



# **SARINE TECHNOLOGIES LTD.**

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## **Sustainability Report**

**2021**

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Note: Welcome to our 2021 Corporate Sustainability Report. As our objective is to provide readers with pertinent information in a concise non-tedious manner, we have referenced, where applicable, specific information already publicly available in Sarine's Annual Report and on its website.

## CONTENTS

Board of Directors Statement.....	4
About this Report .....	5
About Sarine .....	5
Sarine's response to the covid-19 crisis.....	6
<b>Group Structure</b> .....	7
<b>Key Management</b> .....	8
<b>Our Vision</b> .....	9
Materiality Analysis .....	10
<b>The Process</b> .....	11
<b>Material Issues</b> .....	12
<b>Transparency and Stakeholder Dialogue</b> .....	13
Sarine at a Glance .....	16
<b>Our Numbers</b> .....	16
<b>Our Values</b> .....	18
<b>Business</b> .....	19
Corporate Governance .....	20
<b>Sustainability Management</b> .....	20
<b>Risk Management</b> .....	21
<b>Board of Directors</b> .....	21
Business Culture .....	23
<b>Code of Ethics</b> .....	23
<b>Professional and Industry-related Involvement</b> .....	24
<b>Preventing Bribery, Corruption and Fraud</b> .....	25
<b>Legal Protection against Anti-competitive Actions and Intellectual Property Infringement</b> .....	25
Data Security and Cyber .....	27
Economic Performance.....	28
<b>Economic Impact</b> .....	29
Our People.....	29

<b>Employee Equality and Diversity .....</b>	<b>32</b>
<b>Employee Development .....</b>	<b>33</b>
<b>Rewards and Benefits .....</b>	<b>34</b>
<b>Welfare and Well-Being.....</b>	<b>35</b>
Social Responsibility .....	36
Marketplace and Customers .....	37
<b>Product and Process Innovation.....</b>	<b>39</b>
<b>Creating Shared Value with Customers.....</b>	<b>40</b>
<b>Product Stewardship and Lifecycle.....</b>	<b>41</b>
<b>Customer Health and Safety .....</b>	<b>41</b>
<b>Customer Privacy .....</b>	<b>43</b>
<b>Responsible Supply Chain .....</b>	<b>43</b>
Environmental Responsibility .....	44
<b>Energy.....</b>	<b>45</b>
<b>Carbon Footprint.....</b>	<b>45</b>
GRI Index.....	47

## BOARD OF DIRECTORS STATEMENT

On behalf of the Board of Directors, it is my pleasure to present our fifth Sustainability Report for Sarine Technologies Ltd. ("Sarine" or the "Company" and along with its subsidiaries the "Group"), for the year ended 31 December 2021.

This report sets forth our insights relating to sustainability issues and the relevant implementation efforts that we, as a company, make for continuous improvement of our impact on customers, employees and the community around us. We encourage all stakeholders to share their ideas and concerns with us regarding these issues and hope to continue our endeavors over time to further enhance sustainability in our business.

Daniel Benjamin Glinert  
Executive Chairman of the Board

## ABOUT THIS REPORT

This is our Group's fifth year of issuing a sustainability report. This report is in compliance with the requirements of the SGX Listing Rules 711A and 711B and in accordance with the GRI Standards: Core Option.

In defining the scope of the data disclosed in this report, we focused on the sustainability and performance of entities and assets over which we have financial and operational control. All data contained in this report, unless specifically stated otherwise, refers to the Sarine Group, including its operations at sites in Israel, India, Hong-Kong and North America, and does not apply to any independent service or sales representative locations or activities outside the Sarine Group.

This report reflects Sarine's performance for the calendar year 2021, and the data is updated as of its reference date – 31 December 2021 (note: as for financial information included in this report, the information is as published in Sarine's Annual Report for 2021).

Relevant targets and goals of the Company are addressed below including the status of their respective achievements.

The material issues covered in this report are the result of analyses summarised in the final matrix presented herein. The relative effect of each material issue set forth therein is subject to its significance to the Company's various internal and external stakeholders.

We welcome all feedback to help us improve our sustainability practices. Please send your comments or feedback by e-mail to [sustainability@sarine.com](mailto:sustainability@sarine.com)

## ABOUT SARINE

Sarine is a world leader in the development and manufacturing of advanced modelling, analysis, evaluation, planning, processing, finishing, grading and trading systems for diamonds. Sarine products include the Galaxy® family of inclusion and tension mapping systems, rough diamond planning and optimisation technologies, laser cutting and shaping tools, laser-marking, inscription and fingerprinting equipment, automated (AI-derived) Clarity, Color, Cut and light performance grading systems and traceability, visualisation and retailing services. Sarine systems have become standard tools in every modern manufacturing plant, properly equipped gemmology lab and diamond appraisal business, and are essential aids for diamond polishers, dealers and retailers.

## SARINE'S RESPONSE TO THE COVID-19 CRISIS

In March 2020, the World Health Organization declared the Coronavirus outbreak (Covid-19) as a global pandemic. Since then, the virus has continued to spread across the world at varying rates, introducing significant business and economic uncertainty and instability to global markets.

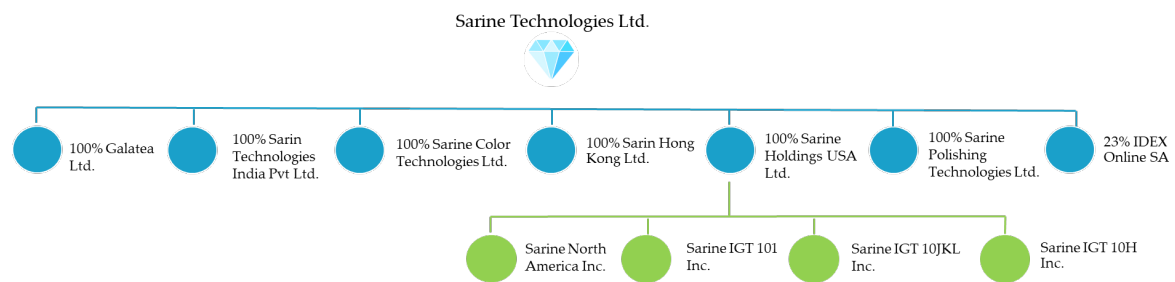
Though some pandemic-related disruptions continued throughout 2021 (e.g., travel restrictions and trade shows), for the most part the industry value chain activity returned to normal, and then some. Nevertheless, we continued to adhere to applicable government mandates and guidelines in relevant jurisdictions. We provided a safe and healthy working environment for those working at our facilities. We also enabled our employees, where feasible, to work in a hybrid working environment (home/office).

Sarine remained committed during 2021 to achieving its long-term product development and innovation objectives and was able to successfully navigate the Covid-19 crisis with minimal impact on its research and development activities.

Additional information on Sarine's actions and activities during the Covid-19 crisis are discussed throughout this report.

## GROUP STRUCTURE

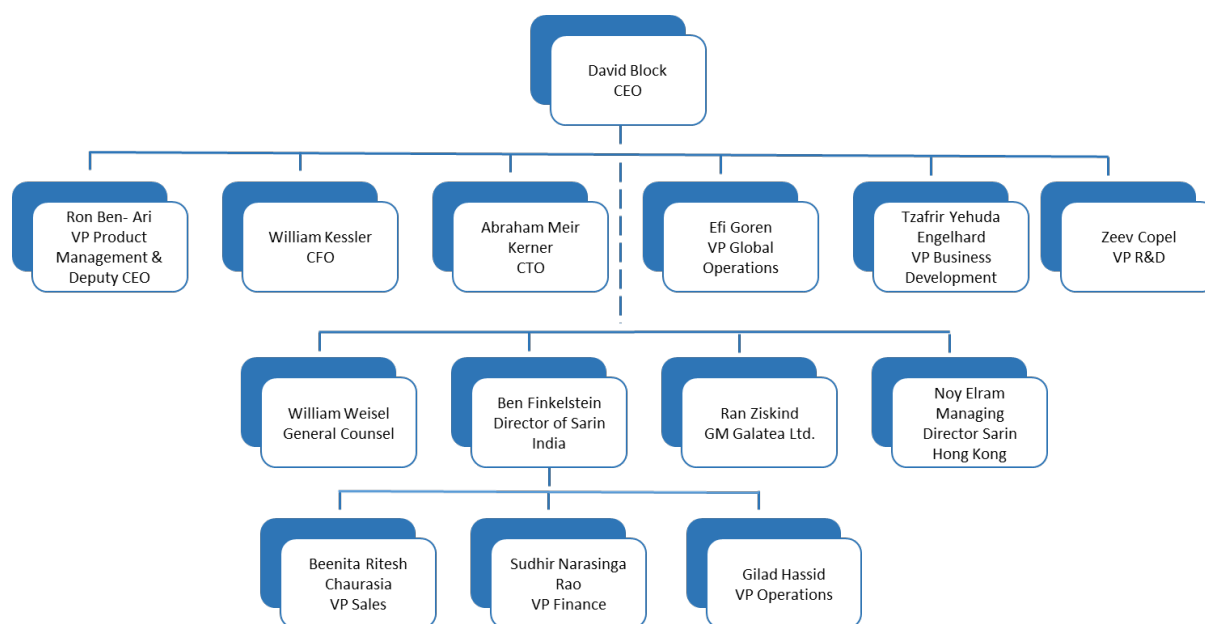
Headquartered in Hod Hasharon Israel, below is Sarine's structure as of December 31, 2021:



For further details regarding the Sarine Group's entities and operations, we invite readers to refer to our 2021 Annual Report "Group Structure" section.

## KEY MANAGEMENT

Below is a diagram of Sarine Group's key management as of December 31, 2021.



Further information about key management and remuneration is detailed in the "Key Management" and "Corporate Governance" sections of the 2021 Annual Report.

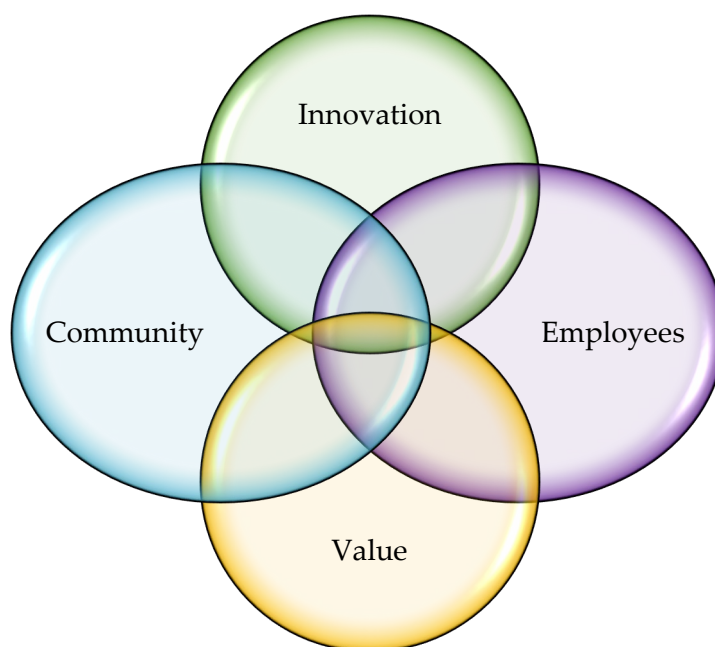
*\*As of 31 December 2021, the percentage of senior management hired from the relevant local communities is as follows: 100% in Israel and 67% in India.*

*\*\*Mr Matthew Tratner joined the Sarine Group as General Manager and Vice President-Sales of Sarine North America, effective January 2022.*



## OUR VISION

Sarine's sustainability efforts are aligned with our Company's vision and strive to nurture success through long-term sustainable growth.



