



SARINE TECHNOLOGIES LTD.

Sustainability Report

2019

We welcome you to our 2019 Corporate Sustainability Report. Since our objective is to provide readers with pertinent information in a concise non-tedious manner, we have referenced specific already publicly available information in Sarine's Annual Report and on its website.

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BOARD OF DIRECTORS STATEMENT

On behalf of the Board of Directors, it is my pleasure to present our third Sustainability Report for Sarine Technologies Ltd. ("Sarine" or the "Company" and along with its subsidiaries the "Group"), for the year 2019.

Sarine continues to implement its strategy of creating a more balanced, integrated and efficient company focused on recurring revenues. In 2019, we launched the 3D-Origin™, a 3D-printed accurate model of the rough diamond from which the polished diamond was derived, scaled for consumer convenience, which is generated as an optional tangible add-on to the Sarine Diamond Journey™ rough-to-polish diamond report. As a further complimentary offering to our Sarine Diamond Journey™ we introduced our Sarine TruMatch™, which provides for immediate in-store verification of a polished diamond's identity, whether loose or set, and access to its traceability report. We also launched Verto™, an innovative imaging solution that generates exceptionally high-quality video displays derived from but a handful of images captured by any common smartphone, which enables jewellery manufacturers, wholesalers and retailers to provide their customers with interactive capabilities to view a jewellery item from multiple perspectives and personalise the setting as well as the types, sizes, and colours of stones, etc. All this with no need for capital investment in high-end devices, expensive professional photographers or exhaustive manual finishing. You are invited to continue and read more about our developments and groundbreaking initiatives throughout this report.

We view sustainability as a shared responsibility towards improving our business while contributing to the betterment of our team, communities and industry. Our yearly report continues its focus around Sarine's four point vision on which our business is based: Innovation, Value, Employees, and Community .

Being a global leader in our field, we integrate sustainability considerations into our strategy and our operations by actively focusing our overall sustainability efforts. As a responsible member of our business environment, Sarine has a Code of Ethics which assures that we continue to create and maintain appropriate relationships with our business partners, customers and employees .

This report is in conformance with the Singapore Exchange ("SGX") Rule 711A-711B Sustainability Reporting Guide, meeting all relevant requirements for the year 2019. This report has been written in accordance with the Global Reporting Initiative ("GRI") Sustainability Reporting Standards .

Throughout this report, we provide information regarding our sustainability objectives and performance. Our aim is to continue creating a suitable corporate environment for responsible sustainability, as well as for the effective engagement with our stakeholders. This year's report presents our achievements along with mission statements for Sarine's future. However, we acknowledge that certain mission statements set out in the report may not be fully met by the end of year 2020 due to the outbreak of the Covid-19 coronavirus, which may impact our performance. Nonetheless, we will continue to strive at all times to attain our targets and goals for our sustainability efforts.

We hope this report provides you with a broad understanding of our approach to sustainability and corporate responsibility. 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 third 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 performance of properties and entities over which we have financial and operational control. Therefore, all data included in this report, unless specifically stated otherwise, such as that which relates to corporate, financial, environmental and human resources, refers to the Sarine Group, including operations at Sarine's sites in Israel, India, Hong-Kong and North America, but does not apply to any authorised 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 2019, and the data is updated as of its reference date - 31 December 2019 (note: as for financial information included in this report, the complete and binding information is as published in Sarine's Annual Report for 2019).

Relevant targets and goals have been addressed providing status of their achievement.

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

We welcome all feedback to help us improve our sustainability practices.

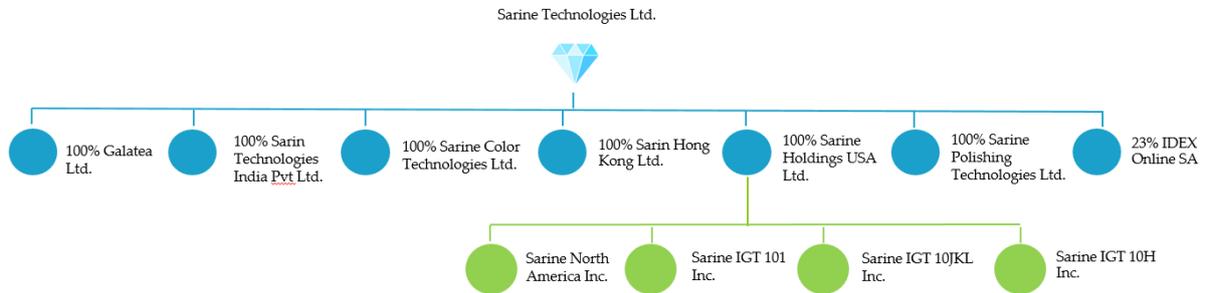
Please send your comments or feedback by e-mail to sustainability@sarine.com

ABOUT SARINE

Sarine is a world leader in developing technologies for the diamond industry. Incorporated in Israel over thirty years ago, the Company was formed when a group of passionate industrialists joined forces with technology innovators to seek technological solutions for the gemstone and diamond industries. This unique fusion of gemmology, actual cutting and trading experience, and technology has been the catalyst for Sarine's sweeping changes in the global diamond industry, revolutionising the way diamonds are assessed, planned, manufactured, graded and sold. For over a generation, Sarine has developed breakthrough technologies and provided products and services that are used today in every aspect of the diamond value-chain encompassing mining, manufacturing, gem labs and the wholesale and retail diamond and jewellery trade.

GROUP STRUCTURE

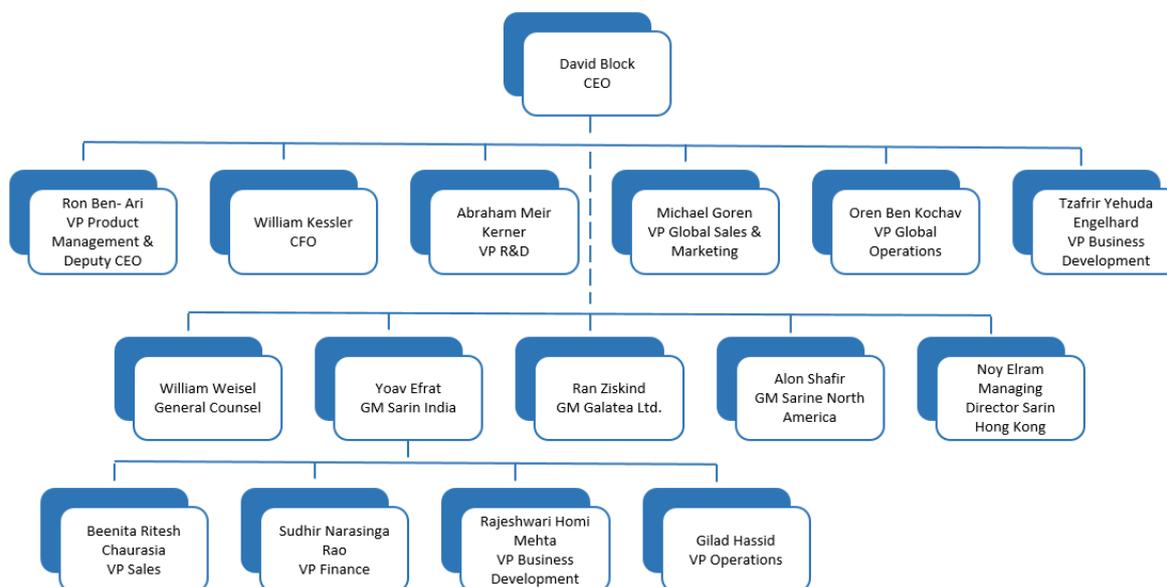
With our headquarters in Hod Hasharon Israel, below is Sarine's structure as of December 31, 2019:



For further details regarding the Sarine Group's entities and operations, we invite readers to refer to our 2019 Annual Report "Group Structure" section.

