SARINE TECHNOLOGIES LTD.

Sustainability Report

2020

Note: Welcome to our 2020 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

On behalf of the Board of Directors, it is my pleasure to present our fourth Sustainability Report for Sarine Technologies Ltd. ("Sarine" or the "Company" and along with its subsidiaries the "Group"), for the year ended 31 December 2020.

This report sets forth our perceptions relating to sustainability issues and their integration into our activities and 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 efforts 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 fourth 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 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 period from 1 January to 31 December 2020, and the data is updated as of its reference date – 31 December 2020 (note: as for financial information included in this report, the information is as published in Sarine's Annual Report for 2020).

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

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 finger-printing 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 gemology lab and diamond appraisal business, and are essential aids for diamonds 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.

At the beginning of the year, the world was forced into preventative lockdowns. This resulted in a standstill of the diamond industry in general and in India in particular, which is the global hub for rough to polished diamond manufacturing. This ultimately affected the Group, since business with India generates approximately 70% of our revenues.

The Group has taken the Covid-19 crisis seriously and has endeavored to actively support our employees, customers and suppliers to better weather the pandemic. We have adhered to applicable government mandates and guidelines in relevant jurisdictions, including the suspension of operations at our facilities. We also enabled our employees to work from home or provided them a safe and healthy working environment at our facilities. Throughout the year, our routines changed and underwent the necessary adjustments to better manage the complex situation.

Sarine updates its products and its services on an ongoing basis. During 2020 we adapted part of our solutions and services in order to provide our customers ongoing and continuous support worldwide regardless of travel restrictions and social distancing requirements. This included, among others: (i) the offering of improved remote maintenance capabilities; and (ii) improvements to our Galaxy services in order to accommodate Alrosa's and others' expanding utilisation of digital tenders. The capability to sell diamonds via digital tenders based on our technologies has enabled our customers to reach more buyers and continue trading rough diamonds during these difficult times.

As we look back on 2020, Sarine remained committed to achieving its long-term product development and innovation objectives and was able to successfully navigate the Covid-19 crisis, with minimal impact on our research and development activities. The Group did not suspend its research and development activities during this time and remained committed to achieving its long-term objectives.

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, 2020:

Sarine Technologies Ltd.

- 100% Galatea Ltd.
- 100% Sarin Technologies India Pvt Ltd.
- 100% Sarine Color Technologies Ltd.
- 100% Sarin Hong Kong Ltd.
- 100% Sarine Holdings USA Ltd.
  - Sarine North America Inc.
  - Sarine IGT 101 Inc.
  - Sarine IGT 10JKL Inc.
  - Sarine IGT 10H Inc.
- 100% Sarine Polishing Technologies Ltd.
- 23% IDEX Online SA
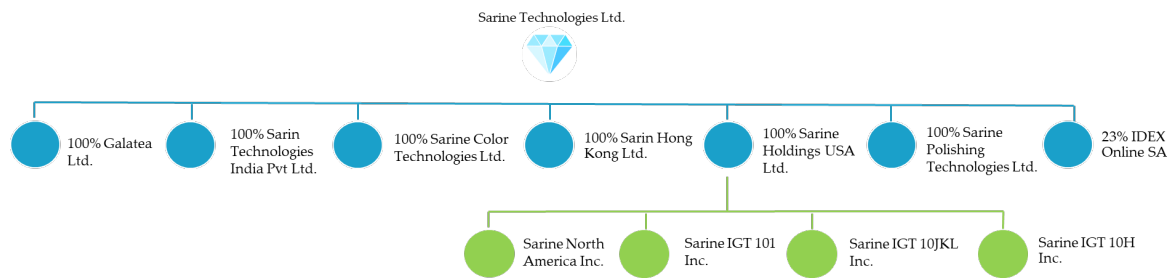
For further details regarding the Sarine Group's entities and operations, we invite readers to refer to our 2020 Annual Report "Group Structure" section.

KEY MANAGEMENT

Below is a diagram of Sarine Group's key management as of December 31, 2020.

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                                David Block
                                   CEO
     ┌──────────┬──────────┬──────────┬──────────┬──────────┐
 Ron Ben-Ari   William   Abraham Meir  Oren Ben    Tzafrir Yehuda
 VP Product    Kessler      Kerner     Kochav       Engelhard
 Management &    CFO        VP R&D    VP Global     VP Business
 Deputy CEO                          Operations    Development
                              │
                 ┌────────────┼────────────┬────────────┐
            William Weisel   Yoav Efrat   Ran Ziskind   Noy Elram
            General Counsel  GM Sarin     GM Galatea    Managing
                             India        Ltd.          Director Sarin
                                                        Hong Kong
                       ┌─────────┼─────────┐
                  Beenita Ritesh  Sudhir      Gilad Hassid
                  Chaurasia       Narasinga   VP Operations
                  VP Sales        Rao
                                  VP Finance
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Further information about key management and remuneration is detailed in the "Key Management" and "Corporate Governance" sections of the 2020 Annual Report.

*As at 31 December 2020, the percentage of senior management hired from the relevant local communities is as follows: 100% in Israel and 50% in India.*

** *Mr. Yoav Efrat's contractual employment as Sarin India's Managing Director ended year-end 2020. Mr. Ben Finkelstein will assume Mr. Efrat's responsibilities in 2021 upon receipt of the necessary authorisations from the appropriate authorities in India.*

Sarine's sustainability efforts are aligned with our Company's vision and strive to nurture success through long-term sustainable growth.
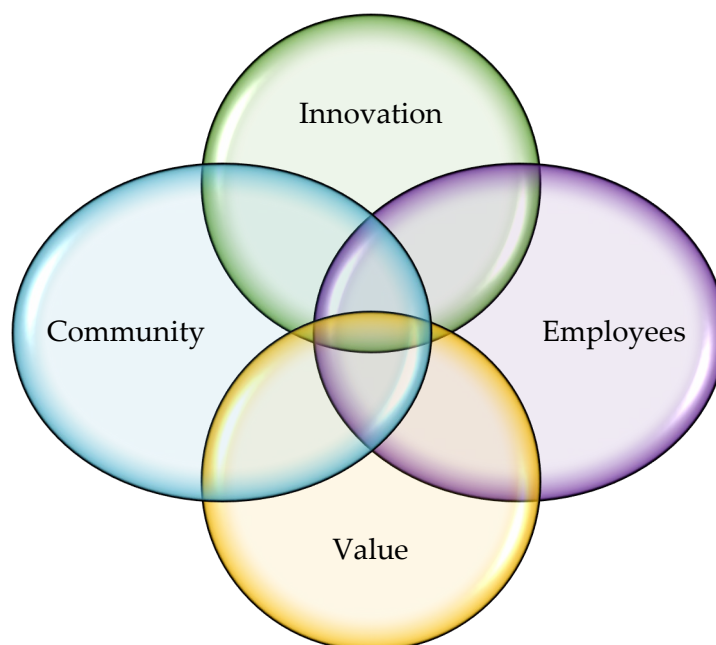
1. **Innovation** — Most diamonds over 0.1 carat in weight are touched by our innovative technologies at different stages of their processing. Sarine sees its mission as participating in setting the industry standards, optimising the utilisation of rough diamond material, enhancing the beauty and value of polished diamonds and providing confidence building 21st century solutions for polished diamond grading and their trade, 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:

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

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.