1. **Innovation** — Most diamonds over 0.1 carat in weight are touched by our innovative technologies at different stages of their processing. Sarine sees its mission as participating in setting the industry standards, optimising the utilisation of rough diamond material, enhancing the beauty and value of polished diamonds, and providing confidence-building 21st century solutions for polished diamond grading and their trade, in order to benefit our customers and the public. We are committed to leadership through an ongoing passion for innovation and excellence.
2. **Employees** — We view our employees as the major factor enabling our success. We strive to nurture our employees and provide them with a supportive working environment that will motivate them to excel individually and as a team. Our employees share, through various bonus and options schemes, in the Company's success.
3. **Value** — We endeavour to generate and maintain long term revenue and profit growth to increase the Group's value.
4. **Community** — We are involved in and contribute to the communities in which we operate.

These four key values are the basis of our sustainability efforts as is discussed throughout this report. Sarine's vision served as the basis for our Materiality Analysis as described in the next chapter.

## MATERIALITY ANALYSIS

Sarine conducted a systematic assessment of sustainability issues that are material to our business, its operations and stakeholders, and issues we consider relevant to our communities, the economy and the environment. We have taken into account issues that we believe are most relevant, such as:

- regulatory requirements;
- the diamond industry in general and sector comparables;
- sustainability practices and processes throughout our organisation; and
- our industry partnerships.

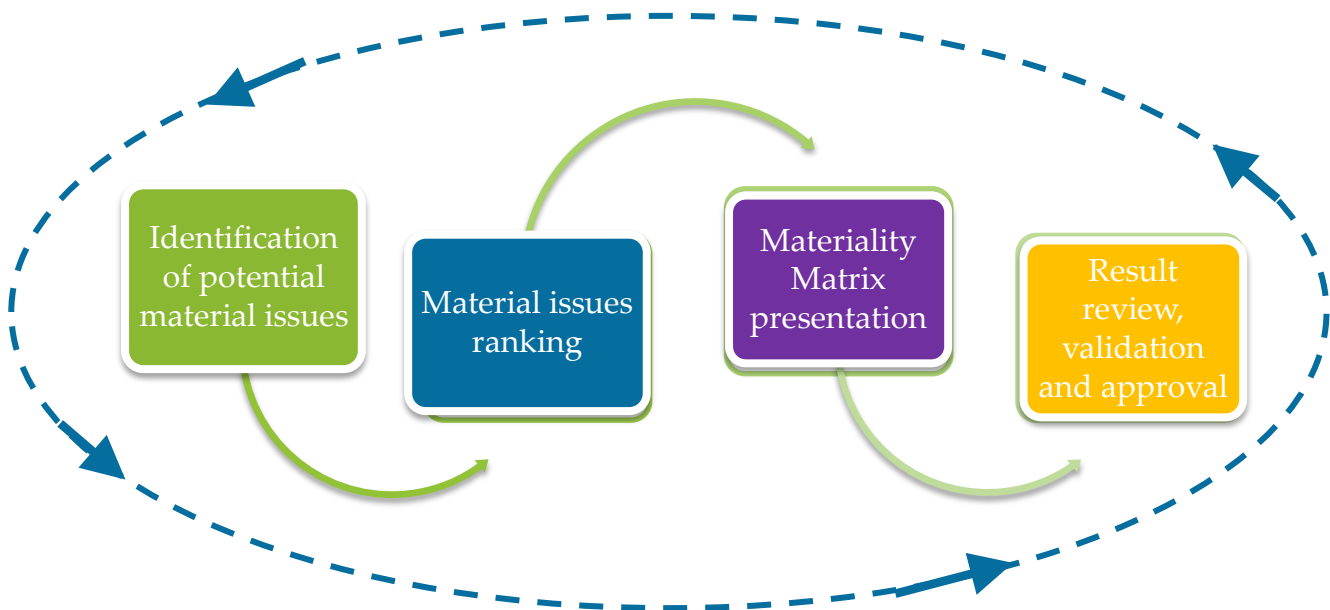
The outcome of this assessment enabled us to define the report's content in alignment with the GRI Sustainability Reporting Standards (GRI-SRS). As we further develop our dialogue with our stakeholders in the coming years, Sarine will conduct an annual review to reassess and revalidate these issues for materiality. In this annual review we intend to consult external stakeholders with regards to Sarine's material issues.

No material issues (as identified on page 12) previously reported upon in Sarine's 2020 sustainability report were found to require changes for this year's report.

## THE PROCESS

As detailed at length in our first sustainability report, our materiality analysis was conducted by management using a methodological four-step process. Each step was conducted in accordance with the uniqueness of Sarine's business and its environment. Further review, evaluation and approval were executed in consultation with our Board of Directors (the "Board").

Below is a presentation of the four steps we conducted:



For further information regarding our four-step materiality analysis, please see our 2017 Sustainability Report pages 12-13.

The results of the materiality analysis are used as a basis for current and future activities and procedures that are put in place. We will continue to evaluate our material issues while taking into consideration global developments.

## MATERIAL ISSUES

The material issues identified in this matrix form the basis of the Company's sustainability activities and targets and this report.



	Material Issues	GRI Standard Topic	Pages
1	Cyber and Data Security	Customer Privacy	26-27
2	Product and Process Innovation	Customer Health and Safety Marketing and Labelling	38-40
3	Intellectual Property	Governance, Ethics and Integrity	25-26
4	Customer Trust and Reputation	Customer Health and Safety Marketing and Labelling Customer Privacy	37-43
5	External Market Impact on the Company	Economic Performance Market Presence	28-29
6	Business Ethics and Governance	Anti-Corruption Anti-Competitive Behaviour	20-26
7	Economic Performance	Economic Performance	16-17, 27-28
8	Product Quality Management	Customer Health and Safety	37-43
9	Recruitment and Retention of Skilled Employees	Employment Market Presence Economic Performance	29-36
10	New Business Development, Challenges and Opportunities	Indirect Economic Impacts Economic Performance	28-29, 37-40
11	Lifecycle Impacts of Products and Services	Customer Health and Safety Marketing and Labelling	40-42
12	Risk Management	Governance	20-23
13	External Economic Impact from Company Activities	Indirect Economic Impacts	28-29, 37-40
14	Employees Compensation and Benefits	Employment Market Presence	29-35
15	Customer Health and Safety	Customer Health and Safety Marketing and Labelling	41-42

In addition to the materiality matrix, due to their importance to sustainability issues, we included in our report specific references to community relations and environmental footprint. These issues were addressed in the report, even though they were not found to be material.

## **TRANSPARENCY AND STAKEHOLDER DIALOGUE**

As a leading company in its domain of operations, Sarine has a broad range of stakeholders that include investors, employees, business partners (e.g. suppliers and distributors) and customers, as well as consumers and governmental authorities.

Although many of the topics pertaining to sustainability are global by nature, each category of stakeholder is characterised by its specific interests relating to Sarine. The Company recognises the importance of its stakeholders and their interests, and we therefore invest significant resources to maintain transparent and open communications with them.

Open communications were especially important to the Group during the Covid-19 related uncertainty that prevailed for much of 2020-2021. During this period, the Group updated its investors, employees, business partners and customers with timely updates on the impact, challenges and opportunities presented by Covid-19. Further information about our Covid-19-related activities is detailed in the “Management’s Business Operation & Financial Review” section of the 2021 Annual Report and in the 2020 Sustainability Report.

The Company has a whistleblowing policy. For further information, please see sections “Our People” and “Preventing Bribery, Corruption and Fraud” below.

Below is a list of methods and the frequency in which we communicate with our stakeholders:

## Investors

- Immediate publication of any material news relating to our business on the SGX network (SGXNet)
- Publication of semi-annual financial reports on the SGX network
- Publication on the SGX network (SGXNet) and on our website of information related to investor relations
- Ongoing communications with investors who have queries concerning various aspects of the Company
- Publication of an Annual Report
- Holding of Annual and Extraordinary General Meetings of Shareholders

## Employees

- Open door policy for employees with frank employee dialogue
- Career development and annual performance reviews
- Recreational and wellness activities
- Annual organisational approach survey
- Anonymous complaints box for our employees' working environment

## Business Partners

(Suppliers, Vendors, Sales Partners, etc.)

- Ongoing regular dialogue with key vendors and suppliers, including meetings with suppliers, in 2021 mostly through online communication channels
- Continuing relationship and ongoing communication with authorised sales representatives worldwide

## Customers

(Manufacturers, Retailers, Wholesalers, Laboratories, etc.)

- Regular communication with customers
- Periodic customer satisfaction surveys
- Maintaining an open customer service platform
- Advertisements
- Marketing and sales promotion activities

## Local Communities

- Charitable and donation activities
- Taking part in community projects and charity work
- Open feedback channels for the communities in which we operate

## Government

- Regular communication with governmental authorities
- Timely mandatory reporting and compliance requirements

## United Nations Sustainable Development Goals (SDGs)

Sarine recognises the SDGs and understands the impact they are making on a global scale. With operations in various countries, we realise our activities might have impact on multiple goals. We take the SDGs into consideration and adjust our sustainability performance in the future as we continue to develop our sustainability strategy.

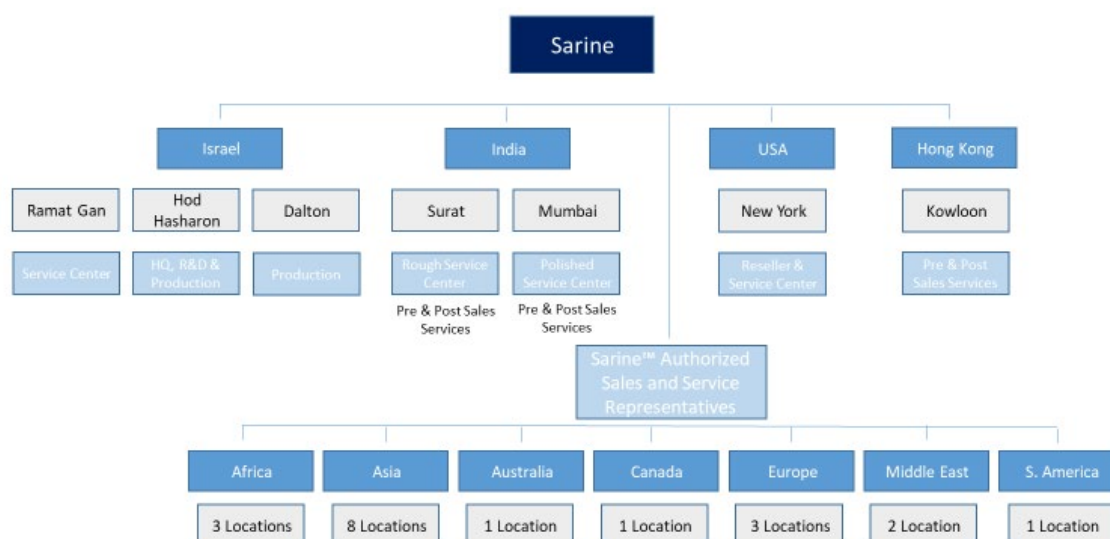


## SARINE AT A GLANCE

In July 2021 Sarine commenced trading on the Tel-Aviv Stock Exchange (as a secondary listing). No other significant changes to the organisation were implemented in 2021 in regard to group structure, ownership, supply chain, locations or operations. All relevant changes with regards to employee base, financial performance and sustainability figures are detailed elsewhere throughout the report. Full detail of our financial results can be found in our 2021 Annual Report.