KEY MANAGEMENT

Below is a diagram of Sarine Group's key management as of December 31st 2019.

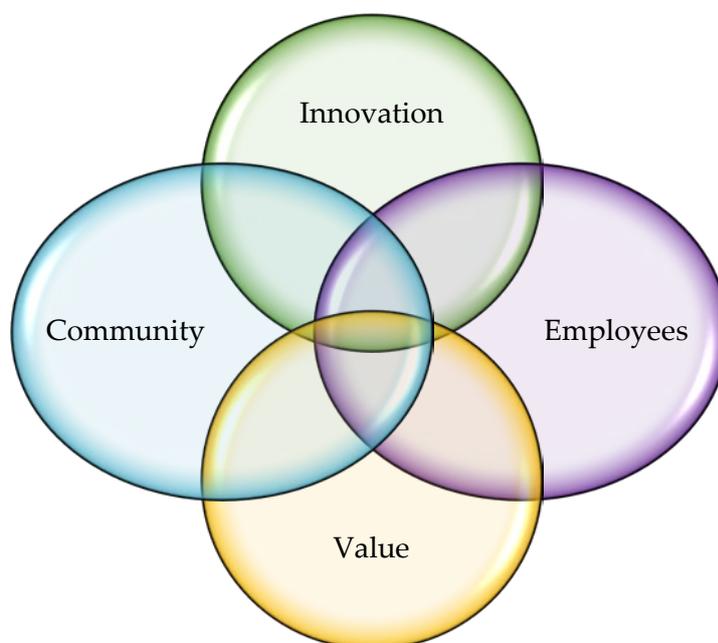


Further information about key management and remuneration is detailed in the "Key Management" and "Corporate Governance" sections of the 2019 Annual Report.

*As at 31 December 2019, the percentage of senior management hired from the relevant local communities is as follows: 100% in Israel and 75% in India.

OUR VISION

Sarine's sustainability efforts are aligned with our Company 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

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

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

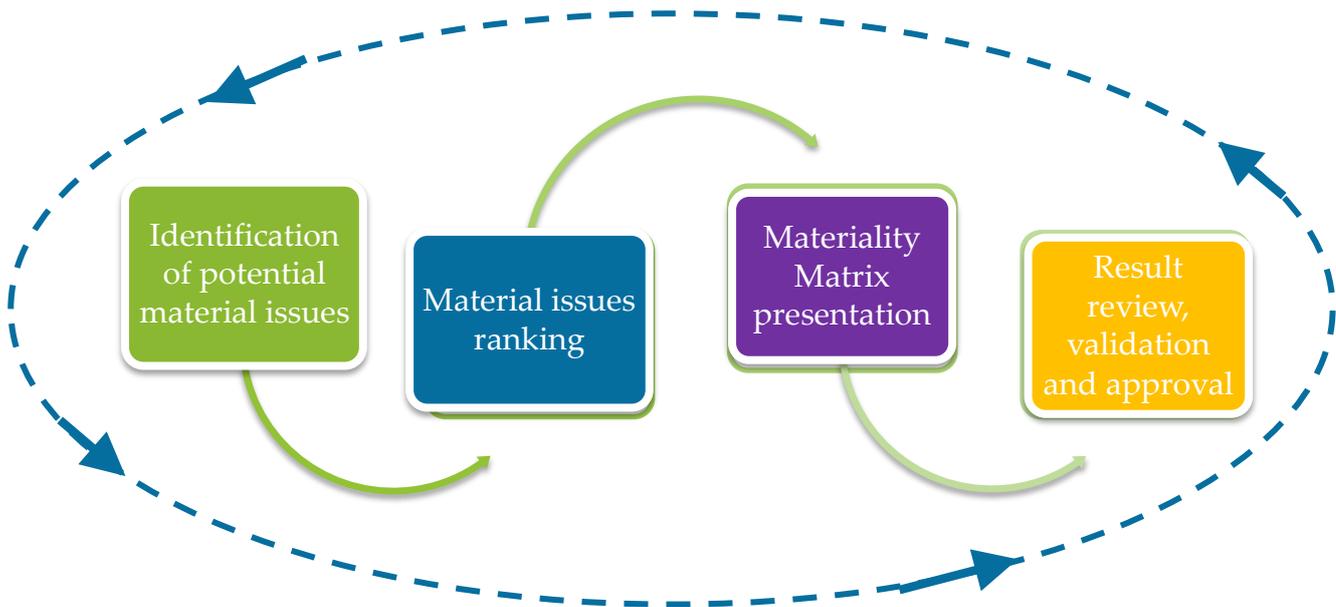
The outcome of this assessment enabled us to define the report's content in alignment with the GRI Sustainability Reporting Standards (GRI-SRS). As we further develop our dialogue with our stakeholders in the coming years, Sarine will conduct an annual review to re-assess and re-validate these issues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

No material issues previously reported in Sarine's 2018 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	35-37
3	Intellectual Property	Governance, Ethics and Integrity	25-26
4	Customer Trust and Reputation	Customer Health and Safety Marketing and Labelling Customer Privacy	33-38
5	External Market Impact on The Company	Economic Performance Market Presence	27-28
6	Business Ethics and Governance	Anti-Corruption Anti-Competitive	23-25
7	Economic Performance	Economic Performance	27
8	Product Quality Management	Customer Health and Safety	35-38
9	Recruitment and Retention of Skilled Employees	Employment Market Presence	28-31
10	New Business Development, Challenges and Opportunities	Indirect Economic Impacts	25-27, 35-37
11	Lifecycle Impacts of Products and Services	Customer Health and Safety Marketing and Labelling	35-38
12	Risk Management	Governance	20
13	External Economic Impact from Company Activities	Indirect Economic Impacts	27-28
14	Employees Compensation and Benefits	Employment Market Presence	9, 28-33
15	Customer Health and Safety	Customer Health and Safety Marketing and Labelling Customer Privacy	35-40

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.

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 quarterly financial reports on the SGX network
- Publication on our website and on the SGX network (SGXNet) of information related to investor relations
- Regularly scheduled trips to Singapore for meetings with investors
- Ongoing communications with investors who have queries concerning various aspects of the Company
- Publication of an Annual Report
- Holding of Annual General and Extraordinary Meetings of Shareholders

Employees

- Open door policy for employees with frank employee dialogue
- Recreational and wellness activities
- Career development and annual performance reviews
- 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
- 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
- Participation in key trade shows in our various markets
- 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.