No material issues (as identified on page 12) previously reported upon in Sarine's 2019 sustainability report were found to require changes for this year's report. Nevertheless, this year we faced numerous changes to the work environment due to the outbreak of Covid-19, and accordingly we found some material issues receiving more attention during the year, as detailed in this 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:
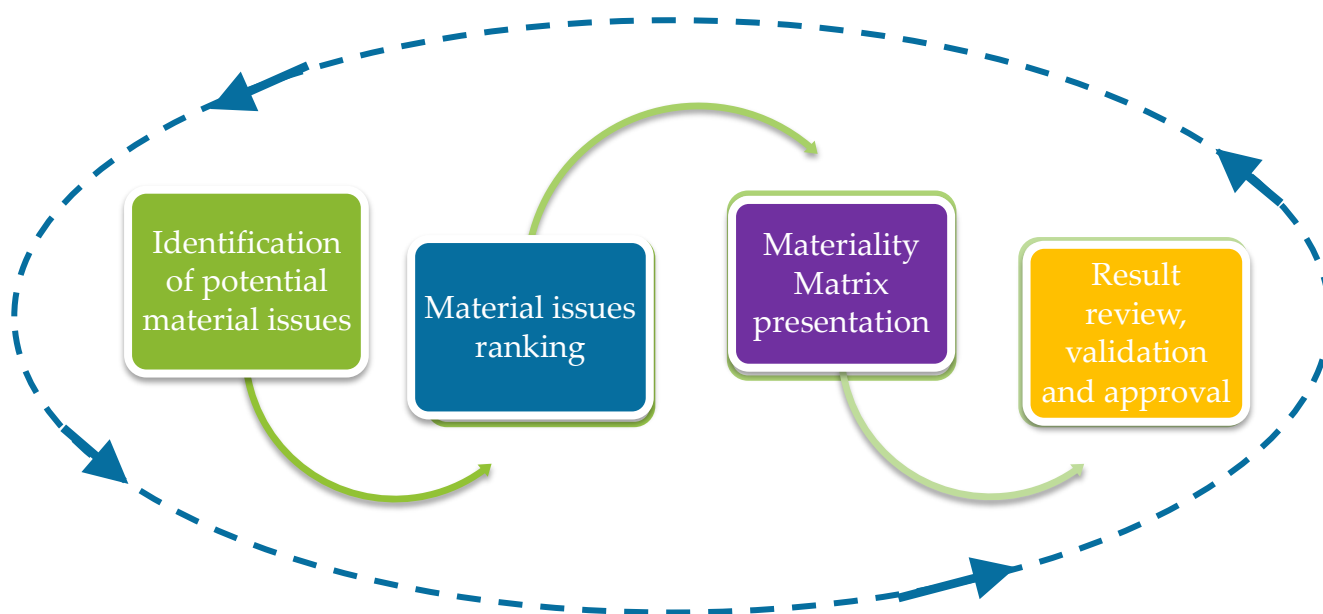
For further information regarding our four-step materiality analysis, please see our 2017 Sustainability Report pages 12-13.

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.

Materiality Matrix

	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	38-39
3	Intellectual Property	Governance, Ethics and Integrity	25-26
4	Customer Trust and Reputation	Customer Health and Safety Marketing and Labelling Customer Privacy	37-42
5	External Market Impact on The Company	Economic Performance Market Presence	28-29
6	Business Ethics and Governance	Anti-Corruption Anti-Competitive Behaviour	20-25
7	Economic Performance	Economic Performance	16-17, 28-29
8	Product Quality Management	Customer Health and Safety	37-41
9	Recruitment and Retention of Skilled Employees	Employment Market Presence Economic Performance	29-33
10	New Business Development, Challenges and Opportunities	Indirect Economic Impacts Economic Performance	28-29, 37-39
11	Lifecycle Impacts of Products and Services	Customer Health and Safety Marketing and Labelling	39-40
12	Risk Management	Governance	20-23
13	External Economic Impact from Company Activities	Indirect Economic Impacts	28-29, 38-39
14	Employees Compensation and Benefits	Employment Market Presence	32-36
15	Customer Health and Safety	Customer Health and Safety Marketing and Labelling	40-41

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 sphere of operations, Sarine has a wide 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 therefore, we invest significant resources to maintain transparent and open communications with them.

Open communication was especially important to the Group during the period of uncertainty that prevailed for much of 2020. During the year, 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 2020 Annual Report.

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)
- Company publication of semi-annual financial reports on the SGX network
- Publication on our website and on the SGX network (SGXNet) 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
- Recreational and wellness activities
- Career development and annual performance reviews
- Annual organisational approach survey
- Anonymous complaints box and upkeep 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 2020 mostly through online communication channels
- Continuing relationship and ongoing communication with authorised sales representatives worldwide

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

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

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
- Meeting 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.
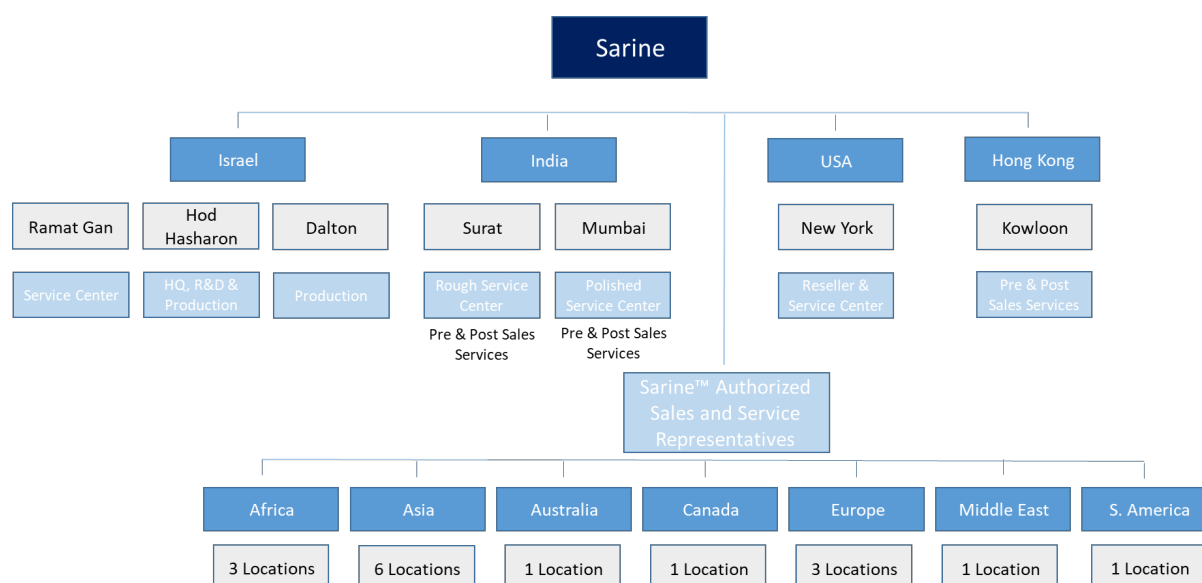
SARINE AT A GLANCE

No significant changes to the organisation were implemented in 2020 in regards 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 2020 Annual Report.