## OUR NUMBERS

### Description of Operations:



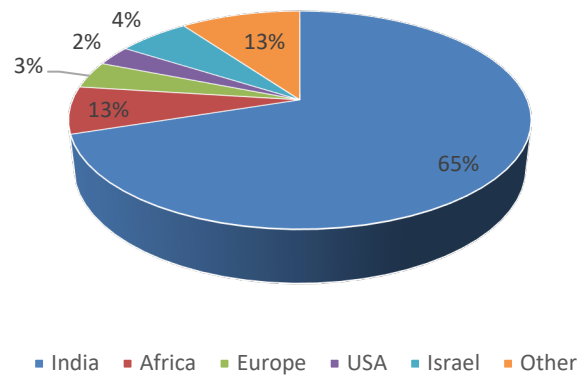
### Revenue, gross profit, profit from operations and net profit:

*For the year ended 31 December 2020 and 2021*

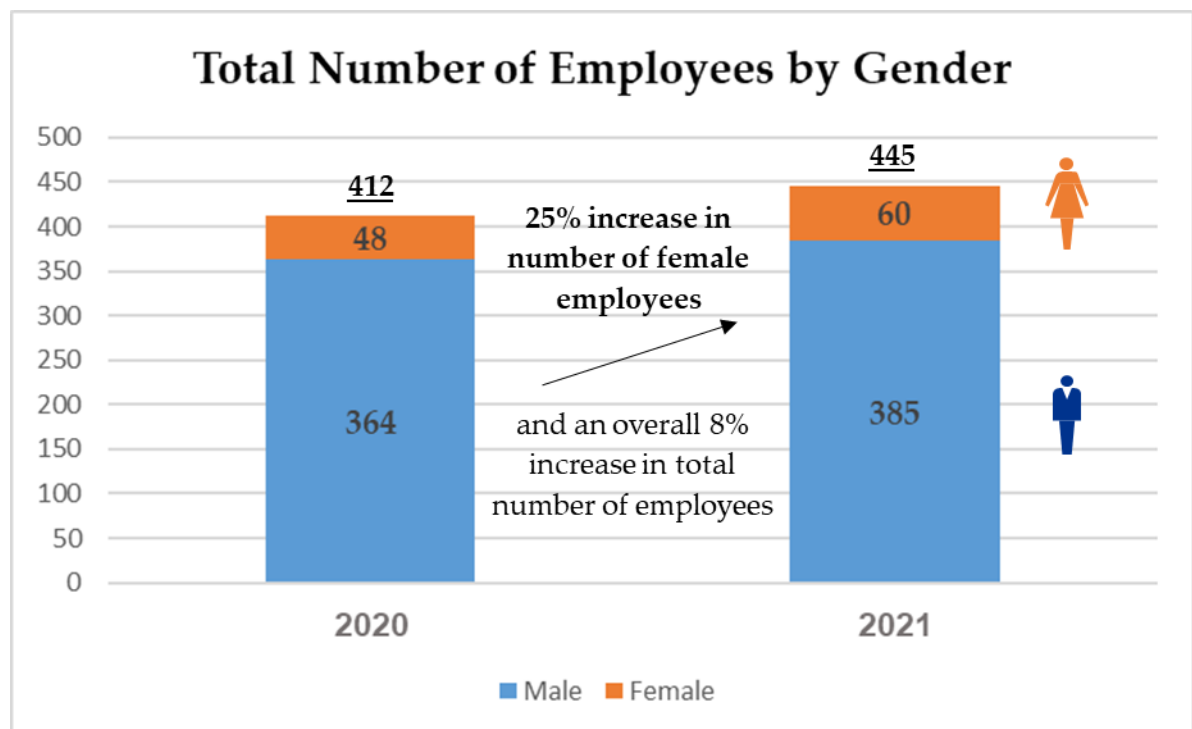
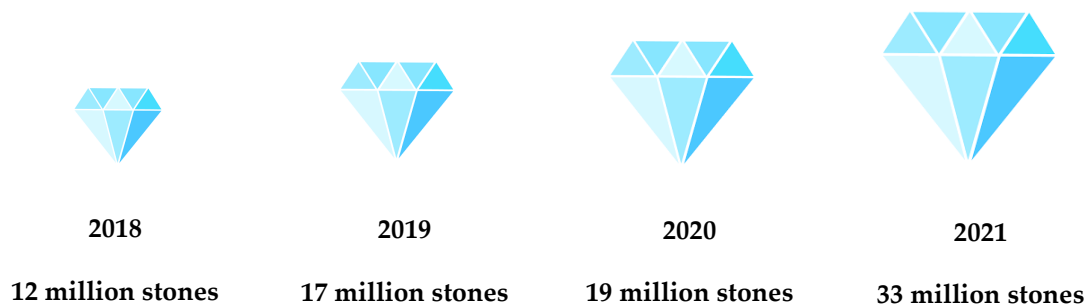
	2020	2021
	US\$'000	
<b>Revenues</b>	40,968	62,116
<b>Gross profit</b>	27,070	45,827
<b>Profit from operations</b>	4,763	19,203
<b>Net profit</b>	2,365	16,456



### Revenue by Geographic Segment



Approximately 33 million stones were scanned through Sarine's inclusion mapping products worldwide in 2021, reaching an all-time record surpassing our previous (2020) record by 73%.



## OUR VALUES

Our Core Values have guided and shaped our Company over the years. We abide by these values every day and endeavour to implement them in our work and our relationships with our colleagues, customers and suppliers.



### **Innovation and Creativity**

We consistently strive to be at the forefront of technology and creativity, to produce cutting edge products and solutions with the highest standards of quality and workmanship.



### **Teamwork**

We share ideas and support and respect each other with a strong team ethos and a commitment to common goals.



### **Customer Orientation**

We believe that things should be made simple, but not simplistic. We produce technologically advanced products and solutions, which are customer-oriented.



### **Honesty and Fairness**

We are honest and fair in our work and in our treatment of employees, suppliers and customers.

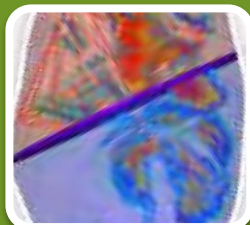


### **Commitment and Integrity**

We are committed to our stakeholders' continuous satisfaction and provide worldwide support to ensure optimal usage of our products.

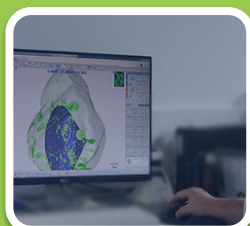
## BUSINESS

Sarine's business can be primarily categorised into five separate market segments of the diamond industry:



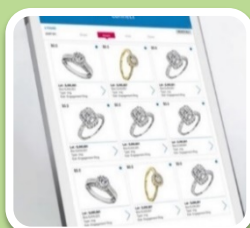
### Rough Stone Evaluation and Trade (The "Upstream")

Sarine assists the diamond mining producers to evaluate (high resolution mapping of a rough stone's external geometry and internal inclusions and tension) and offer for sale through digital channels (especially crucial during the Covid-19 disruptions) their rough stones as per their varied qualities using our revolutionary Galaxy® and DiaExpert® families of platforms.



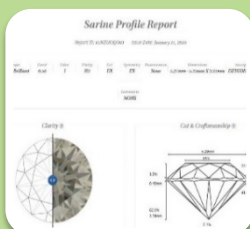
### Rough Stone Polishing (The "Midstream")

Sarine has revolutionised this segment of the industry, by introducing computer-based technologies to automate internal inspection, planning, sawing/cutting, shaping, polishing (faceting) and fine polishing in order to turn diamonds into retail-ready polished gems.



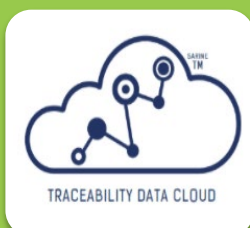
### Polished Diamond Trade (The "Downstream")

A strategic decision taken in 2010 was to expand our product and service offerings into the wholesale and retail trade of polished diamonds, referred to as the "downstream". We have launched the Sarine Profile™, Sarine Diamond Journey™ and TruMatch™ to support branding and merchandising efforts.



### Diamond Grading

Commencing 2018, Sarine offers comprehensive polished diamond 4Cs (Carat, Cut, Color, and Clarity) grading utilising artificial-intelligence (AI) based technology, along with light performance grading, essentially the fifth "C" in some APAC markets.



### Diamond Traceability

Every diamond's journey from mine to consumer is unique and fascinating. At every stage of the rough diamond's transformation to polished gem – Sarine's innovative technologies are used to achieve the highest return. As 100 million rough diamonds pass through Sarine systems, we are uniquely positioned to provide an industry-wide traceability solution, with verifiable data at every stage of the stone's journey.

In 2021 some 33 million stones were scanned for inclusion mapping using our Galaxy® family systems, and an estimated 100 million stones were planned using our DiaExpert® family

platforms. Of these, 70 million stones were planned using our online Advisor® cloud-based software, which, optionally, records the actual processing stages.

Further information about the Sarine Group's products is detailed in the "Management's Business, Operation & Financial Review" section of the 2021 Annual Report.

## CORPORATE GOVERNANCE

Sarine is committed to practicing proper corporate governance. This commitment includes the oversight of various aspects of our business such as company strategy, fiscal accountability, ethical corporate behaviour, sustainability and fairness to our stakeholders.

We recognise and place strong emphasis on our corporate responsibility to our stakeholders and are committed to managing our business in ways that lead to sustainable growth, while balancing current and future needs. We are committed to doing this by fulfilling all regulatory and ethical dictates and adopting all relevant guidelines.

Sarine is incorporated in Israel. Sarine is listed on the Mainboard of the Singapore Exchange (primary listing) and on the Tel-Aviv Stock Exchange (secondary listing). Therefore, we comply with various corporate governance requirements under the Israeli Companies Law, 1999, and the SGX Listing Rules. Furthermore, the Company has adopted, and will continue to adopt as necessary, voluntary rules to ensure transparency towards all our stakeholders, as well as enforcement procedures that ensure strict compliance with both the law and internal control processes. We have internal controls, legal advisors, internal and external auditors and we consult with independent experts to evaluate economic, social and environmental issues to ensure compliance.