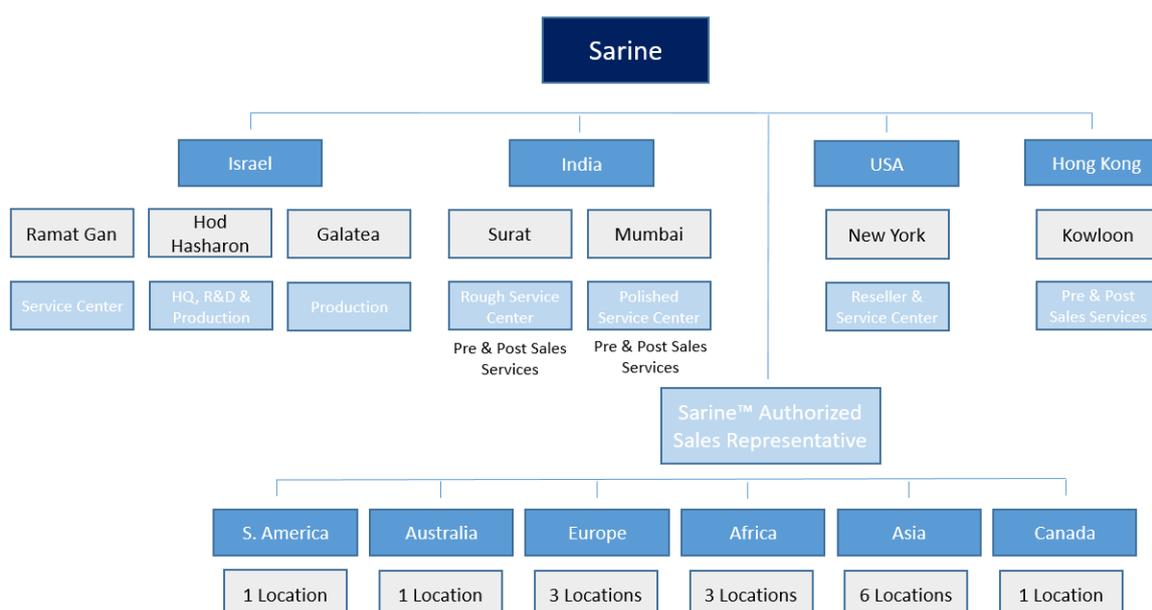


SARINE AT A GLANCE

No significant changes to the organisation were conducted throughout 2019 in regards to group structure, ownership, supply chain, locations or operations. All other relevant changes in regards to employee base, financial performance and sustainability figures are detailed elsewhere throughout the report. A full detail of our financial changes can be found in our 2019 Annual Report.

OUR NUMBERS

Description of Operations:

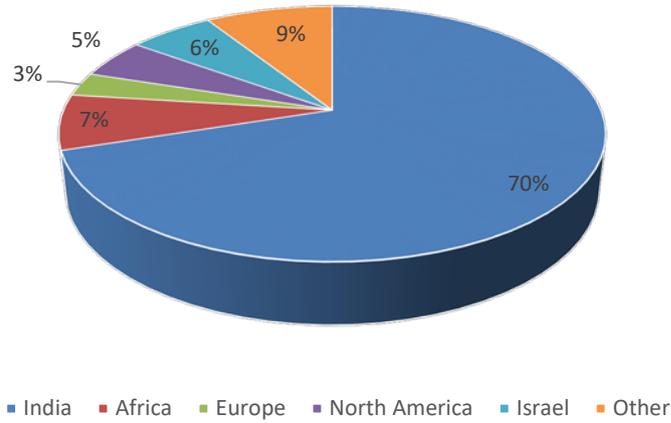


Revenue and Gross Profit:

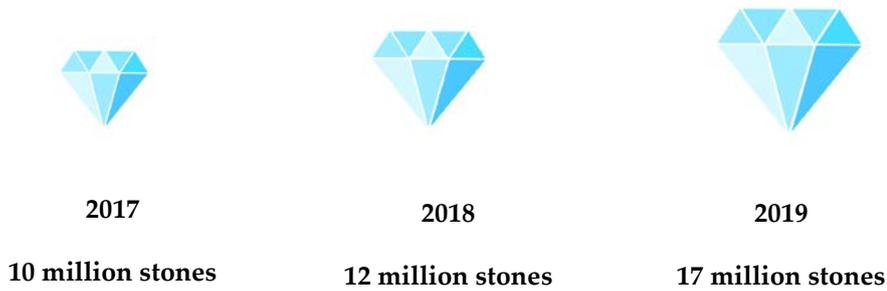
For the year ended 31 December 2018 and 2019

	2018	2019
	US\$ '000	
Revenues	58,504	51,323
Gross Profit	38,568	29,584

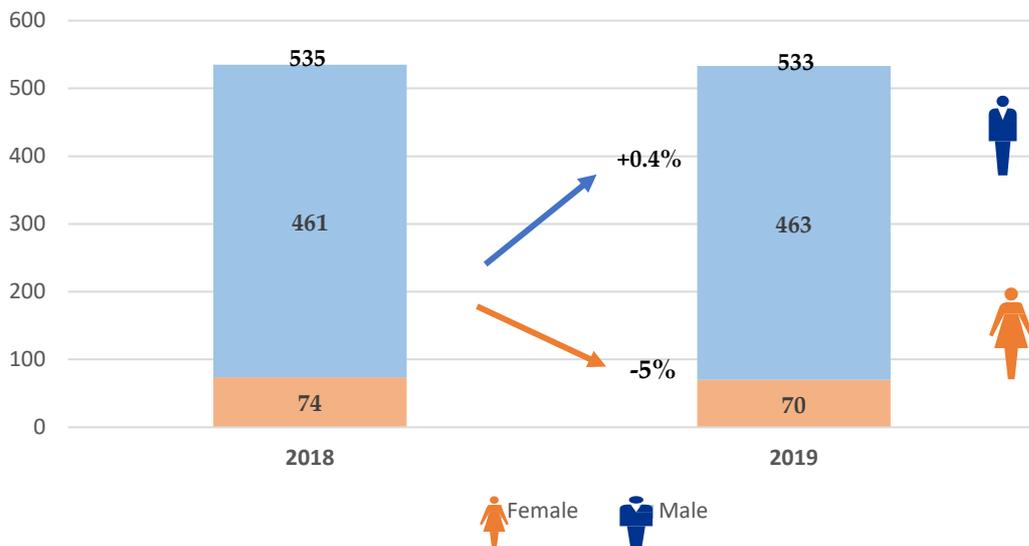
Revenue by Geographic Segmet



Over 17 million stones were scanned through Sarine's inclusion mapping products worldwide in 2019, surpassing last year's record by 40%.



Total Number of Employees by Gender



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.

