



# SARINE TECHNOLOGIES LTD.

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Environmental, Social and Governance (ESG) Report

2022

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Note: 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.

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## BOARD OF DIRECTORS STATEMENT

On behalf of the Board of Directors, it is my pleasure to present our sixth ESG Report for Sarine Technologies Ltd. ("Sarine" or the "Group" and along with its subsidiaries the "Group"), for the year ended 31 December 2022.

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

Daniel Benjamin Glinert  
Executive Chairman of the Board

## ABOUT THIS REPORT

This is our Group's sixth year of issuing an ESG report. This report is in compliance with the requirements of the SGX Listing Rules 711A and 711B and in accordance with the GRI Universal Standards.

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

This report reflects Sarine's performance for the calendar year 2022, and the data is updated as of its reference date – 31 December 2022 (note: as for financial information included in this report, the information is as published in Sarine's Annual Report for 2022).

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

The material issues covered in this report were identified in the recent methodology materiality analysis that Sarine conducted, as further detailed herein. The relative effect of each material issue is subject to its significance to the Group's various internal and external stakeholders.

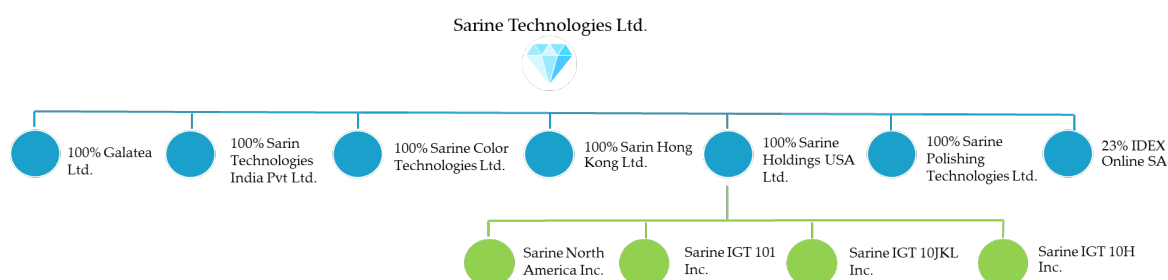
We welcome all feedback to help us improve our ESG practices. Please send your comments or feedback by e-mail to [sustainability@sarine.com](mailto:sustainability@sarine.com)

## ABOUT SARINE

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

## GROUP STRUCTURE

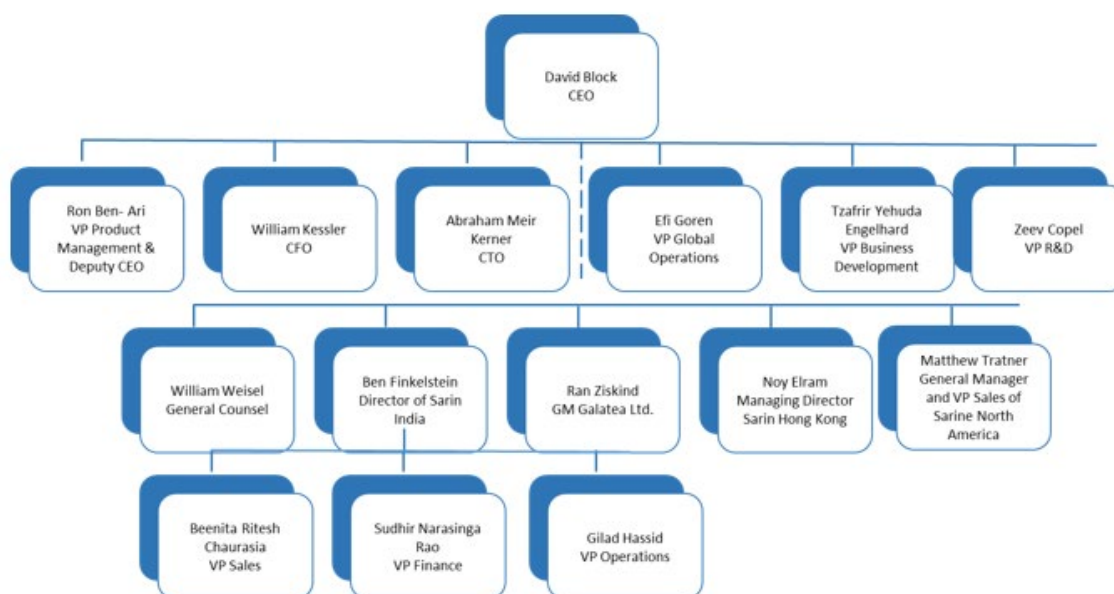
Headquartered in Hod Hasharon Israel, Sarine's structure as of December 31, 2022, is:



For further details regarding the Sarine Group's entities and operations, we invite readers to refer to our 2022 Annual Report "Group Structure" section.