OUR NUMBERS

Description of Operations:
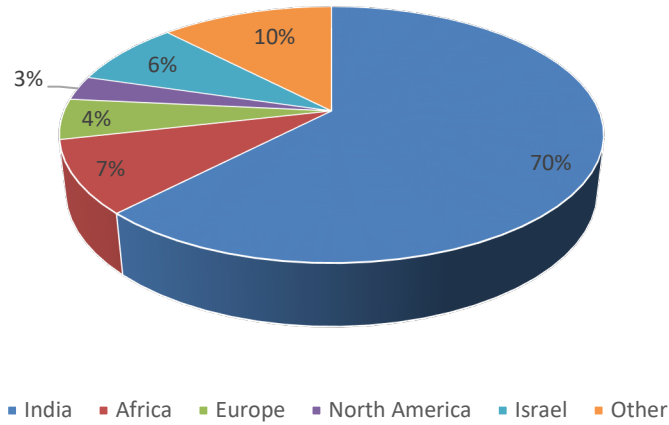
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                              Sarine
        ┌─────────────┬──────────────┬──────────────┐
      Israel         India          USA        Hong Kong
   ┌────┬────┬────┐  ┌────┬────┐      │            │
 Ramat  Hod  Dalton Surat Mumbai   New York     Kowloon
 Gan  Hasharon
Service HQ,R&D  Production  Rough  Polished  Reseller &  Pre & Post
Center & Prod.            Service Service   Service Ctr  Sales Services
                          Center  Center
                       Pre & Post  Pre & Post
                       Sales       Sales
                       Services    Services
```

Sarine™ Authorized Sales and Service Representatives

Africa	Asia	Australia	Canada	Europe	Middle East	S. America
3 Locations	6 Locations	1 Location	1 Location	3 Locations	1 Location	1 Location

Revenue, gross profit, profit from operations and net profit (loss):
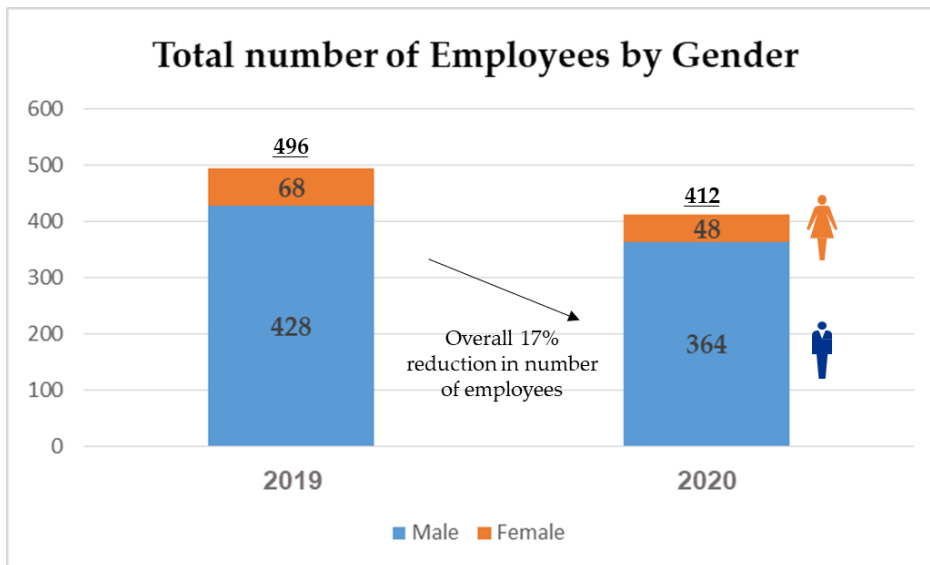
For the year ended 31 December 2019 and 2020

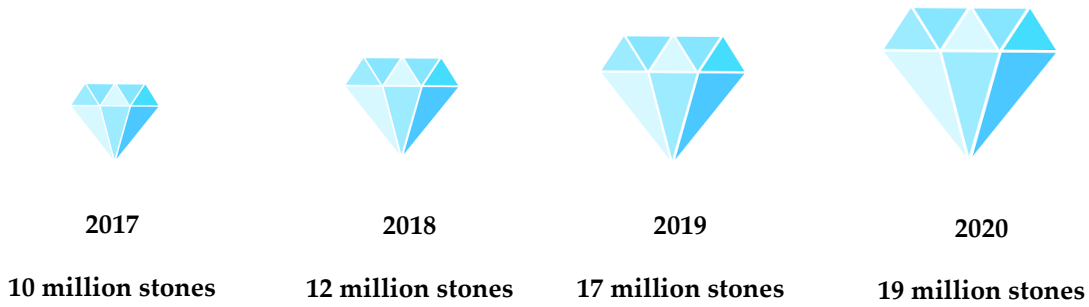|	2019	2020
	US$'000	
Revenues	51,323	40,968
Gross profit	29,584	27,070
Profit from operations	1,101	4,763
Net profit (loss)	(1,372)	2,365

Revenue by Geographic Segmet

70% India
10% Other
6% Israel
3% North America
4% Europe
7% Africa

■ India   ■ Africa   ■ Europe   ■ North America   ■ Israel   ■ Other

Just under 19 million stones were scanned through Sarine's inclusion mapping products worldwide in 2020, surpassing our previous record once again.

2017	2018	2019	2020
10 million stones	**12 million stones**	**17 million stones**	**19 million stones**

Total number of Employees by Gender

496
68
428

412
48
364

Overall 17% reduction in number of employees

2019   2020

■ Male   ■ Female

OUR VALUES

Our Core Values have guided and shaped our Company over the years. We stand 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:
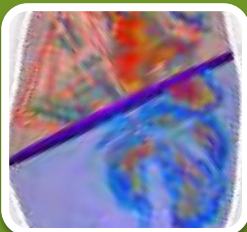
Rough Stone Evaluation (The "Upstream")

Sarine assists the diamond mining producers to evaluate their rough stones as per their varied qualities using our revolutionary Galaxy® and DiaExpert® families of platforms. These technologies provide high resolution mapping of a rough stone's external geometry and internal inclusions and tension.
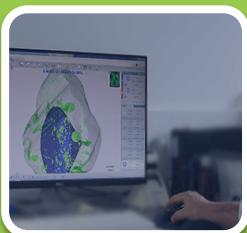
Rough Stone Polishing (The "Midstream")

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.
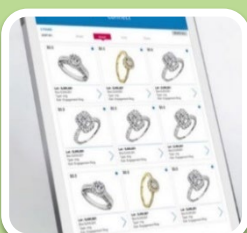
Polished Diamond Trade (The "Downstream")

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 Journey™, TruMatch™ and Verto™ to support branding and merchandising efforts.
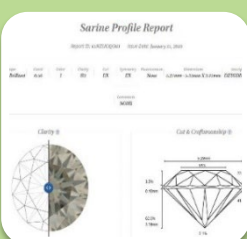
Diamond Grading

Commencing 2018, Sarine offers comprehensive polished diamond 4Cs (Carat, Cut, Color, and Clarity) grading utilising artificial-intelligence (AI) based technology.

Sarine Diamond Journey™

Every diamond journey is unique and fascinating. At every stage of diamond manufacturing – Sarine's innovative technologies are used to achieve the most valuable polished gem. 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 2020 some 19 million stones were scanned for inclusion mapping using our systems and close to 100 million stones were planned using our platforms. Of these, over 60 million stones were planned using our online Advisor® cloud-based software, which, optionally, records the actual planning stages. At the end of the year we saw a strong recovery in the midstream, with Galaxy® family scans reaching an all-time record of daily peaks of 100,000 stones.

Further information about the Sarine Group's products is detailed in the "Management's Business, Operation & Financial Review" section of the 2020 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 moral dictates and adopting all relevant guidelines.

Sarine is incorporated in Israel. Sarine is listed on the Mainboard of the Singapore Exchange. 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.

2020 Targets and Goals Status	
Target/Goal	**Status**
• Bring the drafts of our Code of Conduct and Anti-Corruption Policy to the approval of our Board.	Completed
• Appoint a new Board of Directors comprised of certain of the current directors and new Independent Directors.	Completed

To read more about the ongoing measures taken by the Board of Directors, please see the Corporate Governance section in our 2020 Annual Report.

Targets and Goals for 2021

- Periodic corporate risk assessment analysis.
- Upgrade parameters for evaluating the Board and the director effectiveness.
- Review and update the remuneration policy drawing on the broader experience of the new independent directors.

SUSTAINABILITY MANAGEMENT

Sarine is aware of the ongoing need to properly address and manage sustainability in our business. Therefore, the Company's Board of Directors appointed our CEO, CFO and General Counsel to manage our sustainability strategy and they report periodically to the Board of Directors on these issues. Accordingly, we have developed procedures, targets and goals to properly manage our sustainability efforts.

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

RISK MANAGEMENT

In the previous report, Sarine published its organisational enterprise risk management activity that addresses 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 and opportunities, Sarine continued to apply precautionary principles to relevant issues in 2020. 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. Sarine intends to conduct an in-depth bottom-up and top-down risk assessment in 2021.

Further information regarding Sarine's risk factors and risk management process is detailed in the "Management's Business, Operation & Financial Review" section of the 2020 Annual Report.

BOARD OF DIRECTORS

