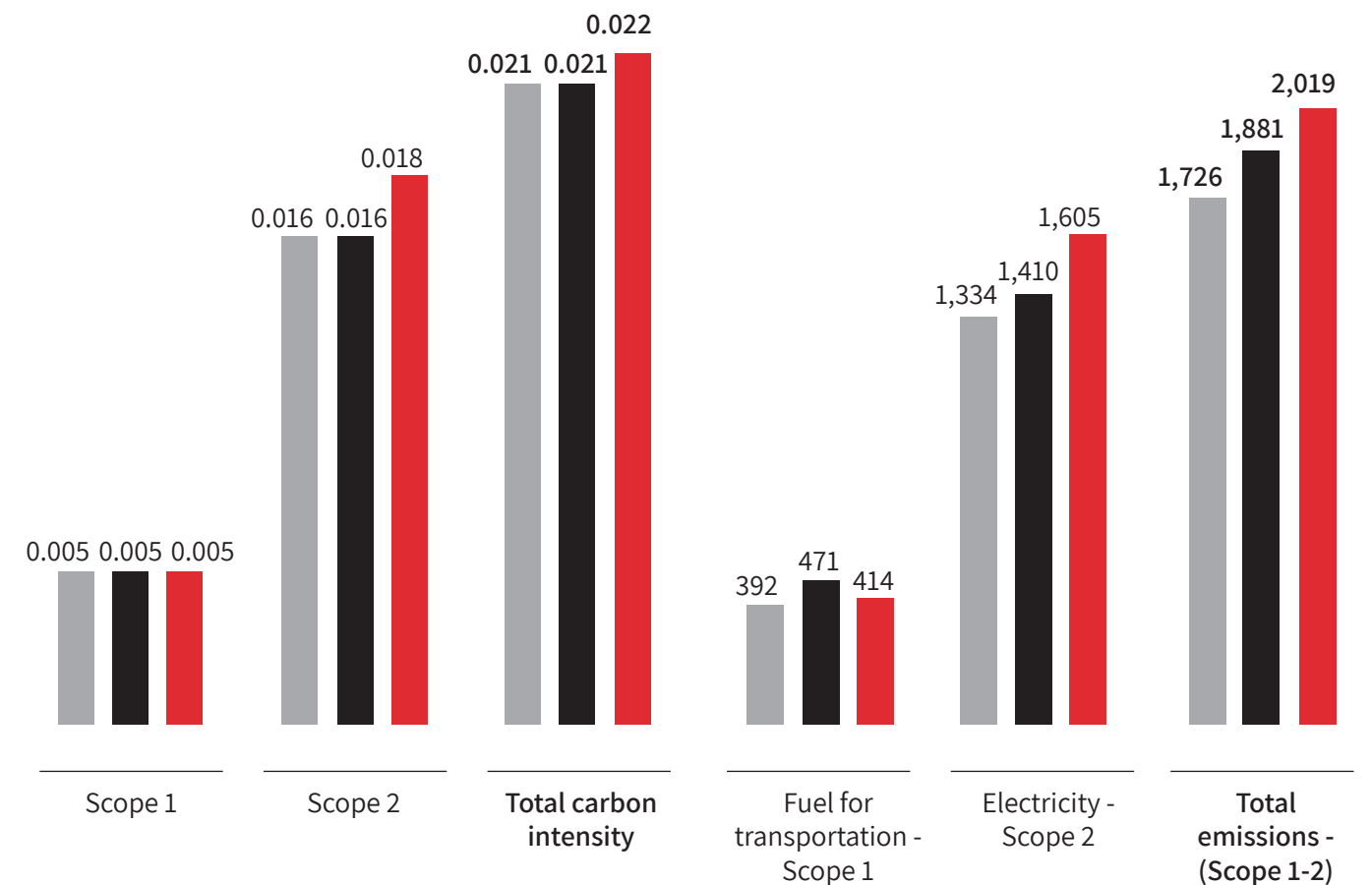


### Greenhouse Gas Emissions

2020 2021 2022

Scope 1 and Scope 2 Carbon Intensity (tCO<sub>2</sub>/m<sup>2</sup>)