<u>2021-2022 Targets and Goals Status</u>	
<u>Target/Goal</u>	<u>Status</u>
• Review and update the remuneration policy drawing on the broader experience of the new independent directors.	Completed
• Periodic corporate risk assessment analysis.	Ongoing
• Upgrade parameters for evaluating the Board and the director effectiveness.	Ongoing

To read more about the ongoing measures taken by the Board of Directors, please see the Corporate Governance section in our 2021 Annual Report.

## SUSTAINABILITY MANAGEMENT

Sarine is aware of the ongoing need to properly address and manage sustainability in our business. Recently, the Company's Board of Directors appointed an ESG Committee, comprised of three board members and the Company's General Counsel, to consider the

Company's environmental, social and corporate governance strategy and to submit its recommendations to the Board of Directors by August 2022, thus enabling the Company to incorporate relevant additional considerations into its sustainability efforts during 2022.

Our sustainability reports together with our materiality analyses are produced by our appointed sustainability management individuals and have been reviewed and authorised by the Board accordingly.

## **RISK MANAGEMENT**

Sarine has ongoing enterprise-wide risk management activities that address strategic, financial and operational risks. The risk management system relates to strategic, operational, statutory and economic risks in all aspects of the organisation's operations, including potential impacts from the Company's activities. Through this structured process, which identifies risks, Sarine continued to apply precautionary principles to relevant issues in 2021. The Board, with the assistance of the Audit Committee, reviews, on an ongoing basis and at least annually, the adequacy and effectiveness of the Company's risk management and internal control systems. The Company's internal auditor conducts in-depth analyses of key issues on a routine basis. The primary area that was audited in 2021, and the internal controls fine-tuned appropriately as per the findings of such audit, was purchasing. In 2021, Sarine's internal auditor completed a comprehensive risk assessment of the Group's activities, which will be the basis for upcoming internal audits and risk assessments.

Further information regarding Sarine's risk factors and risk management process is detailed in the "Management's Business, Operation & Financial Review" section of the 2021 Annual Report.

## **BOARD OF DIRECTORS**

As of 31 December 2021, the Board is comprised of seven directors, four of who are independent. In 2020 a new Board was put in place, and there were no changes to the Board during 2021. Two of the directors, namely Ms. Neta Zruya-Hashai and Mr. Sin Boon Ann, also qualify as "External Directors" under Israeli law. Thus, the Board is able to exercise independent and objective judgment, and no individual or small group of individuals can dominate the decisions of the Board.

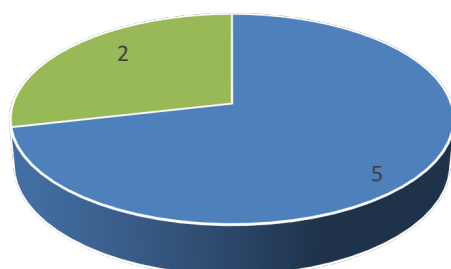
Mr. Daniel Benjamin Glinert is Sarine's sole Executive Director and Chairman of the Board.

Ms. Varda Shine is the Lead Independent Director.

Our Board is comprised of individuals with extensive knowledge and skills, and diverse expertise and experience in the various segments of the diamond and jewellery industry, computer science, engineering, as well as, expertise and experience in accounting, audit, financial reporting, and corporate governance.

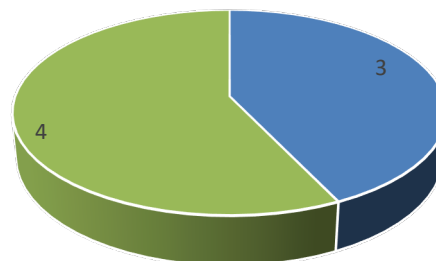
The breakdown of our directors holding office as of the date of this report are:

**Director Breakdown - Gender**



■ Men ■ Women

**Director Breakdown - Independence**



■ Non-Independent ■ Independent

The Board meets regularly, and in any event no less than five times each calendar year. During the pandemic in 2020-2021, the Board met regularly by digital means, while upholding social distancing and maintaining Covid-19 guidelines. The Board members have been instructed and undergo periodic training with regard to their roles, responsibilities, powers and duties. Such orientation includes dissemination of written materials prepared by the Company and its counsels, periodic updates with regard to legal and corporate governance developments affecting the Board and the directors, and personal communication with the Company Secretary and ongoing discussions at Board meetings. New Board members with no prior publicly-listed company board experience also attend the Singapore Institute of Directors (SID) listed entity director programme.

Details of the Board and its committees and number of meetings held, are shown below:

Board of Directors	Audit Committee	Remuneration Committee	Nominating Committee
<b>5 Meetings</b>	4 Meetings	4 Meetings	1 Meeting
<b>100% attendance</b>	100% attendance	100% attendance	100% attendance

The Independent and Non-Executive Directors actively participate in developing strategy and in reviewing the performance of the Company.

The Independent Directors may meet outside the presence of the Executive Directors and/or Company management to the extent necessary or advisable.

The Board is involved and oversees the sustainability activities as described in this report, including sustainability strategy, annual review and approval of the materiality analysis process and Board sustainability statement, and it provides comments to and approval of our

sustainability report. Relevant market and company developments pertaining to sustainability issues are shared with Board members and, based upon the materiality of the matter, discussed at Board meetings.

Further key information about the Directors, including compensation, is detailed in the “Board of Directors” and “Corporate Governance” sections of the 2021 Annual Report.

## **BUSINESS CULTURE**

Sarine’s corporate culture rests on core values that include innovation and creativity, customer orientation, honesty and fairness, commitment and integrity and teamwork.

These values, together with the Company’s commitment to comply with all laws, regulations, compliance programmes and procedures, are vital for our sustainable growth and success.

As a responsible member of the modern business environment, Sarine complies with applicable regulations in all its countries of operations and maintains a Code of Ethics in order to guarantee that we create and maintain appropriate relationships with our business partners, customers and employees, based on all relevant legal statutes, mutual respect, fair play, transparency and sustainable long-term business practises.

## **CODE OF ETHICS**

Sarine's Code of Ethics is authorised by the Board of Directors, and is disseminated in our orientation process for new employees. When necessary, we conduct formal follow-up training on these matters. The Code of Ethics was updated and approved in 2021 to accommodate the Group's current needs and with an emphasis on communications’ routes that are in line with global developments.

Following are the key tenets of our Code of Ethics, on which we base our everyday business execution:

- ❖ We treat our business partners, customers and employees with fairness and dignity.
- ❖ To the best of our ability, we create a safe and protective work environment for our employees, and we offer our customers safe products, with which to similarly create a safe work environment for their employees.
- ❖ In order to ensure operator safety, our products and services undergo strict inspections which are constantly revisited by our own engineers and by third-party experts. Operating instructions and/or training are provided, as applicable, with regard to the proper and safe use of our products and, where necessary, built-in safeguards are provided to prevent inadvertent unsafe operation.

- ❖ Wherever applicable, we ourselves employ, and we instruct our customers as to how to similarly take, all necessary measures for the safe and environmentally friendly use and disposal of even marginally hazardous materials, as per directions from appropriately authorised expert consultants.
- ❖ We believe our business does not impact the ecological balance of our environment and does not have any influence on the sustainability of the industry or the human/natural fabric in which we operate.

Additional aspects of our Code of Ethics relating to Sarine Group approach to our employees, can be seen in the 'Our People' chapter below. Further information may be found in the Corporate Social Responsibility section of our 2021 Annual Report.

## **PROFESSIONAL AND INDUSTRY-RELATED INVOLVEMENT**

Sarine sees great importance in belonging to industry-affiliated associations through which it can have a voice and exercise influence and have an impact on our industry, while creating shared value.

As of 2021, we are members of or have an ongoing discourse with a number of industry associations, such as:

- American Gem Society (AGS)
- The World Jewellery Confederation (CIBJO)
- Diamond Dealers Club New York
- Dubai Diamond Exchange (DDE) at the Dubai Multi Commodities Centre (DMCC)
- Guangzhou Diamond Exchange (GZDE)
- India's Gem Jewellery Export Promotion Council (GJEPC)
- Jewellers of America (JA)
- Jewellers Vigilance Committee (JVC)
- Responsible Jewellery Council (RJC)
- The Belt and Road Jewellery Extended Fashion Industry Alliance (JFIA)



## **PREVENTING BRIBERY, CORRUPTION AND FRAUD**

Diamonds possess a number of characteristics which make them vulnerable to utilisation for corruption, fraud and bribery such as:

- High value
- Low weight/mass and small size
- High durability with stable pricing and an ability to retain value over long periods of time
- Ability to go undetected (non-metallic and odourless)
- Untraceable and unmarked
- Easily bought and sold outside the formal banking system

Due to this, Sarine is committed to running its business with integrity, fairness, reliability, and professionalism.

We maintain a zero tolerance approach to all forms of corruption, including bribery, theft and fraud. We also give special attention to preventing other forms of criminal activity, including conflicts of interest and extortion, as well as issues such as embezzlement and misuse of Company assets. Sarine has effective controls in place at every stage of its business.

No claims or allegations of corruptive practices or actions, including bribery, were brought against any member of the Group or its employees during 2021.

Measures to prevent corruption within the organisation have been put in place, such as;

- An updated Code of Ethics, which addresses corruption issues.
- The policy that all payments are conducted through traceable transactions. Cash payments are strictly prohibited in this regard.
- We have a whistleblower policy that encourages employees and business partners to report on any illegal, improper or unfair practices that they encounter in their dealings with any member of the Group.

No fines or non-monetary sanctions were imposed on the Group in 2021 in regard of non-compliance with anti-corruption legislation and regulations.

## **LEGAL PROTECTION AGAINST ANTI-COMPETITIVE ACTIONS AND INTELLECTUAL PROPERTY INFRINGEMENT**

The products we develop are proprietary in nature. Hence, our ability to remain competitive in the market is also dependent on our ability to protect our intellectual property (IP) in both hardware and software. To facilitate the protection of our IP rights, we have registered and maintain numerous patents, copyrights and trademarks in countries key to our business, and

additional patent and trademark applications are pending in various phases in diverse jurisdictions.

In 2021, fifteen patent applications pertaining to eight inventions were filed on behalf of the Sarine Group in Israel, Hong Kong, Europe and the US relating to the developments of new products in the fields of diamond traceability, provenance and grading.

The Sarine Group maintains a zero tolerance policy towards the infringement of its intellectual property. We take proactive and aggressive actions aimed at protecting such rights, including taking legal action against those who are engaged in the offering and/or use of infringing products and services or any other fraudulent use of our technologies.

As a leading technology company in our field, the Group invests substantial resources to maintain such leadership and to patent, copyright, trademark and otherwise protect the Group's proprietary assets. Nonetheless, the Group is exposed to ongoing attempts to steal and otherwise misappropriate its technology and products and to violations of its intellectual property rights.