As of 31 December 2020, the Board is comprised of seven directors, four of who are independent. In 2020 a new Board was put in place. Three new independent directors were elected, and three non-independent directors and one independent director were re-elected. Two of the newly elected 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 was re-elected in June 2020 and is the Lead Independent Director.

In 2020 three independent directors retired and three new independent directors were elected following due examination of their professional credentials and backgrounds, in accordance with the Nomination's Committee assessment of the optimal Board composition and diversity objectives. We are very pleased with the addition of Ms. Neta Zruya Hashai, Mr. Lim Yong Sheng and Mr. Sin Boon Ann to the Board and we are confident that their extensive experience

and knowledge in their relevant fields of expertise, namely accounting and audit, the retail diamond trade and corporate governance, respectively, will be an asset to the Company. We express our gratitude and appreciation to the retired board members for their past services.
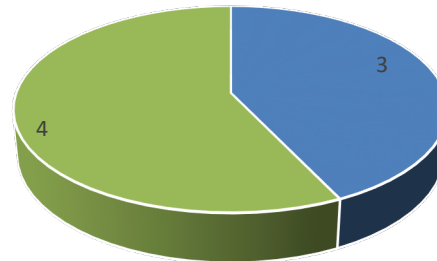
The breakdown of our directors holding office as of the date of this report are:

Director Breakdown - Gender
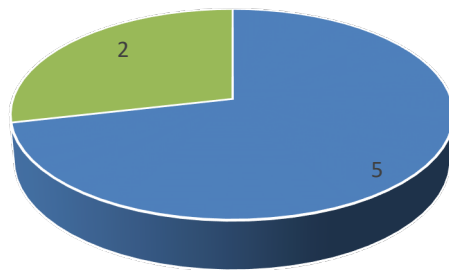
- Men - Women

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, 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.

At the beginning of 2020, all new directors (then still candidates) attended an internal orientation programme addressing issues such as the Group's structure and activities; the directors' powers and duties; and accounting, legal and other industry-specifics aspects (as required).

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

Board of Directors	Audit Committee	Remuneration Committee	Nominating Committee
7 Meetings	3 Meetings	1 Meeting	1 Meeting

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 in Board meetings.

Further key information about the Directors, including compensation details is detailed in the "Board of Directors" and "Corporate Governance" sections of the 2020 Annual Report.

BUSINESS CULTURE

Sarine's corporate culture rests on core values that include innovation, integrity, commitment 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 in 2020 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 2020 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 so as to have an impact on our industry, while creating shared value.

As of 2020, 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
- Diamond Empowerment Fund
- 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)
- Shenzhen Rough Diamond Exchange (SRDE)
- 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 2020.

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 whistle blower 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 2020 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 2020, six patent applications regarding three inventions were filed on behalf of the Sarine Group, in Israel, India and the US:

1. Evaluating Color in Gemstones – for automated evaluation of colors in diamonds for grading and traceability purposes.
2. System for Accurate 3D Modeling of Gemstones – for more accurate measurement of diamonds for grading and traceability purposes.
3. Locating Stress in Diamonds – to assist in the planning of cutting and polishing of diamonds from raw stones.

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.

In 2020 we continued our zero-tolerance policy and pursued legal actions against a number of copyright and patent infringers, primarily in India. Due to the Covid-19 situation, our ongoing litigations were briefly paused with the temporary closing of the courts in India. Despite this, we continued with our enforcement activities regarding existing litigation and initiated three new lawsuits against infringers for unauthorised use of our technology.

2020-2021 Targets and Goals Status	
Target/Goal	**Status**
• Continue to expand and protect our intellectual property portfolio, including patent, copyright, trademark and trade secret protection.	Ongoing
• Continue our aggressive campaigns against IP infringement by legal means, technological innovation and commercial leveraging.	Ongoing

To read more about the ongoing efforts taken by us, please see our 2020 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 2020, 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 IT security.

The main objectives determined during this process:

• Enhancing the security of our line of products
• Strengthening the internal network infrastructure against external threats

- Creating a work plan for further refining the corporate culture for safeguarding information

This year, following an overall pandemic-related decrease in our activity, we focused on the maintenance of existing infrastructure.

- We continued to improve and strengthen our common infrastructure and servers. In addition, we reviewed and strengthened the services, which are running on our common infrastructure and servers.
- We continued our use of tools to protect our web applications and APIs from web exploits.
- We engaged with a third-party service provide to back up our mailboxes, which improved our recovery capabilities.
- The extensive compatibility process we made to our infrastructure towards the end of 2019, which provided for a secure methodology for working remotely, enabled a smooth transition to working remotely from home when the Covid-19 crisis broke out in 2020, requiring only minor adjustments during the year.

2020 Targets and Goals Status	
Target/Goal	**Status**
• Enhance and strengthen Sarine's cyber security for our global operations.	Completed
• Appoint a Group-level Information Security expert to create holistic and regulated Data Security and Cyber activities in the Company.	Completed