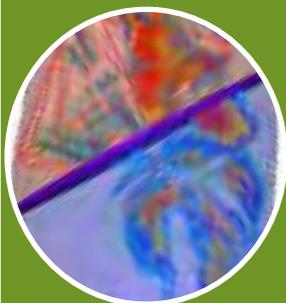


Commitment and Integrity

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

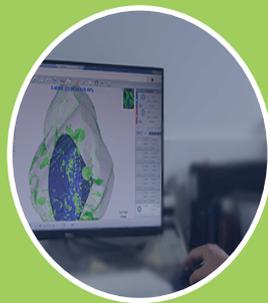
BUSINESS

Sarine's business can be primarily categorised into four 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 DiaExpert® family of platforms and the revolutionary Galaxy® family. These technologies provide high resolution and mapping of a rough stone's external geometry and internal inclusions and tension.



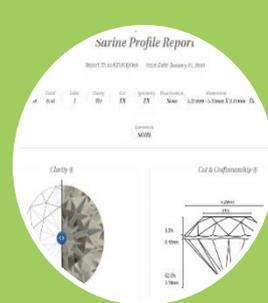
Rough Stone Polishing (The "Midstream")

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), performance grading utilising artificial-intelligence (AI) based technology.

In 2019 over 17 million stones were scanned for inclusion mapping using our systems and close to a hundred million rough 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.

Further information about the Sarine Group's products is detailed in the "Management's Business, Operation & Financial Review" section of the 2019 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 needs with those of the future. We are committed to doing this by fulfilling all regulatory and moral dictates and adopting all relevant guidelines.

Sarine is incorporated in Israel. Therefore, we comply with various corporate governance requirements under the Israeli Companies Law, 1999. 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>2019 Targets and Goals Status</u>	
<u>Target/Goal</u>	<u>Status</u>
<ul style="list-style-type: none">We are set to formalise a code of conduct and anti-corruption policy.	Completed

To read more about the ongoing measures taken by the Board of Directors, please see the Corporate Governance section in our 2019 Annual Report.

Targets and Goals for 2020

- Bring the drafts of our Code of Conduct and Anti-corruption policy to the approval of our Board.
- Appoint a new Board of directors comprised of certain of the current directors and new Independent Directors.

SUSTAINABILITY MANAGEMENT

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

Sarine has conducted an organisational enterprise risk management activity that addresses strategic, financial and operational risks. This 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 applies precautionary principles to relevant sustainability issues. 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. We continually evaluate our risk management procedures in order to reflect our evolving business.

Further information regarding Sarine's risk factors and risk management process is detailed in the "Management's Business, Operation & Financial Review" section of the 2019 Annual Report.

BOARD OF DIRECTORS

As of December 31, 2019, the Board comprises seven directors, the majority of whom are independent. Two of those directors, namely Ms. Valerie Ong Choo Lin and Mr. Yehezkel Pinhas Blum 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 Executive Director and Chairman of the Board.

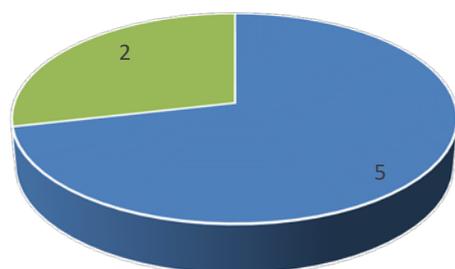
Mr. Chan Kam Loon is the Lead Independent Director.

As the three year tenure of all of the Company's Directors has expired, a new Board of Directors will be elected at the upcoming Annual General Meeting (originally scheduled for 20 April 2020, but delayed, tentatively to 24 June 2020 due to the Covid-19 pandemic outbreak). On the advice of the Company's external legal advisor, the Board has nominated new Independent Directors for the upcoming three-year period. In addition, in accordance with Sarine's Corporate Governance procedures, it is proposed to re-appoint certain of the current Directors of the Company. The proposed Directors' CVs, new nominees as well as directors proposed for re-appointment, and other requisite information, including the Board's rationale for their election / re-election and other details may be found in the "Notice of Annual General Meeting Appendix" section of the 2019 Annual Report.

In 2020 Sarine is set to appoint new Independent Directors of the Company. We see this as an opportunity to bring fresh perspective and ideas to our Board and we would like to express our gratitude to those retiring members of the Board for their efforts and contribution to the Company over the years. A full report on the newly elected directors will be detailed in our next sustainability report.

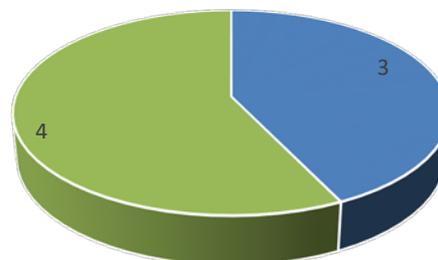
The breakdown of our directors holding office as of the date of this report are:

Director Breakdown - Gender



■ Men ■ Women

Director Breakdown - Independence



■ Non-Independent ■ Independent

The Board meets regularly, and in any event no less frequently than five times each calendar year. 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.

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

Board of Directors	Audit Committee	Remuneration Committee	Nominating Committee
5 Meetings	4 Meetings	2 Meetings	1 Meeting

The Board members are informed periodically (either at Board meetings or otherwise) of any developments and updates concerning their powers and duties under applicable laws. Directors also consult with the Company Secretary and Company's General Counsel on an ongoing basis with regard to the performance of their duties.

The 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 2019 Annual Report.

BUSINESS CULTURE

Sarine’s corporate culture rests on our core values that include innovation, integrity in conducting our business honestly and fairly, commitment to our customers and teamwork.

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

As a responsible member of the modern business environment, Sarine 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, 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 last updated in 2019.

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.

PROFESSIONAL AND INDUSTRY-RELATED INVOLVEMENT

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

As of 2019, we are members of or have an ongoing discourse with a number of industry associations, such as:

- American Gem Society (AGS)
- ASEAN Committee of the Singapore International Chamber of Commerce
- CIBJO, the World Jewellery Confederation
- Diamond Dealers Club (NY)
- Diamond Empowerment Fund
- DMCC
- Guangzhou Diamond Exchange
- India's Gem Jewellery Export Promotion Council
- Jewellers of America
- Jewellers Vigilance Committee
- Shenzhen Rough Diamond Exchange (SRDE)
- Responsible Jewellery Council
- 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 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 these characteristics, 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 leverage of conflicts of interest and extortion, as

well as mundane 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 arose against any member of the Group or its employees during 2019.

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

- The policy that all payments are conducted through traceable transactions. Cash payments are strictly prohibited in this regard.
- We have a formal 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 Sarine.

No fines or non-monetary sanctions were imposed on the Group in 2019 in relation to 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 geographies.

The Sarine Group maintains a zero tolerance policy towards the infringement of our 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, Sarine invests substantial resources to maintain such leadership and to patent, copyright, trademark and otherwise protect our proprietary assets. Nonetheless, Sarine is exposed to ongoing attempts to steal and otherwise misappropriate its technology and products and to violations of our 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.

Most illicit IP infringements continue to be centred on our industry-leading inclusion mapping and rough planning systems.