In addition to our IP copyright and patent applications and enforcement actions, we have designed and are continuing to design protective technological features into our systems, based on cloud computing technology, using proprietary in-house developed cyber protection.

Due to the Covid-19 pandemic, during 2020 some of our ongoing piracy litigation proceedings in India were briefly suspended with the temporary closing of the courts in India. However, in 2021 the courts in India enabled video conferencing as an alternative means to participate in hearings and trials and, as a result, all our previously deferred hearings and trials were reconvened.

In 2021 we continued our zero-tolerance policy and pursued legal actions against several copyright and patent infringers, primarily in India, and we continued our enforcement activities regarding existing litigation.

<u>2021-2022 Targets and Goals Status</u>	
<u>Target/Goal</u>	<u>Status</u>
• <b>Continue to expand and protect our intellectual property portfolio, including patent, copyright, trademark and trade secret protection.</b>	Ongoing
• <b>Continue our aggressive campaigns against IP infringement by legal means, technological innovation and commercial leveraging.</b>	Ongoing

To read more about the ongoing efforts taken by us, please see our 2021 Annual Report "Management's Business, Operation & Financial Review" section.

## DATA SECURITY AND CYBER

Sarine protects its data and systems with the highest levels of security. As a leading technology company in the market, we continuously verify that our information is secure. We invest extensively in cyber security and in creating our own proprietary in-house cyber protection. This creates a higher level of defense than that provided by using off-the-shelf commercially available protection, which is targeted per se by professional hackers.

We continually strive to provide the most efficient data security and cyber protection customised for our needs. During 2021, we took further measures by engaging leading experts in the field of information security, and together we further broadened the process for creating tailored products and enhancing our IT security.

As a result of this process, we enhanced our IT security by taking the following measures:

- Developed and released (in early 2022) Advisor® 8.0 with new sophisticated IP protection means.
- Further enhanced the security of our products.
- Transferred Company systems to the Cloud.
- Strengthened the internal network infrastructure against external threats.
- Further refined the corporate culture for safeguarding information.
- Full implementation of an endpoint detection and response system, with 24/7 SOC support for the Company.
- Increased the scope of its use of multi-factor authentication for the hybrid working environment.
- Increased the complexity of our password policy and the frequency for user changing of passwords.

<u>2021 Targets and Goals Status</u>	
<u>Target/Goal</u>	<u>Status</u>
• Strengthen security of the Galaxy® platform.	Completed
• Strengthen security of the Advisor® software.	Completed
• To engage a security expert and provide a wider security net for our assets.	Ongoing
• Update the Company's procedures and infrastructure in a methodical manner and in accordance with regulatory developments in the years to come.	Ongoing

### Targets and Goals for 2022

- Improve our cyber security with added layers of security.
- Engage third party industry experts to further evaluate the security of our systems.
- Further refine company policies to secure equipment that is used remotely.
- Improve the segmentation of our network.

## ECONOMIC PERFORMANCE

During 2021 the diamond industry recovered significantly from the Covid-19 pandemic disruption of 2020. Though some pandemic-related disruptions continued throughout 2021 (e.g., international travel restrictions), for the most part the diamond industry value chain activity returned to normal, and then some. 2021 saw midstream activity and the rough stone pipeline rebound by over 70%, and even exceed 2019 figures by some 20%. This rebound was driven by pent-up consumer demand, as personal luxury spending focused on goods rather than experiences, still limited by lingering Covid-19 effects. Following the rebound in revenues in 2021, the Sarine Group's expenses generally returned to more normalised pre-Covid-19 levels.

Year		2020	2021
		US\$ '000	
Direct economic value generated	Revenues	40,968	62,116
Economic value distributed	Operating expenses*	(22,307)	(26,891)
	Income tax expense	(1,643)	(2,481)
	Dividends paid	(1,049)	(7,018)
Economic value retained		15,969	25,726

\* Includes research and development, sales and marketing and general and administrative expenses (including wages and benefits and other direct and indirect costs).

The Sarine Group is in compliance with all relevant taxation rules and regulations in the various jurisdictions in which it operates. As detailed in the Annual Report, the Company's basic export-oriented tax rate is a preferential 12%. Our key subsidiary, Galatea Ltd., pays a 7.5% tax rate, being also in a national preferred development zone.

2021-2022 Targets and Goals Status	
Target/Goal	Status
<ul style="list-style-type: none"> <li>• Increase recurring revenue and profitability by honing our competitive edge and increasing Galaxy® penetration and usage in industry midstream (manufacturing).</li> </ul>	Ongoing
<ul style="list-style-type: none"> <li>• Increase recurring revenue and profitability by increasing penetration and adoption of revolutionary services – AI-derived technology-based 4Cs grading and provenance tracing for the industry retail downstream.</li> </ul>	Ongoing

For further information about our economic performance, please see the “Management's Business, Operation & Financial Review” and the “Financial Statements” sections in our Annual Report.

## ECONOMIC IMPACT

The cost of rough diamonds is high and are paid for upon receipt. Yet it often takes six to twelve months to sell the polished output, often on credit terms. The cost of financing this cycle, along with all the other complexities of the process, and the errors and accidents incurred along the way, drive polishers' margins to be low. Hence, any yield increases, cost savings or cycle shortening benefits are critical and have significant impact on the manufacturers' profits.

As a leading developer of technologies for the diamond industry, we strive to develop and improve efficiency and productivity in the sector. Over the years, the Group has managed to revolutionise the diamond polishing/manufacturing industry. We introduced various reliable, efficient, yield-increasing, cost/risk-reducing and time-saving technologies.

The global diamond industry has adopted our innovative technologies, many of which have become de-facto industry standards, improving the optimally achieved yield of the polished stone(s) weight over time by over 33%.

Our introduction of technology to the industry also contributed to the transition of manufacturing from historic diamond polishing centres in developed countries (e.g., Belgium, Holland, Israel and the United States) to lower cost centres (such as India, Botswana, South Africa, China and others). Today, the diamond industry midstream is concentrated in India.

Over the past few years, especially in 2021, we have seen exponential growth in the adaptation of scanning, planning and manufacturing technologies to smaller sized rough diamonds. This has had and will continue to have a direct impact on the penetration of our products and solutions into the diamond market.

## OUR PEOPLE

Our people are our greatest asset and are at the heart of everything we do. We believe and pursue continuous investment in and development of our personnel, so that they can realise their full potential and help the organisation achieve the highest levels of excellence.

The nurturing of our employees is a major priority for the Group. Sarine encourages and promotes improvements in various fields involving our human resources including talent attraction and retention, work environment, equal opportunity and health and safety in the workplace.

This commitment has been reflected in our Code of Ethics, which has been previously addressed in our 'Business Culture' chapter above. Additional commitments stated in the Code of Ethics regarding our human resources are stated as follows:

- ❖ Our human resources policies protect the rights and interests of the Group's employees, as dictated by all applicable laws in all the jurisdictions in which we have an established presence. Moreover, we go beyond statutory requirements to ensure a beneficial employment environment for our employees. In India, for example, the Group's Indian subsidiary actively ensures that all its employees and their immediate families receive an annual expanded medical checkup, on the Company's premises and at its expense, in lieu of working time, with a view to promote their health. During 2021, Sarin India also arranged for each employee to receive two doses of the Covid-19 vaccine.
- ❖ We maintain strict policies with regard to equality in the workplace, regardless of sex, sexual orientation, age, religion, ethnicity, disability or other personal traits or beliefs, including the strict and swift handling of any sexual harassment incidents, so as to provide a fair, safe and amicable workplace.
- ❖ We actively seek to employ individuals living with various disabilities in order to promote equal opportunity in the workplace.
- ❖ We strive to offer our employees engaging career paths, advancing them professionally with appropriate training. This year, 35 employees participated in a management development course, a process that started in early 2020 and continued this past year. We also hosted online English courses and technology courses for employees.
- ❖ We maintain open communication lines between all our employees and the various levels of management, encouraging our employees to comment on, improve, and critique the Company's activities. We have put in place a formal whistleblower policy, encouraging employees and business partners to report on any illegal, improper or unfair practices they may encounter in their dealings with the Group.
- ❖ We reward our employees for their contribution to the Group's success, either with cash bonuses, grants of stock options or otherwise.
- ❖ The Group organises multiple annual sports and leisure activities for the employees and their families, to enhance the team spirit of our employees and reward them for their performance. This past year, Sarine hosted a company getaway in Eilat, Israel in addition to arranging a summer family event for employees and several employee daytrips during the last quarter of 2021.

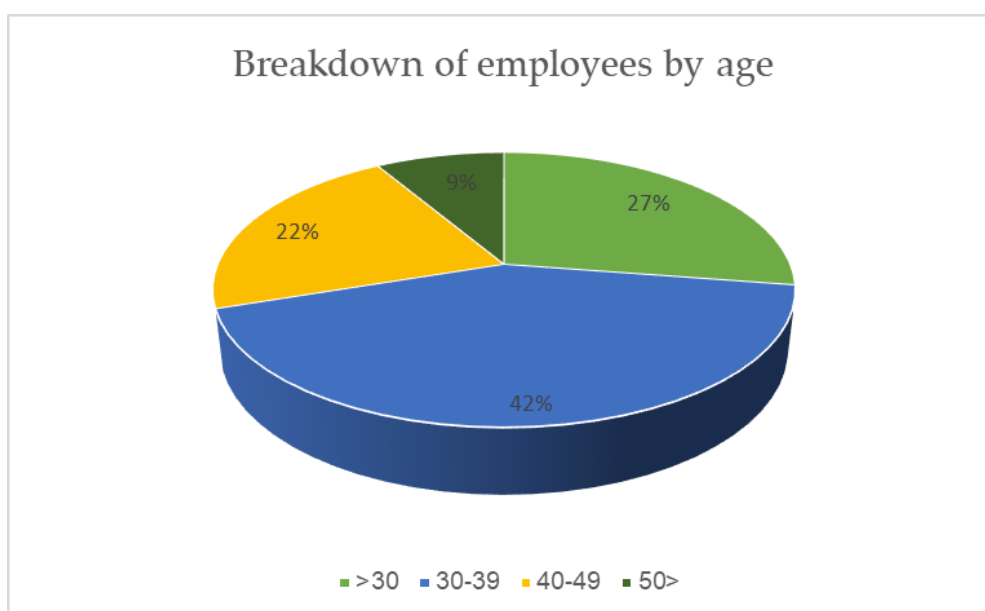
Over the last year, two employees tragically passed away due to Covid-19. Sarine held a memorial over Zoom and produced videos for the families. The Company also paid those employees' medical bills in addition to establishing a fund for their children's school tuition.

Sarine's employees are employed under personal employment agreements. None of the employees are under collective bargaining agreements. The Group's employees are all hired with salary agreements above minimum wage compensation. All of our employees are remunerated and enjoy benefits according to the applicable labour laws of each jurisdiction in which we engage employees.

Over 99% of our employees are employed on a full-time basis. Several employees are employed on a part-time basis, including university students. All significant activity of the Company is either conducted by or supervised by employees who are directly employed by the Group.