• Develop additional layers of security for our servers and end stations in order to protect our products and users' data.	Completed
• Version updates of our servers and system to enable security updates.	Completed
• Strengthen security of the Galaxy® platform.	Ongoing
• Strengthen security of the Advisor® software.	Ongoing

Targets and Goals for 2021

- We wish to further expand our previous goal and to hire a security expert and provide a wider security net for our assets.
- Update the Company's procedures and infrastructure in a methodical manner and in accordance with regulatory developments in the years to come.

Year		2019	2020
		US$ '000	
Direct economic value generated	Revenues	51,323	40,968
Economic value distributed	Operating expenses*	(28,483)	(22,307)
	Income tax expense	(1,811)	(1,643)
	Dividends paid	(5,259)	(1,049)
Economic value retained		15,770	15,969

* 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. 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. Sarine received assistance on favourable terms from Israeli government Covid-19 support programmes in the form of government-sponsored loans and grants, as provided to eligible businesses in Israel.

2020-2021 Targets and Goals Status	
Target/Goal	**Status**
• Increase recurring revenue and profitability by honing our competitive edge and increasing Galaxy® penetration and usage in industry midstream (manufacturing).	Ongoing
• Increase recurring revenue and profitability by increasing penetration and adoption of revolutionary services — AI-derived technology-based 4Cs grading and provenance tracing (Sarine Diamond Journey™) for the industry retail downstream.	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 typically 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 25%.

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, South Africa, China and others). Today, the diamond industry midstream is concentrated in India.

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.

❖ 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.

❖ 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.

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:

	Male	Female	Total
Israel	86	30	116
India	270	16	286
USA & Hong Kong	8	2	10
Total	**364**	**48**	**412**

Breakdown of employees by age

- <30 : 24%
- 30-39 : 44%
- 40-49 : 23%
- 50< : 9%
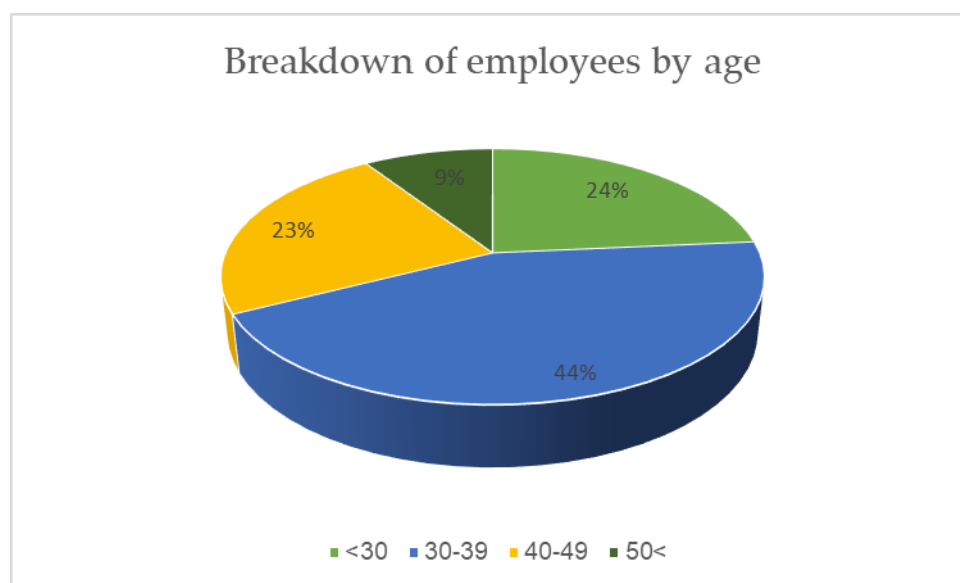
Breakdown of employee turnover by region and gender for 2020:

	Employees Added		Employees Subtracted	
	Male	**Female**	**Male**	**Female**
Israel	5	5	23	14
India	13	1	54	13
USA & Hong Kong	-	-	2	2
Total	18	6	80	28

In 2020, due to the pandemic, Sarine was forced to place approximately 25% of our employees on unpaid leave. This situation was unfavorable for both the Company and the employees. The Company went to great lengths, as stipulated by the Board, to prevent, as much as possible, employee dismissals during 2020.

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-oriented 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 2020, fully 50% of our new recruits in Israel were female.

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 2020, in relation to sexual harassment.

2020-2021 Targets and Goals Status	
Target/Goal	**Status**
• 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.	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 people.

Employees are sent for specialised training as needed. In December 2020, following the easing of Covid-19 restrictions and state-of-the-art solutions adopted by the academic community, the Company offered a professional gemmology course to employees interested in expanding their already outstanding knowledge, and three employees were sent to participate in such a course.

At the beginning of 2020, we launched a managerial development workshop for mid- to senior- level employees in Israel. The workshop consists of six meetings, three of them held throughout the year in accordance with the Covid-19 guidelines and lockdowns. It is expected to be completed in 2021.

Towards the end of 2020, following the initial phase of the managerial development workshop, a steering committee comprised of several managers was established. The purpose of this committee is to support cross-organisational processes and ongoing managerial development after completion of the initial training phase. The first activity of this committee in 2021 was to redefine the employee performance evaluation guidelines and process. The next planned action of the committee is to establish a structured organisational dialogue in a

process referred to as a "walk2talk". The idea is that once every few weeks managers will pair up to consult, share knowledge and discuss challenges they face in their daily work.

Throughout the year, Sarine offered online training to help employees transition to working remotely from home and to help adjust to an appropriate work life in the midst of social distancing. This included tutorials on how to use our online meeting and knowledge sharing platforms.

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 personal meetings of employees with the CEO throughout the year, departmental meetings, monthly company-wide gatherings for various occasions and a general open-door approach to management of all levels.