In 2019 we aggressively pursued legal actions against copyright and patent infringements, primarily in India. We have initiated litigation in India against certain competitors, whom we believe infringe our patents on laser marking (as used in the rough planning process), as well

as against those who have infringed on or fraudulently made use of our Galaxy® inclusion mapping patents and Advisor® planning software copyrights.

2019 Targets and Goals Status	
Target/Goal	Status
<ul style="list-style-type: none"> Increase our patent and trade mark portfolio including on Color, Clarity, Tension, Journey and Fingerprinting. 	Completed

Targets and Goals for 2020

- Continue to expand and protect our intellectual property portfolio, including patent, copyright, trademark and trade secret protection;
- Continue our aggressive campaigns against IP infringement by legal means, technological innovation and commercial leveraging.

To read more about the ongoing efforts taken by us, please see our 2019 Annual Report "Management's Business Operation" and "Financial Review" sections.

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 defence than that provided by using off-the-shelf commercially available protection which is targeted per se by professional hackers.

We have taken a number of actions throughout 2019 in order to uphold and maintain the necessary level of security of our systems, such as:

- The most notable is our transition from a single cloud environment to working in two cloud environments with different locations in order to ensure the continued operation of our products, the Company's activity and that of our customers.
- We hardened our common infrastructure and our servers and in addition we strengthened the services which are running on them.
- We started to use common tools in order to protect our web applications and APIs from web exploits.
- We made some network and topology changes in our environments and products in order to increase security.
- After the comprehensive processes we implemented last year in this field, this year we continued to maintain and fortify our systems and improve the Company's procedures and practices.

2019 Targets and Goals Status

<u>Target/Goal</u>	<u>Status</u>
• Create and publish an internal permission policy for employee access to documents.	Completed
• Create Distributed Denial of Service (DDOS) prevention on rough planning products.	Completed
• Adding yet further security layers to Advisor® and Galaxy® products.	Completed

Targets and Goals for 2020

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

ECONOMIC PERFORMANCE

Year		2018	2019
		<i>US\$ '000</i>	
Direct economic value generated	Revenues	58,504	51,323
Economic value distributed	Operating expenses*	28,754	28,483
	Income tax expense	2,547	1,811
	Dividends paid	12,281	5,259
Economic value retained		14,922	15,770

* 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 does not receive any additional financial assistance from the government.

2019-2020 Targets and Goals Status

<u>Target/Goal</u>	<u>Status</u>
<ul style="list-style-type: none"> • Increase recurring revenue and profitability by honing competitive edge (against piracy) and increasing Galaxy® penetration and usage in industry midstream (manufacturing). 	Ongoing
<ul style="list-style-type: none"> • 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 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 costs of rough diamonds are 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, Sarine 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 migration 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 healthcare.
- ❖ We maintain strict policies with regard to equality in the workplace, regardless of sex, 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, so as to enhance the team spirit of our employees and reward them for their performance.

Sarine's employees are all employed under personal employment agreements. No employees are under collective bargaining agreements.

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

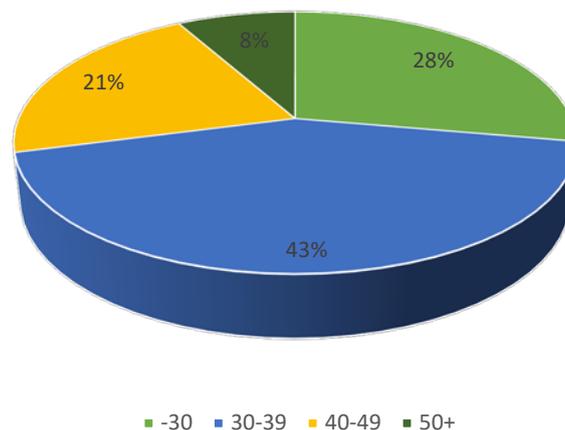
Company is either conducted by or supervised by employees who are directly employed by the Group.

As of December 2019, Sarine's employees are all hired with salary agreements above minimum wage compensation. All of our employees are paid according to the applicable labour law of each region.

Breakdown of employees per company:

	Male	Female	Total
Israel	106	37	143
India	346	30	376
USA & Hong Kong	11	3	14
Total	463	70	533

Breakdown of employees by age



Breakdown of employee turnover by region and gender for 2019:

	Employees Added		Employees Subtracted	
	Male	Female	Male	Female
Israel	10	6	22	12
India	15	3	2	-
USA & Hong Kong	2	-	1	1
Total	27	9	25	13

We at Sarine strive to recruit our senior management from our local communities. About 60% 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 Company's success. 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 50% of our senior management is female.

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 local entity. Sarine's significant locations of operations are in Israel and India.

<u>2019-2020 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

Additional Targets and Goals for 2020

- Increase the percentage of female recruitments.
- Implementation of mid-level management development program.

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 focuses significant efforts on attracting the best professionals and providing them with unique experiences and 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. For our Israel employees, throughout 2019 over 30 employees, were sent for off-site professional courses and training sessions. In India, more than 205 employees signed up during 2019 for a spoken English course at the Company's expense. Furthermore, our employees conduct ongoing training through various cutting edge courses, including online courses.

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 addition, we have proudly initiated in 2019 an employee development program which focuses on prominent employees in unique positions whom we want to preserve in the Company. Those employees receive personalised guidance, will participate in round table conversations with VPs once a quarter in order to create a better understanding of the employees needs and to make the necessary improvements. The plan will continue throughout 2020.

REWARDS AND BENEFITS

As employees are the key element to our success, Sarine treats the issues of rewards and benefits with veneration. 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 among parallel positions and competition in the work marketplace.

The Company reviews compensation and benefits programs 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 2018.

Further details with regard to the 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 2019 Annual Report section "Financial Statements", Note 20.

Sarine is in compliance with relevant pension laws contributing to our employee's pensions under applicable laws and country practice.

WELFARE AND WELL-BEING

Sarine places great importance on occupational health and safety in the working environment and is committed to creating and sustaining a working environment supportive of work-life balance for all employees.

The Company conducts various programs to foster and improve the welfare and well-being of our staff, to support the overall health of employees and to achieve work-life harmony. By so doing, a team of committed, productive and motivated employees is highly energised to realise our corporate vision, mission, values and culture.

Our well-being program includes a variety of activities targeting physical, emotional, social and financial areas of employee well-being, including:

- Yoga, music classes, fitness trainings, etc.
- A nutrition workshop for Company employees
- Participating in the cost of two marathons a year

Our human resources policies protect the rights and interests of the Group's employees, as dictated by, and often exceeding, all applicable laws and regulations.

MEDICAL CARE AND COVERAGE

Sarine provides a number of medical insurance options for employees 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).

WORKING MOTHERS

Sarine complies with all applicable legal mandates regarding maternity and parental leave as per country of operation. In 2019, two Sarine Group employees took maternity leave. As part of our policy and the importance we see in work-life balance, we allow, as far as possible, flexibility in hours and working conditions to encourage working mothers to take an active role in Company activities.