## KEY MANAGEMENT

Below is a diagram of Sarine Group's key management as of December 31, 2022.

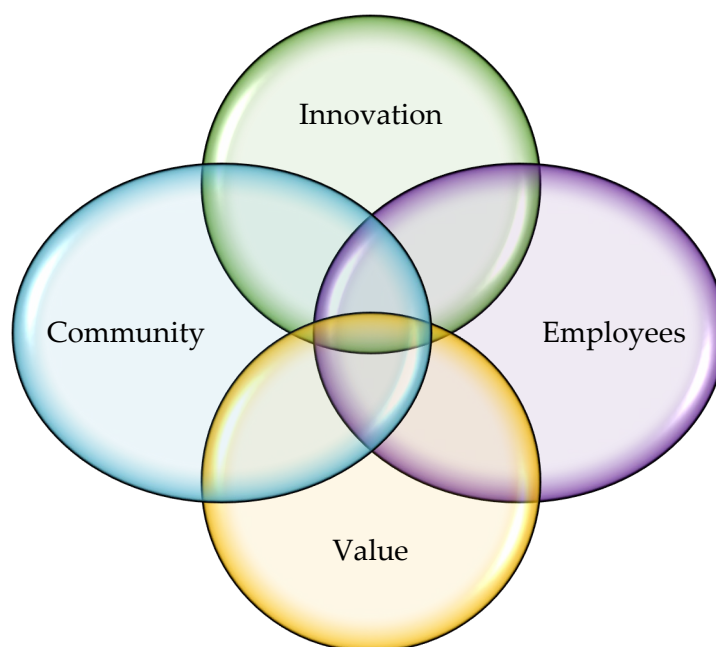


Further information about key management and remuneration is detailed in the "Key Management" and "Corporate Governance" sections of the 2022 Annual Report.

*\*As of 31 December 2022, the percentage of senior management hired from the relevant local communities is as follows: 100% in Israel, USA and Hong Kong, and 67% in India.*

## OUR VISION

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



- 1. Innovation** — Most diamonds over 0.1 carat in weight are touched by our innovative technologies at different stages of their processing. Sarine sees its mission as participating in setting the industry standards, optimising the utilisation of rough diamond material, enhancing the beauty and value of polished diamonds, and providing confidence-building 21st century solutions for polished diamond grading and their trade, in order to benefit the industry 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 Group's success.
- 3. Value** — We endeavour to create value for the communities in which we operate, the economy, and the environment, by creating innovative solutions across the entire ecosystem value chain in which we operate.
- 4. Community** — We are involved in and contribute to the communities in which we operate.

These four key pillars are the basis of our ESG efforts as 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 its second methodological materiality analysis in 2022. The scope of this report covers Sarine's global efforts, in relation to the material issues identified in the analysis, and which Sarine considers material to its business, stakeholders, and operations.

These are the ESG issues material to the Group's communities, the economy, and the environment. Sarine has considered issues that it believes its stakeholders would consider to be most relevant, such as ESG practices and processes throughout the organisation, regulatory requirements, the diamond industry in general and sector comparables, the Group’s industry partnerships and the market in general.

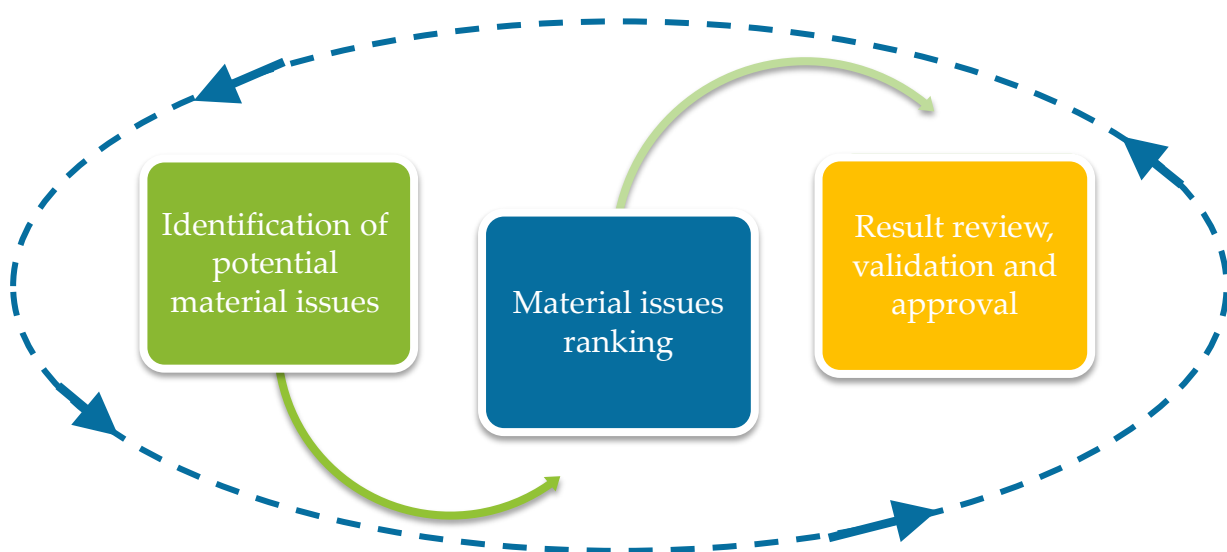
The outcome of this assessment enabled the Group to define the report’s content, in alignment with the Global Reporting Initiative (GRI) Universal Standards. As Sarine further develops its stakeholder dialogue in the coming years, Sarine will conduct periodic reviews to re-assess and re-validate these issues for materiality.