**Breakdown of employees per company and age for 2021:**

	Male	Female	Total
Israel	86	38	124
India	292	21	313
USA & Hong Kong	7	1	8
Total	385	60	445



**Breakdown of employee turnover by region and gender for 2021:**

	Employees Added		Employees Subtracted	
	Male	Female	Male	Female
Israel	14	21	6	21
India	73	10	51	5
USA & Hong Kong	2	0	3	1
Total	89	31	60	27

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## EMPLOYEE EQUALITY AND DIVERSITY

Sarine believes in the importance of having employees from all sectors of the community. We believe that a diverse body of employees improves the Company's operations, products and capabilities to support various customers all over the world. We have set a goal to recruit more female employees and encourage women to join a very male-dominated industry.

We also support the employment of individuals with various disabilities in order to promote equal opportunity in that regard. Sarine actively seeks to hire employees with disabilities and furthermore offers concessions and support to others with disabled family members, such as flexible working hours.

Equal opportunity in employment is a fundamental principle in the Sarine Group. We maintain strict policies with regard to equality in the workplace regardless of sex, sexual orientation, age, religion, ethnicity, disability or other personal traits or beliefs, as well as strict and swift handling of any sexual harassment incidents, so as to provide a fair, safe and amicable workplace. All aspects of employment are based upon personal capabilities and qualifications without regard to gender, age, race or religion, as established by law.

We strive to recruit our senior management from our local communities. 50% of senior key management in Sarin India are from local communities. These employees are fully part of the Company's senior management and are vital to the Group's success. Senior management relates to the key management personnel stated in the diagram in our 'Key Management' chapter while 'local' refers to employees whose origin is from the geographical area of the entity. The Group's significant locations of operations are in Israel and India.

In a country in which only a quarter of the women participate in the workforce, and in an industry in which women make up only 10% of diamond technologists, Sarin India is proud that 25% of its senior management is female. Notably, during 2021, nearly 30% of our new recruits were female, including 60% of new recruits in Israel.

To protect employees in general, and female employees explicitly, against sexual harassment or the abuse of power in the workplace, Sarine has implemented a prohibition against harassment in the entire Group and established a Sexual Harassment Prevention Policy. Furthermore, the Company conducts training on the prevention of sexual harassment for employees.

No complaints or accusations were made towards any Group employee in 2021, in relation to sexual harassment.



<u>2021-2022 Targets and Goals Status</u>	
<u>Target/Goal</u>	<u>Status</u>
• Reduce the percentage of voluntary staff turnover.	Ongoing
• Increase the percentage of internal promotions and recruitments to managerial positions.	Ongoing
• Continue employee development with fair and competitive remuneration based on merit.	Ongoing
• Strive for higher gender diversity.	Ongoing
• Implementation of mid-level management development programme.	Completed
• Implementation of employee development programme.	Ongoing

## EMPLOYEE DEVELOPMENT

We believe that investing in our people and maintaining a skilled and passionate team is key to sustaining our competitive advantage, and it is our goal to provide quality jobs with meaningful work, and a supportive and healthy working environment.

Sarine makes significant efforts on attracting the best professionals and providing them with the best work environments possible, with the aim of fostering their professional development. The Group strives to maintain a competitive advantage by strengthening its most important asset – our talented personnel.

Employees are sent for specialised training as needed, including professional courses to expand their knowledge in areas relevant to the Company's activities.

The managerial development workshop for mid- to senior-level employees in Israel, which began in 2020, was completed during 2021. We plan to expand this programme during 2022 with quarterly managers' meetings to discuss selected issues. Moving forward, we will focus on employee development for which a dedicated steering committee, comprised of managers at different levels, has been established. The committee meets on a regular basis and considers various organisational issues together with the employees. In 2021 the committee led the organisational survey that was carried out in Israel.

During 2021, three rounds of our one-on-one "walk2talk" initiative were held. This initiative encouraged a structured organisational dialogue once every few weeks with managers that paired up to consult, share knowledge and discuss challenges they faced in their daily work. During the period of social distancing this initiative had a positive impact on internal communications.

We maintain open communication lines between all our employees and the various levels of management, encouraging our employees to comment on, improve and critique the Group's activities. Sarine holds various types of functions in order to encourage open communication, including ongoing team meetings of company employees throughout the year, departmental meetings, monthly company-wide gatherings for various occasions, roundtable discussions between employees and management, and a general open-door approach to management of all levels.

In 2021, we identified nine outstanding employees through managerial feedback and surveys. These employees were recognised in a ceremony (and given prizes), resulting in improved morale and motivation.

## **REWARDS AND BENEFITS**

Sarine considers issues of employee remuneration and benefits cardinal. We take into account various considerations to calculate employee compensation and benefits, such as qualifications and relevant work experience, the performance of the employee, the relative value of each individual's position to the Company, as well as comparatives to parallel positions and in the competitive work marketplace.

The Company reviews compensation and benefits programmes regularly to ensure that we are on par with the market. The Company believes in providing targeted incentives and rewards to employees that are consistent with their performance and contribution to business results.

We have continuously granted share options to our employees. The Board of Directors has set guidelines concerning, among other things, eligibility to receive share options (based on performance and time of service with the Company), vesting periods (typically over three to four years from the date of grant) and the minimum and maximum amounts of share options to be granted (based on seniority and expertise). Executive Directors, senior officers and key employees are also granted performance-based options, to be vested over multiple years, based upon the achievement of business goals – as discussed in greater detail in the Company's Remuneration Policy appended to the Annual Report for 2020.

Sarine complies with relevant pension laws by contributing to its employees' pension funds, as required under applicable law and country practice.

Further details with regard to employee share options granted by the Company are included in the "Directors Report" section of the Annual Report. Sarine employee benefit plans and pensions are reported in the 2021 Annual Report section "Financial Statements", Note 20.

## WELFARE AND WELL-BEING

Sarine places great importance on occupational health and safety in the workplace and is committed to the safety of all employees at every site. During 2021 we continued our hybrid model of work, enabling employees to work both on-site at our facilities and offices and remotely from home. We have developed best practices for working remotely from home, which are based on various factors including input derived from roundtable discussions between employees and members of management.

We conduct various programmes to foster and achieve work-life harmony for our employees. A team of committed, productive and motivated employees facilitates and supports our corporate vision, mission, values and culture.

Our human resources policies protect the rights and interests of the Group's employees as required by applicable laws and regulations, and often exceeds them.

In December 2021 we performed a second organisational survey in Israel, with an 86% response rate. The main purpose of the survey was to gain better insight into the employees' experience of their work environment and to measure their level of satisfaction. We also analysed the results against those from the previous survey (March 2020). The survey comprises seven areas in relation to employee connectivity and organisational resilience, such as the management, the team, the role.

The results identified both the Group's strengths and areas that need improvement. The survey exhibited our employees' overall satisfaction with the Group's involvement in the community, the team's commitment to professionalism and cooperation, and the existence of a good working environment. The results of most parameters in the survey improved.

The results of the survey also showed the great investment in managers during the year. This was reflected in the survey by the increase in all scored manager related parameters. In addition, there was a significant improvement in the way employees positively perceive their managers.

The main results of the survey were shared broadly with all employees and managers. During 2022 we will introduce certain changes in line with the findings of the survey with the goal to increase employee satisfaction and provide a more productive and effective working environment.

Further information of our efforts can be found under the "Employee Development" section in this report.

Although our employee well-being programmes were adjusted in 2020 to conform to the social distancing and lockdown mandates, in 2021, we provided our employees a combination of in-person gatherings and online activities, such as:

- Department daytrips and team activities
- Happy hour gatherings at our offices
- A nutrition workshop for Company employees
- A family event during the summer
- Enriching lectures on special occasions such as holidays or International Women's Day

## **MEDICAL CARE AND COVERAGE**

Sarine provides a number of medical insurance options such as supplemental private insurance for employees and their families in Israel (national medical coverage is universal), and medical insurance for employees in North America. Sarin India contributes towards health-related insurance premiums for non-management employees (approximately 90% of employees).

## **WORKING MOTHERS**

Sarine complies with all applicable legal mandates regarding maternity and parental leave as per country of operation. In 2021 five Sarine Group employees took maternity leave. As part of our policy and recognition of the importance for work-life balance, we allow, as much as possible, flexible working hours and conditions to enable working mothers to take an active role in Company activities.

## **SOCIAL RESPONSIBILITY**

Sarine appreciates the importance of giving back to the local communities in which it operates. Key management and numerous employees regularly participate in social activity and community actions. Our efforts and participation in local and national programmes support the disadvantaged and less privileged segments of our society.

Our main activities in 2021 included:

- ❖ Purchasing of gift boxes for employees during the Covid-19 lockdown in Israel, which were packed by members of "Shavim", an organisation that provides occupational rehabilitation for people with mental issues.
- ❖ Continuation of our ongoing support of the Mental Health Center in Safed. We built additional large outdoor tables and benches for the benefit of the children attending the clinic's schooling programmes, as well as other special facilities for toddlers and those being treated at or visiting the clinic.

To demonstrate our commitment, the Company permits all staff to participate in these activities during working hours in order to highlight the importance of employee participation.

In India, our most significant market, Sarin India has an active Corporate Social Responsibility (CSR) Committee with 6 members, which has adopted and implemented an active CSR policy. The CSR Committee actively focuses on different areas that ultimately help students get a better education.

In 2021 we continued our ongoing programme in the Lalita Chokadi and Katargam localities in Surat, India's diamond manufacturing centre, where we have 'adopted' two government primary schools serving over 3,950 children. Over the past year, Sarin India paid the salaries of three computer teachers and of two cleaning staff and carried out IT infrastructure works in order to enable remote schooling. Sarin India also provided the schools with protective masks and sanitising machines to better protect the children throughout the ongoing pandemic. Additionally, in 2021 Sarin India 'adopted' an orphanage named "VR Popawala Children Home" in Surat, and provided it with needed electrical equipment and bunk beds for the children.

Further details may be found in the "Corporate Social Responsibility" section of the 2021 Annual Report.

## MARKETPLACE AND CUSTOMERS

Sarine is attentive to the needs of its customers. We manage this commitment through our operations and sales departments, which address the ongoing challenges of today's diamond industry.

As the market evolves, whether due to social, environmental or geopolitical developments, or technological advances, we continue to search for ways to expand our product offerings and services to new and existing global markets. In 2021, this was also demonstrated by the following:

- ❖ Shortly after the signing of the peace and normalisation agreements between Israel and the United Arab Emirates in 2020, Sarine collaborated in the opening of a Galaxy® service centre in Dubai, a leading rough diamond trading hub. The Company is currently strengthening its presence in Dubai. Notably, the CEO of Sarine was invited to be a keynote speaker at the 2022 Dubai Diamond Conference "the Future of Diamonds" that took place last February.
- ❖ Sarine has expanded its operations in Japan. To this end, the Company launched the Sarine.jp website, Line account - social media in Japanese and hired a local salesperson for Japan. The Company presented the Sarine Verifiable Traceability solution at the IGT 2021 Exhibition at Tokyo and started digital promotional B2B campaigns in Japanese on LinkedIn and Instagram dedicated to the Japanese market.
- ❖ The company has implemented a worldwide customer support programme, integrating customer plan alerts to the CRM system to concentrate all customer alerts on one system, consequently improving customer support.