EMPLOYEE EQUALITY AND DIVERSITY

Sarine believes in the importance of having a variety of 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 decided to set a goal to recruit more female employees in order to diversify our Company 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 has two employees with disabilities and further supports others with disabled family members.

Sarine actively diversifies the workplace and promotes equal opportunity in employment which is a fundamental principle in the Sarine Group. We maintain strict policies with regard to equality in the workplace, regardless of sex, 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.

To protect employees 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 Company employees.

No complaints or legal accusations were made towards any Group employee in 2019 in relation to sexual harassment.

SOCIAL RESPONSIBILITY

Sarine and its employees see great importance in giving back to the community. Key management and numerous employees are regularly involved in social activity and community actions. We continue our efforts and participation in local and national programs which support the disadvantaged and less privileged segments of our society.

On the international level we contribute to the Diamond Empowerment Fund, a charity that supports education in diamond producing countries.

In Israel during 2019, projects undertaken included:

- Contribution to the “Make a Wish®” foundation by sponsoring wishes for two children with critical illnesses and cooperating with the foundation in order to realise each of their wishes;
- Collection of food from employees for needy families through “REIM”, a non-profit organization that distributes food baskets to needy families in our home office locale - Hod-Hasharon;
- Purchasing of chocolate boxes on the Jewish High Holidays for employees and suppliers from “Nona”, a special organization operating a facility that employs individuals with disabilities;
- Sponsorship of a team from the Israel Association for Special Athletes, who traveled to the Paralympics in Sochi, Russia, and trained for and participated in the snow-running category. Among the group was our very own Orit Mussli, Marketing Assistant from the Marketing team at Sarine headquarters in Israel. Sarine supplied the running team with warm clothes and uniforms (e.g., scarves, jackets, hats, etc.); and
- Cooperation with the Amal Sharonim High School for the establishment of a program consisting of lectures and workshops intended to promote active and proactive social involvement among the students.

To demonstrate our commitment to these important functions, the Sarine Group underwrites these activities by permitting staff to participate during regular working hours.

In India, our most significant market, Sarin India has an active Corporate Social Responsibility (CSR) committee with 10 members. Sarin India’s CSR Committee is devoted to actively focus on different areas which can help students get a better education to make their future brighter.

In India, we have also adopted and implemented an active corporate social responsibility policy. In 2019 we continued our ongoing programme in Lalita Chokadi and Katargam localities in Surat, India’s diamond manufacturing center, where we have ‘adopted’ two government primary schools serving over 3,950 children. This past year, Sarin India participated in the upkeep and improvement of the schools by mounting the computer monitors in the computer lab on the wall, restoring the school’s amplifier for the public address system and recruitment of a teacher in the field of Information Technology (IT), who has also developed for the school an online examination software programme. In addition, Sarin India was involved in distributing gifts to the students that participated in the Republic Day event, providing water bottles and lunch boxes, and gifts of printed birthday cards for all students on their birthdays.

Finally, in 2019 we launched an internal think-tank consisting of 20 employees and management to discuss potential initiatives and goals. We then convened a five member committee to consolidate a sustainability program for 2020, backed by an approved budget.

Further details may be found in the "Corporate Social Responsibility" section of the 2019 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. Some of these challenges, which we continued to face throughout 2019 include:

- **"Branding"** – a growing trend in retail to create differentiation between otherwise commoditised products. In the diamond industry, this is achieved by either introducing non-standard cuts or by otherwise creating a unique story around the offered stones, sometimes by tracing their origins from mine to the consumer (e.g., our cooperation with the Canadian producer Dominion Diamond Mines, offering CanadaMark™ diamonds).
- The **"Experience"** – today's internet-savvy consumers surf the Internet and query social media before buying, though actual sales are still predominantly in stores. By using sophisticated technologies, the retailer can create a more exciting experience both on their website and in their store.
- The **"Sale"** – what a retailer needs to do to actually conclude the sale of a specific stone (jewellery piece) at a specific price. Today, the branding and the experience, and the confidence inspired by these methods, are often no less important than the quality of the goods offered and their pricing.

As market needs change, whether due to social or environmental changes, or technological advances, Sarine must meet these new challenges and opportunities. We constantly search for opportunities throughout our product offerings across markets and the evolution of the products over their useful life cycles, so as to take the next step forward.

PRODUCT AND PROCESS INNOVATION

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

In 2019, our R&D team was expanded as part of this concept. In addition, the Company's research and development endeavours are turning to Big Data and Artificial Intelligence solutions, in accordance with global trends, as well as automation processes.

In the "Upstream" we assist diamond mining companies, also termed "producers", to evaluate their rough stones. Our DiaExpert® family of platforms, accurately model a rough diamond's external geometry and the revolutionary Galaxy® family of internal inclusion mapping systems for rough diamonds map its internal characteristics. These allow the producer to fully assess the intrinsic value of its rough material and provide prospective customers with comprehensive information pertaining to the stones offered for sale. Disclosing this

information, and thus reducing the risk associated with buying rough stones lacking full knowledge of their characteristics, allows bidders to offer a higher premium for the offered goods, thus increasing the producer's profitability. In addition, the provision of such data in a digital form enables producers to reach a broader group of potential buyers.

Alrosa, the Russian producer, and largest miner of diamonds worldwide in carat terms, and Lucara, a Canadian-based producer operating in Botswana, as well as other producers, have adopted these technologies for certain categories of rough diamond production, subsequently offered for sale via digital tenders or other focused sale paradigms.

In 2019, we developed new add-ons to our Galaxy® system/product, which allows mapping the pressure and stress inside the diamond – its "tension". This enables a reduction of damages during the process of the manufacturing and cutting of the diamond, and facilitates the planning of the end product according to this information.

Another key service we introduced in 2019 is our comprehensive verifiable traceability tool – an enhancement to the Sarine Diamond Journey™. 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 2019 over 17 million stones were scanned for inclusion mapping using our installed base of 555 Galaxy® family systems, and close to a hundred million rough stones were planned using our extensive installed base (over 25,000 systems) of our DiaExpert® family of planning platforms. Of these, over 60 million stones were planned using our online Advisor® cloud-based software which, optionally, records the actual planning stages. Based on these data, we have launched a new captivating paradigm providing a conclusive certified testimonial of the polished stone's derivation. We provide an unmatched solution for documenting and showing the consumer the entire actual process that his/her very own diamond underwent. The mined rough stone's source data is optionally provided by the producer, or, if not, key data pertaining to its weight, form, inclusions, etc. can be derived independently by our technologies, as it is accurately modelled for the analysis and planning processes. Its rough form is retained in true video format for presentation to the consumer and, as an option, it can also be provided as a real 3D-printed model for the consumer's fascination –the 3D-Origin™. Subsequently through various stages of the stone's processing, to the level desired, actual graphic data is collated as the rough diamond was scanned for inclusions, as it was planned, as cut, as "blocked" and as faceted, culminating in its final polished form. Beyond offering consumers insight into the sophisticated technology and painstaking craftsmanship that went into creating their unique gem in an engaging visual format, the Sarine Diamond Journey™ can verify for the consumer where their diamond was mined and how (and by who) it was fashioned, reinforcing their confidence in the value of their unique natural jewel.