In January 2020 we began the process of identifying outstanding employees through employee surveys. Eight employees were selected— six were chosen by their department peers, one by management, and another exclusively by the CEO. These employees were recognised in a ceremony, 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 2020 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. In March 2020, due to the outbreak of Covid-19, all employees that were not essential for on-site processes began working and holding meetings remotely from home. This resulted in approximately 30% physical attendance at our Israeli sites. We developed best practices for working remotely from home 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 March 2020, we performed an organisational survey in Israel with an 84% response rate. The results identified both the Group's strengths and areas that needed improvement. The survey exhibited our employees' overall satisfaction with the Group's involvement in the community and its environmental responsibility, the team's commitment to professionalism and cooperation, and the presence of a good working environment. 80% of our employees stated they are proud of being Sarine employees, and 84% stated they are satisfied with the positioning of our brand in the market.

The main issues identified by the survey to be addressed are the need to: (i) increase cooperation between departments; (ii) work according to clear-cut targets and goals; (iii) improve cross-organisational communications and transparency; (iv) provide more opportunities for professional development; and (v) enhance employee retention and recognition. The survey also showed that, compared to other companies from various sectors that performed similar surveys, Sarine scored higher than average in all categories - i.e., employees are proud to be part of the Group and would recommend working for the Group.

The main results of the survey were broadly shared with employees, and during 2020 management began to introduce certain policy changes in line with its findings 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.

Due to the pandemic, our employee well-being programmes were adjusted to conform with social distancing and lockdown mandates. To help meet the challenges that arose as a result, we offered a number of online activities and lectures designed as a social outlet and to keep employees connected, and to provide updates, advice and moral support. These included:

- A list of suggested activities for parents and children during lockdowns.
- An online lecture with a psychotherapist and parental counselor offering hands-on advice on how to cope with the challenges of Covid-19 while combining working from

home and family commitments, including interacting with children during education system shutdowns.

- An online video-chat party event featuring a DJ.
- An exercise competition between groups of employees during lockdown – the Steps Challenge was a prize-winning competition in which groups of employees strived to reach a record amount of steps during the period of the challenge.
- Happy hour food truck for an interactive lunch break at the Israeli site – in accordance with the Covid-19 restrictions.
- A lecture on the development of and importance of Covid-19 vaccinations.
- Periodic updates by management to employees regarding the effects of Covid-19 specifically on the business and on the diamond industry at large.
- An uplifting comics campaign for social media – see below.

Our Comic Relief

During 2020 we issued a series of short images of how, and what, our trusty gems were doing during lockdowns. The featured gems playfully presented what the general population was experiencing – acquiring new skills, spending time with family, and adjusting to the "new normal" in light of Covid-19.
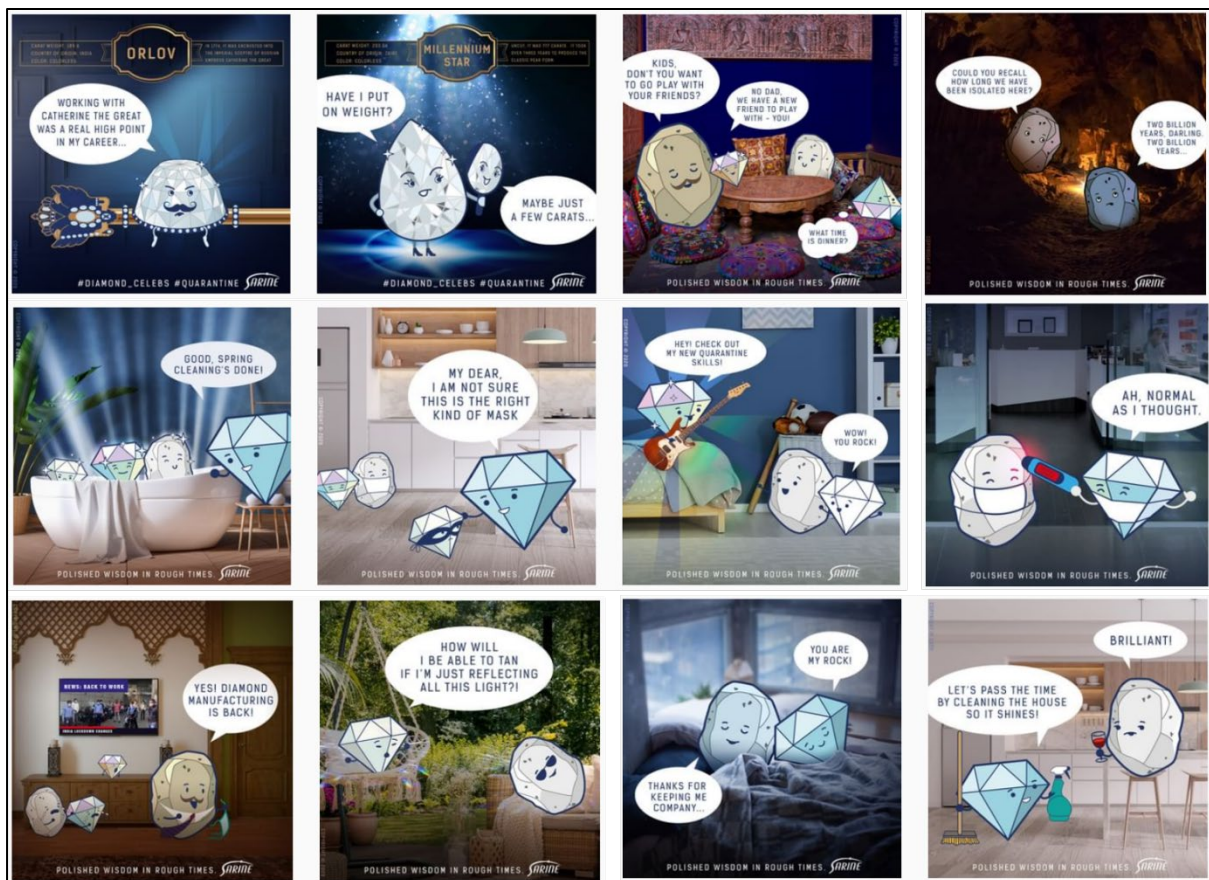
MEDICAL CARE AND COVERAGE

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 accident insurance premiums for non-management employees (approximately 90% of employees). During 2020, Sarine continued to provide ongoing medical coverage for all furloughed employees.

WORKING MOTHERS

Sarine complies with all applicable legal mandates regarding maternity and parental leave as per country of operation. In 2020, five Sarine Group employees took maternity leave. As part of our policy and recognition of the importance for work-life balance, we allow, as far as possible, flexibile hours and working 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.

Due to the Covid-19 crisis, we revised some of our planned activities for 2020, and contributed to the rapidly growing needs for food parcels and hygienic masks. Our main activities in 2020 included:
- o Contribution to the safety of our customers, colleagues, partners and employees in Hong Kong by providing thousands of protective hygienic masks.
- o Along with our local partners, we were able to distribute over 9,000 kilograms of food parcels in three areas in Namibia, helping roughly 200 families and households.
- o Food distribution also took place in Surat, India where we have a significant presence. Our local workers, along with Sarine's key management, distributed 500 food parcels over two days, to help the local population affected by the pandemic.
- o Our e-training programme was published on social media. The programme offered training by our team, for free, which assisted our customers in their day-to-day tasks.
- o Cooperation with the Amal Sharonim High School in Israel to establish a programme consisting of lectures and workshops intended to promote active and proactive social involvement among the students.
- o Projects for the Mental Health Centre in Safed (the "Clinic"), especially for the children's wards, have included over the years the creation of three extensive gardens and the renovation of two clinics. During 2020, we built large outdoor tables and benches for the children attending the Clinic's schooling programmes in order to provide additional study areas allowing for easier social distancing. Furthermore, one of our employees met with one of the children at the Clinic on a weekly basis teaching him light carpentry and furniture painting and restoration.

To demonstrate our commitment to these additional functions, 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 10 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 2020 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 two teachers in the field of Information Technology (IT) and of two cleaning staff.