Scope 1 and Scope 2 Emissions (tCO<sub>2</sub>e)





# Corporate Governance

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Ethics and corporate governance.....	70
Risk management.....	72
Integrity and bribes .....	74





# Cybersecurity threats and data security

418-1 | 103-3 | 103-2 | 103-1

Max Stock wishes to provide to its customers the best customer experience, inter alia, by protecting the privacy of its customers' data. Sensitive information is stored on the company's data systems and it is the company's top priority to protect these details. The company acts to strengthen the safety of its information systems and cyber security by taking several actions:

- Data and cyber security insurance
- Data security awareness video for employees and managers
- Annual risk surveys and penetration tests performed by an external company
- Phishing training provided externally to the company's employees and managers on an ongoing basis throughout the year
- Receiving consultation on data security and cyber security issues
- Obtaining services from a cyber crisis management company
- Concentrated training on data and cyber security awareness
- Establishing a cyber steering committee

These actions are designed to reduce data and cyber security threats which the company may be exposed to. Accordingly, an annual work plan was established on data security which is reviewed once a month by the steering committee in the presence of a director, a consultant and four management members. The committee examines the work plan, the pace of progress and regulatory compliance with an emphasis on business continuity. In addition, the company has

adopted a business continuity plan. No data and cyber security incidents were experienced by the company and no complaints in that regard were received during the reporting years.

As part of the company's code of ethics, the company undertakes to protect the business, commercial and personal data owned by it and uses it prudently and properly for the purposes for which it was provided and according to applicable law. In addition, all of the company's interested parties are prohibited from publishing or posting privileged and confidential contents, including on the social networks.

Max Stock has access to sensitive information about its customers and it maintains a database to manage and protect the information according to applicable law. The company acknowledges the great importance of securing the data and protecting the privacy of its customers in accordance with applicable law. The company refrains from disclosing information about its customers to other parties without the authorization of the relevant body including according to privacy protection laws. The information which is made available to the company is intended solely for the purposes for which it was provided.



# Regulatory Compliance

103-3 | 103-2 | 103-1

Max Stock is committed to comply with the requirements of the law and with the regulatory provisions applicable to it being a retail trading company. The company imports and sells at the chain stores products from different categories and the main regulatory provisions which apply to the company relate to importing, price control, accessibility, consumerism, product quality and the like. The company markets products complying with the provisions of the Standards Law, 1953, and the guidelines of the Israel Standards Institute.

In addition, the company has a legal department ascertaining that the company complies with the various regulatory provisions and is responsible for advising the company of on-going updates relating to relevant regulatory changes. In addition, the company retains the services of law firms to receive comprehensive and thorough advisement on various regulatory matters.

Acknowledging the importance of the legal issues and the need to bring different regulatory issues to the attention of its employees, the company prepared a binder incorporating its procedures communicated to all the company employees and integrated in its activity as of 2022. The implementation of the new procedures is accompanied by a training program to the relevant employees on various issues including educational software programs on sexual harassment and workplace safety, training on consumer laws, legal issues relating to customer service, information systems, labor laws, conducting interviews and the like. The HR department follows up on e-learning performance.





# Ethics and Corporate Governance

102-16 | 103-1 | 103-2 | 103-3

## Code of ethics

The company places major emphasis on ethical aspects and integrity in all of its activities. For this purpose the company drafted a code of ethics which includes the values of the company for an appropriate conduct by its employees.