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 scientifically 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.

Another initiative of the Company in 2019 was an innovative imaging solution that generates high quality video displays, derived from but a handful of images captured by any common smartphone. Verto™'s solution enables jewellery manufacturers, wholesalers and retailers to provide their customers with exceptionally high-quality video visualisation of offered jewellery items, along with the capability to generate multiple options of settings and the types, sizes, and colours of stones set in the piece, etc., with no need for capital investment in high-end devices, expensive professional photographers or exhaustive manual finishing. The combination of the imagery's high quality, the system's ease of use, its attractive cost and fast delivery creates an offering that is far superior to any currently available market alternatives.

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

<u>2019 Targets and Goals Status</u>	
<u>Target/Goal</u>	<u>Status</u>
<ul style="list-style-type: none"> • Conducting a week in which the R&D team breaks into groups to present a proof of concept/prototype of a new innovation; planning processes were completed in 2019 	Ongoing
<ul style="list-style-type: none"> • Participate in more than five events in which new technologies are presented. 	Completed
<ul style="list-style-type: none"> • Review all new (2018-2019) patents in the gemstone field by selective keywords 	Completed

Targets and Goals for 2020

- Continue with the process of conducting a Hackathon in which the whole R&D team divides into groups to present a proof of concept/prototype of a new innovation (the planning and preparations processes for these being completed in 2019).

CREATING SHARED VALUE WITH CUSTOMERS

A long-term approach to business has always been part of Sarine's DNA. We believe that the Company will be successful in the long term by 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. It enables us to express our purpose to our market and to be a leading innovative force in our industry. Through ongoing shared value, we integrate sustainable development into business activities. This is increasingly important to long-term investors. Shared value brings business and society together by generating economic value in a way that also produces value for society.

With the goal of striving for excellent customer satisfaction, Sarine is working towards growth by creating new shared value for our customers. We provide innovative solutions which provide customers with the safety and peace of mind that comes with highly reliable products. Sarine strives to both meet current needs and resolve potential customer challenges.

In 2019, we increased value to our customers in a number of ways, such as:

- The Sarine Diamond Journey™ tool enables various stakeholders including customers, consumers, suppliers, producers and regulators to trace the diamond's journey from mine to its sale to the end customer. This information may be essential for understanding the impact of the process on environmental issues and enables tracking solutions for the local economy and the environment.
- Using our technology in third world countries contributes to the economic development of local communities. Technology contributes to the development of the local community and the economy in developing economies such as in the southern African countries and in India, contributes to increased labour and to the overall betterment of the employees' conditions.
- Using our technology allows better use of raw materials, efficient production and increased output from the rough diamond. This contributes to reducing environmental damage through proper utilisation of natural resources and minimising energy use.

PRODUCT STEWARDSHIP AND LIFECYCLE

To insure proper safety and usage of our products, we adhere to high standards with regards to properly marking any relevant hazardous elements or usage, such as lasers. Furthermore, we go to great lengths to insure that all our customers receive guidance and assistance with the proper usage of the systems, thus ensuring the highest level of safety for our products. We consider the safety of our products from research and development through production and all the way to our customers' installation. We work continuously to ensure that our products pose no risk to people or 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.

All Sarine products meet European CE standards, and our initiatives go beyond legal requirements as we monitor the compliance to our guidelines and internal standards through regular audits and check-ups.

Sarine did not have any incidents of non-compliance with regulations resulting in a fine, penalty or warning in 2019.

CUSTOMER HEALTH AND SAFETY

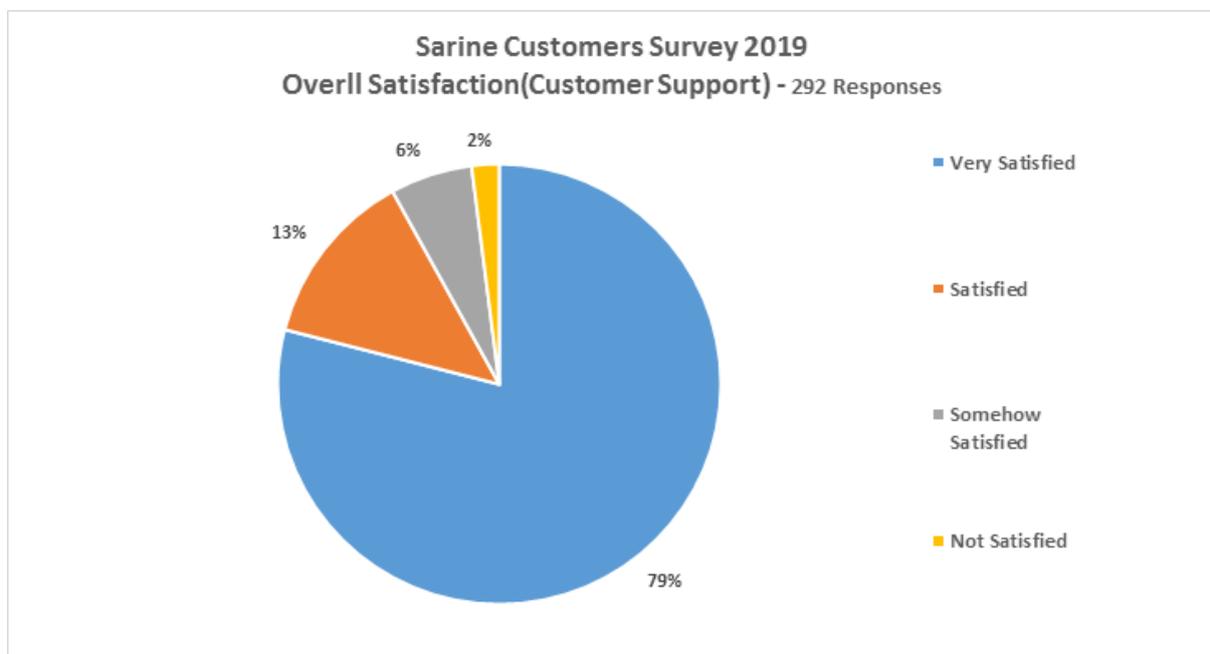
To meet the evolving needs of our customers and the market, Sarine continually seeks to enhance products, incorporating cutting-edge technologies. The Company educates

employees and customers about quality and safety, while continuously enhancing quality management activities. The aim is to provide customers with products that offer great value without endangering them.

Given the importance that Sarine sees in the safety issue, several initiatives were carried out during 2019 in this field, including appointment of a full-time Safety Officer and a Laser Safety Officer. Furthermore, during 2019 we updated our entire safety infrastructure and established new procedures and updated others in the fields of laser, electrical and fire safety, emergency team response, etc.

Sarine goes through extensive measures to ensure that our products and services deliver the highest levels of quality and reliability. The Company believes that this commitment to quality and reliability is a key to sustainable growth.