Further details may be found in the "Corporate Social Responsibility" section of the 2020 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 2020, this was also demonstrated by the following:

- Shortly after the signing of the peace and normalisation agreements between Israel and the United Arab Emirates, Sarine collaborated in the opening of a Galaxy® service centre in Dubai, a leading centre for commerce, design and polished aesthetics. Dubai is a hub for trading in rough diamonds and is a key player in the market of polished diamonds.
- Sarine expanded the Sarine Diamond Journey™ solution to diamonds sourced from Alrosa and Lucara. This provides global retailers end-to-end traceability from mine to consumer, documenting the sustainable supply chain throughout the process from rough to polish for Alrosa/Lucara-sourced diamonds, however traded and polished by multiple midstream entities.
- Sarine launched a co-branded light performance report with the National Gemstone Testing Centre (NGTC) of China, China's largest gemmological Lab, for Yuanuymei Jewelry (Y & M), a leading Chinese jewellery designer, manufacturer and wholesaler.

PRODUCT AND PROCESS INNOVATION

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

In 2020, Sarine's research and development teams continued to innovate, develop and introduce new products despite the difficulties stemming from 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 their rough stones. The Group's relationships with producers grew throughout 2020 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 2020, we expanded the Sarine Diamond Journey™ solution to diamonds sourced from Alrosa. This provides global retailers end-to-end traceability from mine to consumer, documenting the sustainable supply chain throughout the process from rough to polish for Alrosa sourced diamonds. We also broadened, in 2020, our cooperation with Clara Diamond Solutions Corporation ("Clara"), a subsidiary of Lucara Diamond Corp., to extend provenance traceability to Clara's diamonds through the Sarine Diamond Journey™. Sarine expects to expand its cooperation with additional producers.

The Group has an extensive industry-leading presence in the diamond industry's midstream, wherein the critical transition from rough to polished stone occurs. In 2020 just under 19 million stones were scanned for inclusion mapping using our installed base of Galaxy® systems, and again, close to 100 million rough stones were planned using our pervasive installed base (over 25,000 systems) of the DiaExpert® planning platforms. Of these, over 60 million stones were planned using our online Advisor® cloud-based software which, optionally, records the actual planning stages for the Sarine Diamond Journey™.

Sarine's Diamond Journey™ provides today's ethically- and sustainability-minded consumers and retailers with full transparency of their natural diamond's 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.

Sarine is implementing new technologies to develop solutions to provide even better and more accurate diamond information. The e-Grading process is all about digitising and making the diamond experience more efficient by providing objective and consistent grading at a fraction of the time and cost currently required. The 4Cs grading results will be derived without any human intervention and will be 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.

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.

2020 Targets and Goals Status	
Target/Goal	**Status**
• Continue with the process of conducting a Hackathon week in which the R&D team divides into groups to present a proof of concept/prototype of a new innovation.	Sarine has re-evaluated the effectiveness of this activity and it has been discontinued.

Targets and Goals for 2021
- 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.
- Continue to upgrade and strengthen the cyber-security of our products.

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 strive for 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 safety and usage 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.

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 discarding products.

During 2020, Sarine produced a new protocol for customer safety. 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.

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 2020 notwithstanding the challenges caused by the pandemic.

Sarine did not have any incidents of non-compliance with regulations resulting in a fine, penalty or warning in 2020.

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. 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 2020.

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 at 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 2020.

2020-2021 Targets and Goals Status	
Target/Goal	**Status**
• Ensuring that every installation encompasses maintenance and safety procedure training for customers.	Completed
• Completion of a safety management plan in accordance with the requirements and regulations in Israel.	Completed
• Conduct a safety risk survey.	Completed
• Equip relevant employees with advanced protective equipment.	Completed
• Maintain the goal of zero casualties.	Completed for 2020 Ongoing for 2021
• Zero substantial findings in 2020 by the internal auditor on safety issues.	Completed for 2020 Ongoing for 2021
• Successfully pass external surveys on environment protection, equipment safety assessments, etc.	Partially completed and ongoing-completed for Galaxy® machines; ongoing for legacy machines. The radiation audit at our Israeli facility was passed.

Targets and Goals for 2021

• Provide a digitised and convenient method for communication with customers.
• Make on-site visits at our suppliers' facilities for health and safety inspections and surveys.