- ❖ Sarine has recognised the strength and outreach that social media platforms provide. In October 2021, Sarine launched a TikTok B2B2C account, that has garnished over 450,000 followers, to further enrich the customers' ability to understand Sarine's solutions through an infotainment tone of voice-method. This step is aligned with Sarine brand values to innovate and lead, and with Sarine's mission to play a transformative role in formalising the language of modern diamond retail trade.
- ❖ Additionally, Sarine has expanded its LinkedIn presence in Vietnam, and restarted a pre-pandemic LinkedIn promotional campaign with a focus on southeast Asia. Lastly, Sarine has conducted an Instagram collaboration with platform influencers, like Katerina Perez and Renu Choudhary that have led to a lot of press coverage for the Company.
- ❖ In 2021, sustainability became a core value in the diamond industry. Sarine is leading this significant development by providing the world's first traceability solution based on verifiable data generated throughout the process from rough to polish, thus establishing a new standard of trust, sustainability and customer experience for the natural diamond industry. In fact, Sarine has orchestrated many virtual events and webinars to promote the importance of sustainability on a global scale - in the US, India, Belgium and Korea. An important milestone was the partnering of French High Jewellery Maison Boucheron with Sarine to provide Boucheron-branded diamond report "powered by Sarine", using Sarine's sustainable solutions.
- ❖ Another strategic cooperation signed in 2021 was with the Constell Group, which is primarily focused on aiding the midstream to transform raw materials to desirable finished gems in the most cost-effective way and on providing services to the rough producers and mines. The cooperation will initially focus on the rapidly growing segment of lab grown diamonds (LGD), with the aim of quickly and efficiently providing technological solutions for the current and evolving needs of the LGD segment.
- ❖ In 2021 Sarine expanded its operations in various markets. The Company is rebuilding its operations in the US with a new go-to-market plan. Additionally, in July 2021 the Company officially became a dual listed public company, after successfully completing its secondary listing on the Tel Aviv Stock Exchange.

## PRODUCT AND PROCESS INNOVATION

We believe that the development of innovative processes and products are essential for Sarine to continue to lead the industry in technological breakthroughs, and to create new opportunities for the industry throughout the diamond value chain.

In 2021, Sarine's research and development teams continued to innovate, develop and introduce new products despite some ongoing difficulties stemming from the continuance of the pandemic. These teams are continuously turning to Artificial Intelligence and other solutions for new and improved innovations in the field.

In the "Upstream" we assist diamond mining companies, also termed "producers", to evaluate and sell their rough stones. The Group's relationships with producers grew in the past years with the expansion of digital tenders. Alrosa, the Russian producer, which is the largest miner of diamonds worldwide in carat terms, Lucara, a Canadian-based producer operating in Botswana, and Grib, a smaller Russian producer, have adopted Sarine's technologies for certain categories of rough diamond production, and have offered diamonds for sale via digital tenders or other focused sale paradigms. In 2021, Dubai-based rough diamond wholesalers in the secondary market, including Choron, Gem Auctions, Koin, Stargems and others, also adopted our technologies to enable digital tenders.

In early 2022, Sarine announced a new system to aid producers with the broader control and analysis of their overall produced rough stones inventory – the Sarine AutoScan™. The new system was developed during 2021 and is now in beta-testing, and, when completed, it will allow the producer to rapidly scan diamonds at the actual mining site, thus creating a cloud-based database which will serve both the miner's internal need for tighter inventory control as well as the growing demand by consumers for documentation of the diamond's source. Sarine AutoScan™ will provide the initial data entry into the Sarine Diamond Journey™ traceability model. The new system will automate and effectively reduce the suppliers need for human handling of the diamonds.

The Group has an extensive industry-leading presence in the diamond industry's midstream, wherein the critical transition from rough to polished stone occurs.

During 2021, Sarine introduced its e-Grading™ paradigm to manufacturers and other industry players. Announced in 2020, the enhanced technology-based AI-derived grading provides in-house objective and consistent grading at a fraction of the time and cost currently required. The 4Cs grading results are derived without any human intervention and are immediately made available for online B2B access and subsequent B2C consumer report generation. Our aim is to assist the manufacturer to grade its output in a flexible and reliable manner in-house, without the inefficient, time consuming and costly process of sending diamonds offsite to a third-party grading facility.

Another product made commercial this year was Sarine's Diamond Journey™, providing global retailers end-to-end traceability from mine to consumer, documenting the sustainable supply chain throughout the process from rough to polish diamonds. Sarine's Diamond Journey™ provides today's ethically- and sustainability-minded consumers and retailers with full transparency of their natural diamonds' amazing odyssey from mine to store. Thanks to Sarine's advanced technologies, diamond consumers can view a verifiable report that traces their diamond's unique journey from its rough form all the way through the diamond manufacturing chain, to its final destination in the jewellery showroom or online store – so they can make their precious purchase with unprecedented peace of mind.

Further details with regard to Sarine's products and innovation processes can be found in the "Management's Business, Operation & Financial Review" section of the Annual Report.

<u>2021 Targets and Goals Status</u>	
<u>Target/Goal</u>	<u>Status</u>
• To finalise and launch our AI-driven cloud linked e-Grading™ initiative that will provide a time-saving cost cutting in-house automated solution for the 4Cs grading of polished diamonds.	Ongoing
• Continue to upgrade and strengthen the cyber-security of our products.	Completed

### Targets and Goals for 2022

- To release the Sarine AutoScan™ that will automate and quicken the process of scanning diamonds at the mined source and during their sorting.
- To release an enhanced Galaxy® system especially designed for the higher throughput and lower operational cost scanning of very small rough diamonds.
- To finalise rollout of our e-Grading™ paradigm to a broad group of key midstream entities.
- To Expand the Company's presence in new markets, such as Japan, the US, and the European market by mapping out specific market penetration opportunities in these regions.

## CREATING SHARED VALUE WITH CUSTOMERS

A long-term approach to business has always been part of Sarine's DNA. The Company's long-term success will be ensured by our creating value for both our shareholders and the industry as a whole. This approach, called Creating Shared Value (CSV), remains a fundamental guiding principle on how we do business by creating new shared value for our customers. It enables us to create customer satisfaction and to remain a leading innovative and sustainable force in our industry. Sarine's innovative solutions provide customers with the safety and peace of mind that comes with highly reliable products.



Our technology enables the better use of raw materials, efficient production and increased output from a rough diamond. This also contributes to reducing environmental damage through proper utilisation of natural resources and minimising energy use. Furthermore, using our technology in third world countries, such as the southern African countries and India, adds to the economic development of diverse communities by contributing to increased employment and to the overall betterment of employees' conditions.

## **PRODUCT STEWARDSHIP AND LIFECYCLE**

We adhere to high standards to ensure proper and safe use of our products. This includes properly marking any relevant potentially-hazardous elements, such as lasers, and ensure that all our customers receive proper guidance and training regarding the operation of the systems. We consider the safety of our products from their research and development through production and customer installation. We work continuously to ensure that our products are safe for people and the environment, when they are used responsibly and in the manner intended.

Any machine sold as of 2020 is provided with a protocol that contains safety instructions for operation of the machine. The safety protocols are in conformity with Sarine's technical guidelines and instructions, and are complementary with our online support.

Sarine's products are marked to show the Company's compliance with the European Union directive WEEE. The WEEE directive applies to recycling products and components and provides that no electrical or electronic equipment may be discarded into a city's normal waste disposal system. Sarine accepts requests for assistance from end users on the proper and safe disposal of any of our products or their components or consumable materials. Further to our on-site training and detailed user manuals, customers are encouraged to request help from Company technicians and support teams with the recycling of obsolete products.

All Sarine products meet European CE standards, and our initiatives go beyond legal requirements as we monitor the compliance to guidelines and standards through regular audits and check-ups. Sarine's technical and safety support was available during 2021 notwithstanding the challenges caused by the pandemic, either via remote communication or on site where possible.

Sarine did not have any incidents of non-compliance with regulations resulting in a fine, penalty or warning in 2021.

## **CUSTOMER HEALTH AND SAFETY**

Sarine continually seeks to enhance products by incorporating cutting-edge technologies and educating employees and customers about quality and safety. This proved to be a challenge during the pandemic, which the Group overcame through expanded remote communications

between our teams and customers, which enabled customers to seamlessly continue their operations. During 2021, while returning to “normal” operations with pre- Covid-19 activities, we met with our customers in person where possible. Product safety instructions are being conveyed to new customers in person by Sarine personnel during the installation of the equipment.

Sarine supports laser safety training for all customer employees who work on or around any of our laser systems. Our machines have built-in safety mechanisms, which halt laser operation when the sensors detect a problem. Sarine-trained engineers are instructed to comply with all applicable safety requirements regarding the use of laser devices. None of our machines were reported to have any discharge of Rutherfordium (RF) radiation in their usage in 2021.

Sarine conducts safety risk surveys where needed and equips relevant employees with advanced protective equipment. The Company also conducted professional quality inspections of suppliers, examining areas of safety and working conditions. In 2021, Sarine performed one supplier inspection, assessing working conditions in terms of safety, work environment in the supplier's facilities, and the use of proper protective equipment.

In 2021 a new safety training programme for employees was developed and since then, every new employee is required to complete the training upon joining the Company. Furthermore, once a year all employees complete a general safety training session, and employees who work with specific equipment are required to complete additional periodic training as needed (such as for work at height, production, use of different tools).

The Group follows health and safety requirements at all its locations of operations, including the provision of employee updates and training on Covid-19 related safety issues. It has also installed plastic partitions in its visitor reception areas at all of its sites.

There were no reported injuries to any of the Group’s customers, clients or suppliers as a result of using our products and no legal actions or complaints were made in this regard in 2021.

<u>2021-2022 Targets and Goals Status</u>	
<u>Target/Goal</u>	<u>Status</u>
• <b>Make on-site visits at our suppliers' facilities for health and safety inspections and surveys.</b>	Completed for 2021 Ongoing for 2022
• <b>Provide a digitised and convenient method for communication with customers.</b>	Completed
• <b>Maintain the goal of zero safety incidents with bodily harm.</b>	Completed for 2021 Ongoing for 2022

<ul style="list-style-type: none"> <li>• Zero substantial findings in 2021 by the internal auditor on safety issues.</li> </ul>	Completed for 2021 Ongoing for 2022
<ul style="list-style-type: none"> <li>• Successfully pass external surveys on environment protection, equipment safety assessments, etc.</li> </ul>	Completed for Galaxy® machines in 2020; ongoing for legacy machines.

## CUSTOMER PRIVACY

Sarine takes the necessary precautions to protect all types of customers' information.

The Company established a policy for the proper use of Company systems including privacy issues and rules for the protection of information privacy. In accordance with this policy, the Company established a system for protecting personal information and properly manages the personal information in our possession that includes procedures in the event a security breach takes place.