Such measures taken in 2019 include third-party safety assessments and audits regarding our products as part of their authorisation and initial production process. An example for such a safety assessment was conducted in 2019 through a customer satisfaction survey via a global survey platform divided into regions. The survey's goal was to identify potential hazards our machines might have to workers, customer property and the environment, including potential hazards from the consumables utilised during processing. None of our machines were reported to have any discharge of Rutherfordium (RF) radiation in their usage throughout 2019. The survey results show an overall satisfaction from Sarine's customer support and products, including safety issues (91% were satisfied/ very satisfied).



Sarine supports laser safety training for all customer employees who work on or around any of our laser systems. We support the understanding of the bio-effects of lasers as well as the facts about laser radiation. 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.

To the Company's knowledge there were no injuries to any of Sarine's customers or clients as a result of using our products and no legal actions or complaints were made in this regard throughout 2019.

<u>2019 Targets and Goals Status</u>	
<u>Target/Goal</u>	<u>Status</u>
<ul style="list-style-type: none"> Successful monthly visits by external consultants to evaluate Sarine's work safety procedures and evaluation of facilities / working procedures. 	Completed
<ul style="list-style-type: none"> Ensuring that every installation encompasses maintenance and safety procedure training for customers. 	Partially Completed-completed for Galaxy® and Quazer® machines; ongoing for all other machines

Targets and Goals for 2020

- Completion of a safety management plan in accordance with the requirements and regulations in Israel.
- Conduct a safety risk survey in the Company.
- Equip relevant employees with advanced protective equipment.
- Maintain the goal of zero casualties.
- Zero substantial findings in 2020 by the Audit Committee on safety issues.
- Successfully pass external surveys on environment protection, equipment safety assessments, etc.

CUSTOMER PRIVACY

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

The Company established a policy for the proper use of Company systems including privacy issues and rules for the protection of personal information. 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 included establishing Company standards, procedures and policies in this matter and an audit process was conducted in order to comply with the GDPR.

In 2019, there were a number of phishing and cyber hacking attempts, but no information was compromised or harm done.

Targets and Goals for 2020

- To conduct an internal audit of Sarine's GDPR compliance.

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.

We have developed over the years long-lasting relationships with our suppliers and take pride in our well-run supply chain. Our key suppliers are evaluated annually, and we also request their feedback in order to maintain the strength of our business relationships. Our purchasing terms and conditions require suppliers to commit to all necessary regulatory requirements and make sure that all products provided are of the required standards.

Beyond that, we promote and foster relationships with suppliers that promote shared environmental and social values, such as employ 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 dedicated sustainability team establishes an annual environmental plan that includes recycling and 'green' initiatives, including:

- Energy saving - automatic shutdown of air conditioning and lighting
- Using recycled paper
- Plastic and battery recycling
- Using consumable kitchen utensils and moving to multi-purpose kitchen utensils in Israel

We are pleased to report on a reduction in our environmental metrics. This includes a decrease in energy used, fuel usage and CO₂ emissions as a result.

Targets and Goals for 2020

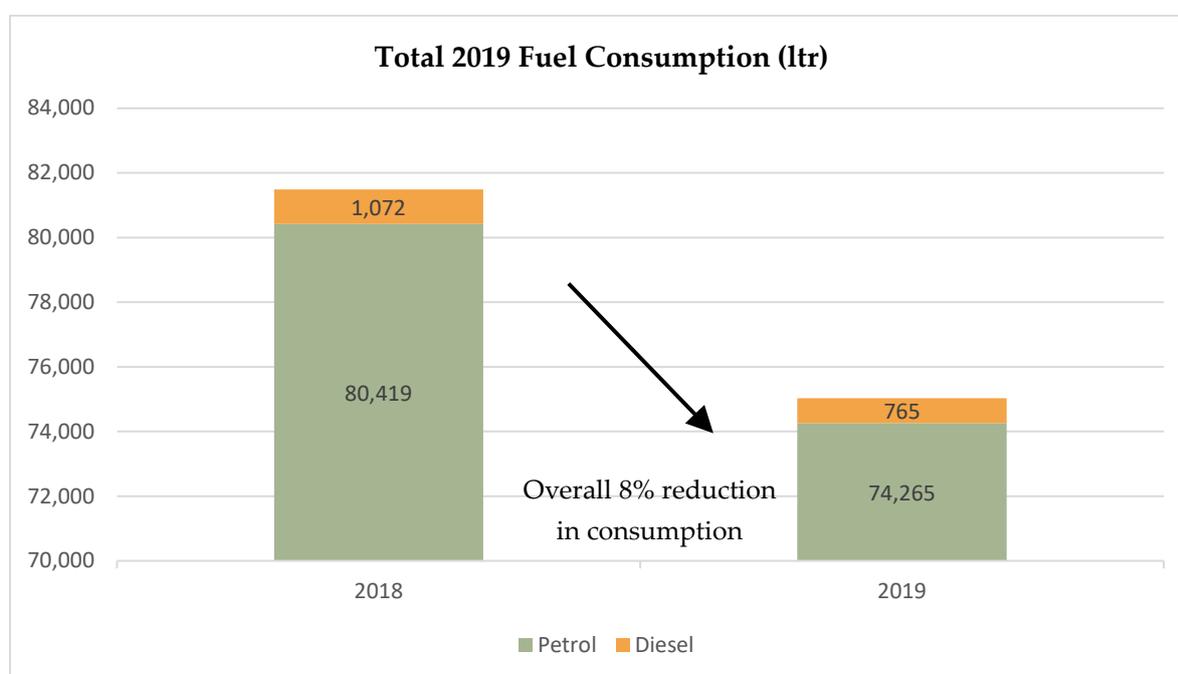
- Where possible, fully switch to recycled paper
- Where possible, transition to multi-purpose kitchenware

ENERGY

As part of our efforts to improve our performance and measure our environmental impact, we measure energy consumed in our activities and are pleased to report that for 2019 we have lowered our energy consumption.

The Group's electricity consumption in all of its facilities in 2019 was approximately 2,030 MWh, approximately 80 MWh lower than in 2018 and an overall 4% reduction in consumption. This includes all Sarine facilities in Israel, India and the US¹. Sarine did not sell any energy during 2019.

The Company's total fuel consumption during 2019 amounted to 75,030 litres, of which 99% were petrol and 1% was diesel fuel. This too is a reduction in usage as illustrated below. The fuel consumption includes company-issued employee cars and company cars in Israel and India. The Company does not have any company cars nor cars for employees in other locations.



CARBON FOOTPRINT

Sarine is glad to report on an overall 5.5% reduction in CO₂ emissions as a result of the lower energy consumptions demonstrated above.

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

¹ (Note: environmental data contained herein does not include electricity usage data from our sales office in Hong-Kong, due to its small size).

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

Source	Company total 2018 ² ton CO ₂ equivalent emissions	Company total 2019 ton CO ₂ equivalent emissions	Change %
Scope 1: Direct emissions			
Transportation fuels	188.03	173.04	-7.5%
Scope 2: Indirect emissions			
Electricity consumption	1,673.89	1,585.2	-5.3%
Total emissions (scope 1 & 2)	1,861.92	1,759.18	-5.5%

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.

² 2018 data has been updated due to changes in conversion factors.

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