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.

As mentioned above, during 2020 Sarine initiated a process re-examining and updating the Company's policies according to the latest legislation and regulatory requirements.

Policies examined in 2020 to be updated in 2021:

— Our Code of Ethics was updated during 2020 and will be approved in 2021, to support our conducting our business ethically.
— Our Cookies Policy was reviewed in 2020 and is being updated to better accommodate revised regulatory developments and Sarine's data privacy guidelines
— Our Privacy Policy was reviewed in 2020 and is being updated to better comply with global developments.

In 2020, there were a number of phishing and cyber hacking attempts, but no information was compromised or harm done.

2020 Targets and Goals Status	
Target/Goal	**Status**
• To conduct an internal audit of Sarine's GDPR compliance.	Completed

Targets and Goals for 2021

- Complete update of Sarine's policies and procedures in accordance with evolving 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 2020 we successfully maintained open communications with our suppliers throughout our supply chain.

At the beginning of 2020, some of our key suppliers were evaluated as part of our annual review and they were offered an opportunity to provide feedback based on our evaluation. We plan to continue such evaluations during 2021. These evaluations assist us in maintaining fruitful and productive relations with our key suppliers. Our new "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.

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

In previous years we promoted the use of multiple-use kitchen utensils in Israel. Due to Covid-19 requirements and our efforts to safeguard our employees' health, we have temporarily suspended our activities in this regard.

We are pleased to report on a reduction in our environmental metrics. This includes a decrease in energy used, fuel usage and CO_2 emissions as a result.

2020-2021 Targets and Goals Status	
Target/Goal	**Status**
• Where possible, utilise recycled paper	Partially implemented. Ongoing for 2021
• Where possible, transition to multi-use kitchenware	Paused due to Covid-19 Ongoing for 2021

ENERGY

As part of our efforts to improve our performance and measure our environmental impact, we measure energy consumed in performing our activities and are pleased to report that for 2020 we have lowered our energy consumption. This was achieved due to both our efforts to minimise energy consumption, and the impacts of the global pandemic on our operational activities.

The Group's electricity consumption in most of its facilities in 2020 was lowered by approximately 18-25%, mostly due to employees working from home. The consumption was approximately 1,600 MWh, comparatively 410 MWh lower than in 2019 and an overall 20% reduction in consumption. This includes all Sarine facilities in Israel, India and the US. Sarine did not sell any energy during 2020.

The Group's total fuel consumption during 2020 was lowered due to lockdowns and reduced driving for business requirements, as can be seen below. This amounted to 50,035 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 2020 Fuel Consumption (ltr)
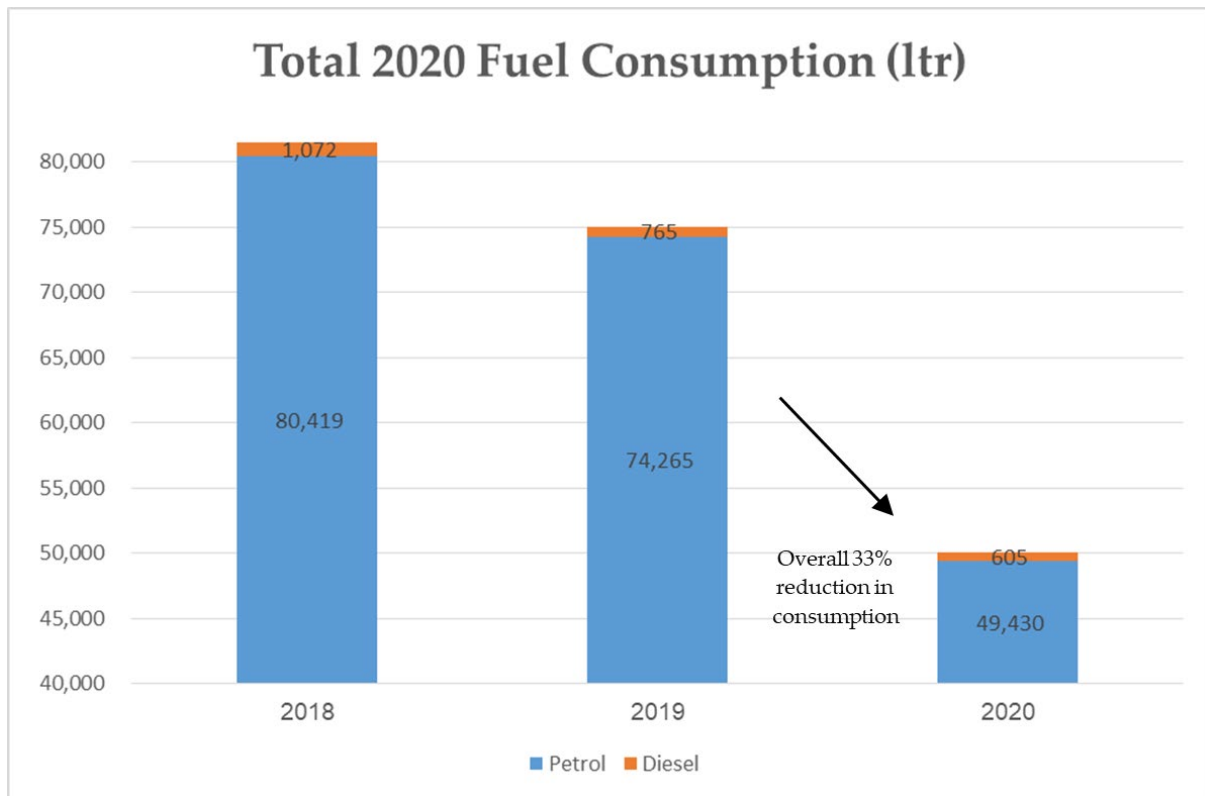
CARBON FOOTPRINT

Sarine is glad to report on an overall 22% reduction in CO_2 emissions as a result of the reduced consumption of energy elaborated above, due to the reduction of operations under the Covid-19 pandemic.

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 2018[1] ton CO_2 equivalent emissions	Company total 2019 ton CO_2 equivalent emissions	Company total 2020 ton CO_2 equivalent emissions	Change % 2019>2020
Scope 1: Direct emissions				
Transportation fuels	188.03	173.04	108.71	-37.2%
Scope 2: Indirect emissions				
Electricity consumption	1,673.89	1,585.2	1,257.53	-20.7%
Total emissions (scope 1 & 2)	**1,861.92**	**1,759.18**	**1,366.23**	**-22.3%**

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.

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[1] 2018 data has been updated due to changes in conversion factors.

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	Employee data from 2019 have been updated in light of re-examination of previous data.
	102-9	Supply chain	42	
	102-10	Significant changes to the organisation and its supply chain	5, 16, 42	
	102-11	Precautionary Principle or approach	21, 24-25	
	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	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	2018 emission data has been updated due to changes in conversion factors
	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	28-29	
	103-2	The management approach and its components	28-29	
	103-3	Evaluation of the management approach	28-29	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	16-17, 28-29	
	201-3	Defined benefit plan obligations and other retirement plans	33	
	201-4	Financial assistance received from government	28	
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	
GRI 203: Indirect Economic Impact 2016	203-2	Significant indirect economic impacts	28-29	
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	25-26	
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	43-44	
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	39-40	
	103-2	The management approach and its components	39-40	
	103-3	Evaluation of the management approach	39-40	

GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	40-41	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	40-41	
GRI 417: Marketing and Labelling 2016	417-1	Requirements for product and service information and labelling	40-41	
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	41-42	
	103-2	The management approach and its components	41-42	
	103-3	Evaluation of the management approach	41-42	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	42	