Sarine successfully implemented the principles of the General Data Protection Regulation ("GDPR") standard during the years 2018-2019. The GDPR implementation process was completed in 2019 and refined in 2020, including the review and updating of Company standards, procedures and policies in this matter, and an audit process was conducted in order to comply with the GDPR.

In 2021, as part of our ongoing day-to-day operations, we continued to review the Company's compliance with the GDPR principles. We also evaluated our data collection procedures and examined existing contracts with suppliers that provide us data processing services.

In 2021, there were a number of attempted phishing and cyber security attacks, but no information was compromised and no damage was caused to either our systems nor to our operations.

2021 Targets and Goals Status	
<u>Target/Goal</u>	<u>Status</u>
<ul style="list-style-type: none"> <li>• To conduct an internal audit of Sarine's GDPR compliance.</li> </ul>	Completed

### Targets and Goals for 2022

— Continue to update Sarine's policies and procedures in accordance with evolving and new regulations on an ongoing basis.

## RESPONSIBLE SUPPLY CHAIN

Sarine is committed to being a responsible and innovative leader in the diamond industry. Our strategy is also underpinned by embracing responsible business practices across our

operations and supply chain. Our entire supply chain consists of over 700 active suppliers with the majority of our operations and business conducted with about 50 of them. In 2021 we successfully maintained open communications with our suppliers throughout our supply chain.

In 2021 we continued the process of evaluating our key suppliers as part of our annual review, in which they were offered an opportunity to provide feedback based on our evaluation. These evaluations assist us in maintaining fruitful and productive relations with our key suppliers. Our “Know Your Supplier” questionnaires enables us to better familiarise ourselves with a supplier’s activities, and in addition, by requesting suppliers to commit to all necessary regulatory requirements, it ensures that all products provided to us are of the required standards.

Beyond that, we promote and foster relationships with suppliers who promote shared environmental and social values, such as employment of workers with disabilities.

## ENVIRONMENTAL RESPONSIBILITY

Sarine aims to be a responsible company that has little or no material negative impact on the environment by complying with industry-wide standards. We conduct our day-to-day business with a clear commitment to fully comply with corporate and industry standards, applicable laws, regulations and best practice.

We believe our business does not significantly impact the ecological balance of our environment and does not have any material influence on the sustainability of the industry or the human/natural fabric in which we operate.

Our sustainability initiatives establish an environmental plan that includes recycling and 'green' initiatives, including:

- Energy saving - automatic shutdown of air conditioning and lighting
- Using recycled paper
- Encouraging two-sided printing
- Battery recycling
- Encouraging employees to choose hybrid Company cars
- Launch of a Company blog that promotes sustainability and sector trends, the blog has two reports on a weekly basis.

<u>2021-2022 Targets and Goals Status</u>	
<u>Target/Goal</u>	<u>Status</u>
• Where possible, utilise recycled paper	Ongoing
• Where possible, transition to multi-use kitchenware	Ongoing

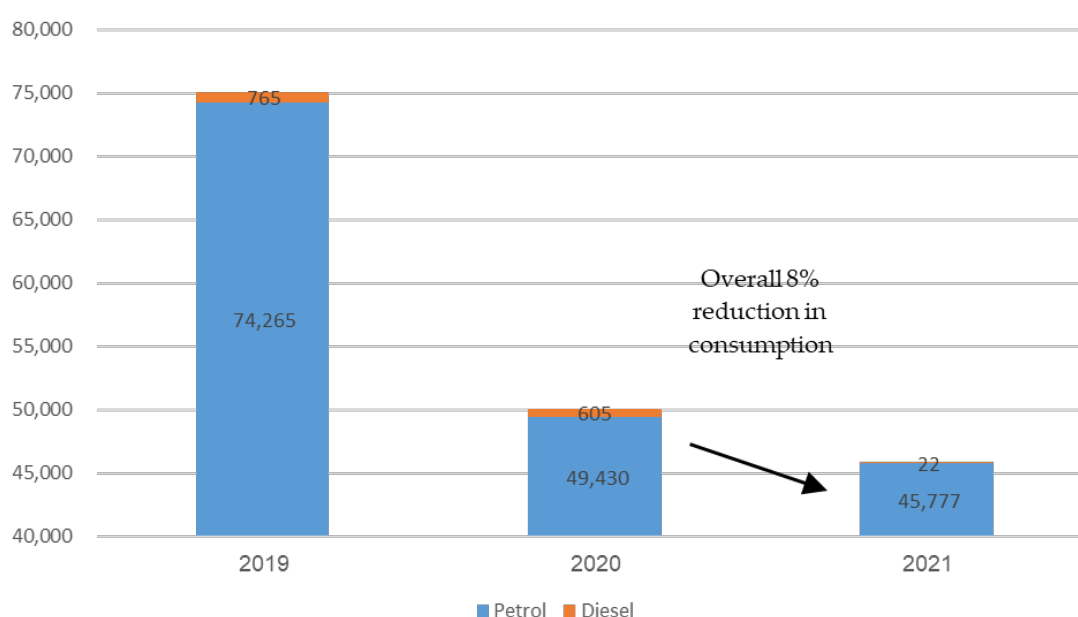
## ENERGY

As part of our efforts to improve our performance and limit our environmental impact, we measure energy consumed in performing our activities. In 2021 we saw an increase in energy use due to returning to our "normal" pre- Covid-19 levels of activity.

The Group's electricity consumption in most of its facilities in 2021 was increased, mostly due to employees being back in the offices and less working from home. The consumption was approximately 1,790 MWh, comparatively 190 MWh higher than in 2020 and an overall 12% increase in consumption. This includes all Sarine facilities in Israel, India and the US. Sarine did not sell any energy during 2021.

The Group's total fuel consumption during 2021 was lowered due to hybrid work that resulted in reduced driving for business requirements, as can be seen below. This amounted to 45,799 litres, of which 99% were petrol and 1% was diesel fuel. The fuel consumption includes company-issued employee cars and company cars in Israel and India. The Group has neither company cars nor participates in employees' car expenses in other locations.

### Total 2021 Fuel Consumption (ltr)



## CARBON FOOTPRINT

Our Scope 1 emissions consist of transportation fuels only, including petrol and diesel, where the data is gathered from the Company cars' transport records.

The Group's Scope 2 emissions include electricity consumption within facilities and operations of the Group.

Source	Company total 2019 ton CO <sub>2</sub> equivalent emissions	Company total 2020 ton CO <sub>2</sub> equivalent emissions	Company total 2021 ton CO <sub>2</sub> equivalent emissions	Change % 2020>2021
<b>Scope 1: Direct emissions</b>				
<b>Transportation fuels</b>	173.04	108.71	100.47	-7.58%
<b>Scope 2: Indirect emissions</b>				
<b>Electricity consumption</b>	1,585.2	1,257.53	1,372.56	+9.16%
<b>Total emissions (scope 1 &amp; 2)</b>	<b>1,759.18</b>	<b>1,366.23</b>	<b>1,473.02</b>	<b>+7.82%</b>

Source used for data unit conversion:

- Israeli Ministry of Environmental Protection- Israel emissions.
- US Environmental Protection Agency- US emissions.
- GHG Inventory report for Electricity generation and consumption in India- India emissions.
- DEFRA conversion factors for fuels- Transportation fuels.

## GRI INDEX

GRI Standard	Disclosure		Page	Omission
GRI 101: Foundation				
General Disclosures: Organisational Profile				
GRI 102: General Disclosures	102-1	Name of the organisation	5	
	102-2	Activities, brands, products, and services	5, 19-20	
	102-3	Location of headquarters	7	
	102-4	Location of operations	7, 16-17	
	102-5	Ownership and legal form	7-8	
	102-6	Markets served	7, 16-17	
	102-7	Scale of the organisation	16-17	
	102-8	Information on employees and other workers	17, 29-31	
	102-9	Supply chain	43	
	102-10	Significant changes to the organisation and its supply chain	5, 16, 43	
	102-11	Precautionary Principle or approach	21, 24-26	
	102-12	External initiatives	24	
	102-13	Membership of associations	24	
General Disclosures: Strategy				
GRI 102: General Disclosures	102-14	Statement from senior decision-maker	4	
General Disclosures: Ethics and Integrity				
GRI 102: General Disclosures	102-16	Values, principles, standards, and norms of behaviour	9, 18, 23-24	
General Disclosures: Governance				
GRI 102: General Disclosures	102-18	Governance structure	7-8, 16, 20-23	
	102-30	Effectiveness of risk management processes	21-23	
General Disclosures: Stakeholder Engagement				
GRI 102: General Disclosures	102-40	List of stakeholder groups	14	
	102-41	Collective bargaining agreements	30	
	102-42	Identifying and selecting stakeholders	13-14	
	102-43	Approach to stakeholder engagement	13-14	
	102-44	Key topics and concerns raised	12-14	
General Disclosures: Reporting Practice				
GRI 102: General Disclosures	102-45	Entities included in the consolidated financial statements	7	
	102-46	Defining report content and topic boundaries	10-13	
	102-47	List of material topics	12	
	102-48	Restatements of information	None	
	102-49	Changes in reporting	None	
	102-50	Reporting period	5	
	102-51	Date of most recent report	5	
	102-52	Reporting cycle	5	
	102-53	Contact point for questions regarding the report	5	
	102-54	Claims of reporting in accordance with the GRI Standards	5	
	102-55	GRI content index	46-48	
	102-56	External assurance	None	
Material Topics				
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	27-29	
	103-2	The management approach and its components	27-29	
	103-3	Evaluation of the management approach	27-29	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	16-17, 27-29	
	201-3	Defined benefit plan obligations and other retirement plans	33	
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	30	
	202-2	Proportion of senior management hired from the local community	8, 32	
GRI 203:	203-2	Significant indirect economic impacts	28-29	

Indirect Economic Impact 2016				
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	24-25	
	103-2	The management approach and its components	24-25	
	103-3	Evaluation of the management approach	24-25	
GRI 205: Anti-Corruption 2016	205-1	Operations assessed for risks related to corruption	21, 24-25	
	205-2	Communication and training about anti-corruption policies and procedures	24-25	
	205-3	Confirmed incidents of corruption and actions taken	24-25	
GRI 206: Anti-Competitive Behaviour 2016	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	24-26	
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	43	
	103-2	The management approach and its components	43	
	103-3	Evaluation of the management approach	43	
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	44-45	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	44-45	
	305-2	Energy indirect (Scope 2) GHG emissions	44-45	
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	29-30	
	103-2	The management approach and its components	29-30	
	103-3	Evaluation of the management approach	29-30	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	31	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	33-36	
	401-3	Parental leave	36	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programmes	36-37	
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	38-41	
	103-2	The management approach and its components	38-41	
	103-3	Evaluation of the management approach	38-41	
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	40-43	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	40-43	
GRI 417: Marketing and Labelling 2016	417-1	Requirements for product and service information and labelling	40-43	
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	42-43	
	103-2	The management approach and its components	42-43	
	103-3	Evaluation of the management approach	42-43	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	42	