The code of ethics refers, inter alia to the following issues:



Legal requirements



Dignity and equality



Confidentiality



Integrity and bribes



Professionalism



Prohibition against abuse of inside information



The code of ethics is adapted to the company's operating activities and applies to all its employees. The company appointed the company's Chief HR Officer as the person responsible for its implementation and oversight. In addition, as of 2022 and in view of the importance of the matter, the company established "AnonyMax" – an anonymous reporting system through which the employees can anonymously report 24/7 on any issue that comes to mind, including reports on inappropriate conduct or conduct contrary to the company's code of ethics. In 2022, 20 anonymous reports were received via "AnonyMax". All the reports are sent to the company's HR department which acts vis-à-vis the chain's relevant bodies to receive and provide response to the employees.

## The effectiveness of internal control on financial reporting and disclosure

According to regulation 9B(a) of the Securities (Periodic and Immediate Reports), 1970, applicable to the company, the company evaluates the effectiveness of its internal control over financial reporting. In 2021 the internal control was evaluated as being effective by the company's management.

Additional information on the effectiveness of the internal control on financial reporting and disclosure is included in the [periodic report for 2021](#).





# Risk Management



102-11 | 102-30 | 103-1 | 103-2 | 103-3

## Risk Management

The company's versatile operating activities and product diversity expose the company to various risks. In 2021, the company conducted a risk survey which defined the substantial issues to be handled. The survey underlies the work of the company's internal auditor. The company's risk management program focuses on actions aimed at reducing possible negative effects on the company's performance with respect to both financial and operational aspects.

## The Work of the Internal Auditor

As aforesaid, the risk survey which was conducted by the company in 2021 underlies the annual audit plan. The internal auditor acts according to customary professional standards and according to professional standards and guidelines established by the International Institute of Internal Auditors which were adopted by the Israeli Institute of Internal Auditors. The audit reports are submitted in writing to the chair of the audit committee and are discussed by the company's audit committees.

The internal audit annual work plan was determined in cooperation with the company's management, the board of directors and the internal auditor. In April 2021, the audit plan for 2021 was also approved as a three-year audit plan for 2021-2023.

The internal auditor is not a company employee. The internal audit services are provided to the company by an independent firm.

## Business Continuity and Crisis Management

In line with business continuity and crisis management trends in Israel and throughout the world, the company adopted a business continuity plan concerning the company's proper work routine aimed at ensuring quick recovery from a possible disruption. In addition, the company prepared an annual data security work plan referring, inter alia, to cyber issues. In this context, the company's board of directors appointed a steering committee comprising one director, one consultant and four management members, which advises on the company's data and cyber security procedures and examines the implementation of the annual work plan. In view of cyber-attacks against the State of Israel and as part of the company's risk management and business continuity activities, every branch has two lines – an optic line and a copper line, preventing communication problems at the branches.

## The COVID-19 Crisis

Towards the end of 2020 and in view of the increasing number of COVID-19 cases in Israel, the Israeli government decided to impose a national lockdown (the third lockdown) which resulted in the chain's stores generally shutting down, other than some departments which were defined as "non-essential". As of the end of the third lockdown, the company's stores have been operating in full and regular manner according to the regulations and guidelines on the matter such as the "green pass" and the "purple ribbon" restrictions. Several COVID-19 outbreaks throughout 2021 led to the imposition of various restrictions. It should be noted

that COVID-19 did not have a material effect on the operating results of the company and the chain's stores in 2021-2022.

More information on the impact of COVID-19 on Max Stock's operating activities, is available in the [periodic report for 2021](#).

Once the operation ended, the stores resumed regular activity and the operation did not have a material impact on the results of the chain's activity.

More information on the effect of Operation "Guardian of the Walls" on Max Stock's activities, is available in the [periodic report for 2021](#).

## Operation "Guardian of the Walls"

Rockets and mortar bombs were fired at cities in southern and central Israel during Operation "Guardian of Walls" which commenced on May 10, 2021 and ended on May 21, 2021. Some of the chain's stores had reduced operating activities due to the hostilities and some stores located in these areas were fully closed.

## Operation "Dawn"

Rockets and mortar bombs were also fired at cities in southern and central Israel during operation "Dawn" which commenced on August 5, 2022 and ended on August 7, 2022. The operation had no impact on the company's activities and the company's stores operated as usual.





# Integrity and Bribes

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Max Stock places a major emphasis on ethical conduct with respect to its activities. Issues such as integrity, bribes, embezzlements and misappropriations and non-disclosure of conflicts of interest are major issues in the chain's code of ethics. In this context, the company implemented a procedure regulating the offering and acceptance of gifts and gratuities from external bodies which discusses in detail the rules and circumstances in which gifts and gratuities may and may not be exchanged between the chain's employees and external bodies with whom they interact, defining a uniform system for offering and accepting gifts, all of the above alongside the chain's commitment to comply with all of the regulatory provisions and abide by the laws applicable to it.

The company's employees refrain from using their position to promote personal goals or for personal gain. In addition, the company's management prohibits offering or giving bribes and involvement in corruption, including facilitating payments.

The company's management directs all its employees to avoid actions which may create a conflict of interests and the company's employees are obligated to immediately disclose to their managers any information concerning a potential conflict of interests.

No violations were identified in 2021-2022 of the company's guidelines concerning bribery, corruption, conflict of interests and integrity. In 2021-2022, several cases of theft by company employees in different stores were identified. These cases were handled by the security officer and to the extent necessary a hearing was held which at times led to the termination of the employee's engagement.



## Integrity and Bribes

Max Stock contributes to achieving the goal, inter alia, by integrating special-purpose procedures on the issue of bribes and corruption in the company's activity opposite its employees and suppliers and by instructing the company's employees to avoid activities which may potentially lead to the offering of bribes or conflicts of interest.





# About the Report, Indices and Data

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# About the Report

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We are excited to present you with Max Stock's first environmental, social and corporate governance (ESG) report. This report presents the company's main activities in the above areas over 2021-2022. The report attests to Max Stock's commitment to shareholder transparency, including reporting on environmental, social and corporate governance issues.

The report was drafted according to the Global Reporting Initiative (GRI) Standards for a 'core' level report. The information presented in the report was collected using the company's data systems, various organizational sources and with the assistance of external consultants.

## The Reporting Period and its Cycle

This report represents Max Stock's activities on environmental, social and corporate governance issues during the 2021 annual period through September 30, 2022. During this period, the company's activities did not undergo material changes. Max Stock will periodically publish an environmental, social and corporate governance report.

## The Scope of the Report

Max Stock operates in the State of Israel which constitutes the company's principal place of business. In the relevant places, content included in this report corresponds with content which is included in Max

Stock's 2021 audited periodic report and in the company's financial statements as of September 30, 2022. This report, together with the aforementioned financial statements, presents the company's activities in Israel. This report was not subjected to an external audit process.

This report does not constitute part of Max Stock's financial statements, immediate reports, or periodic reports. In the event of discrepancy or conflict between the content of this report and the company's reports mentioned above, the content of the above mentioned reports shall prevail.

## Material Changes in the Report

This is Max Stock's first report.

## Material Changes with the Information

This is Max Stock's first report.

If you have any question, comment or issue relating to the content of the report and environmental, social and corporate governance issues at Max Stock Ltd., please contact:

Adv. Sharon Eisner Bell, in charge of regulation and enforcement, email: [Sharon@maxstock.co.il](mailto:Sharon@maxstock.co.il)

Max Stock Ltd. used its best efforts to ensure that the information included in this report is accurate and current, as of the date of the report. However, notwithstanding the aforesaid, errors, flaws and/or mistakes could have occurred.

Max Stock Ltd. does not undertake that the information included in this report is suitable for any particular purpose nor does it undertake to update the report, to the extent that any changes/updates subsequently occur. Given the aforesaid, the companies comprising the Max Stock group, their executives, employees and anyone acting on their behalf, in their name and in their stead, shall not be responsible towards any third party for any loss or damage caused following the use of the information included in this report.

# GRI-SRS Indicators chart

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