## THE PROCESS

Our materiality analysis was conducted by our key management through a methodological three step process. Further review, evaluation and approval were executed in consultation with the Group’s Board of Directors (the “Board”).

The process also considered the SGX's 27 Core ESG Metrics, with which Sarine's ESG report is aligned, based on availability of data and relevance to Sarine's operations.

Below is a presentation of the three stages we conducted:



### 1. Identification of potentially material issues

The first stage was conducted through an extensive media research, internal materiality review, questionnaires completed by key management personnel, discussions with additional relevant Group representatives and a peer review. Throughout this stage, a list of topics was identified from all relevant sources and stakeholders, from which to map all potentially material issues.

### 2. Ranking of material issues

The second stage included the ranking of material issues. A list of the identified potential issues was evaluated and ranked to determine which issues were material to Sarine. We conducted this through both qualitative and quantitative analyses as well as discussions with management on whether, and to what degree, they reflect a significant environmental, social or governance impact on Sarine or substantively influence the assessments and decisions of our stakeholders.

### 3. Result review, validation, and approval

In the final stage, the material issues that were identified were reviewed, validated, and submitted for approval by key management personnel and the Board of Directors.

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

## MATERIAL ISSUES

The material issues identified, form the basis of the Group's ESG activities and targets in this report.

Material Issues	
1	External Influences on the Group
2	Technology and Innovation
3	Business Development
4	Governance and Risk Management
5	Supply Chain and Production
6	Economic Performance
7	Intellectual Property
8	Cyber and Data Security
9	Recruitment and Retention of Skilled Employees
10	Customer Trust and Success

In addition to the above, this report also reviews our limited environmental footprint as well as the social impact we have on the local communities that we operate.

## **TRANSPARENCY AND STAKEHOLDER DIALOGUE**

Sarine has a broad range of stakeholders that include the Board, management, employees, investors, shareholders, business partners (e.g. suppliers and distributors) and customers, as well as consumers and governmental authorities.

Although many of the topics pertaining to ESG are global by nature, the expectations, interests and concerns for Sarine vary among the stakeholders. The Group recognises the importance of its stakeholders and their interests, and we therefore invest significant resources to maintain transparent and open communications with them.

The Group has a whistleblowing policy. For further information, please see sections “Governance and Risk Management” and “Preventing Bribery, Corruption and Fraud” below.

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

## Investors

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

## Employees

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

## Business Partners

(Suppliers, Vendors, Sales Partners, etc.)

- Ongoing regular dialogue with key vendors and suppliers, including meetings with suppliers- Continuing relationship and ongoing communication with authorised sales representatives worldwide

## Customers

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

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

## Local Communities

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

## Government


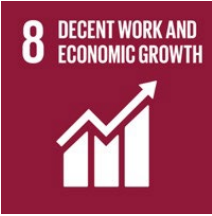
- Regular communication with governmental authorities
- Timely mandatory reporting and compliance requirements



## THE 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 ESG performance in the future as we continue to develop our ESG practice. As such, through our business and our products we contribute to the following goals:

Goal	Our activity
	<ul style="list-style-type: none"> <li>— We encourage female representation in the workplace in all positions and leadership roles.</li> <li>— We accommodate working mothers through flexible working hours thus providing equal opportunities at the workplace.</li> <li>— We comply with all applicable legal mandates regarding maternity leave.</li> </ul>
	<ul style="list-style-type: none"> <li>— We honour labour rights and promote safe and secure working environments.</li> <li>— We hire persons with disabilities and from minority groups.</li> <li>— We provide medical insurance options for employees in all our locations worldwide.</li> <li>— We recruit employees and engage suppliers from local communities, thus helping to drive the local economy.</li> </ul>

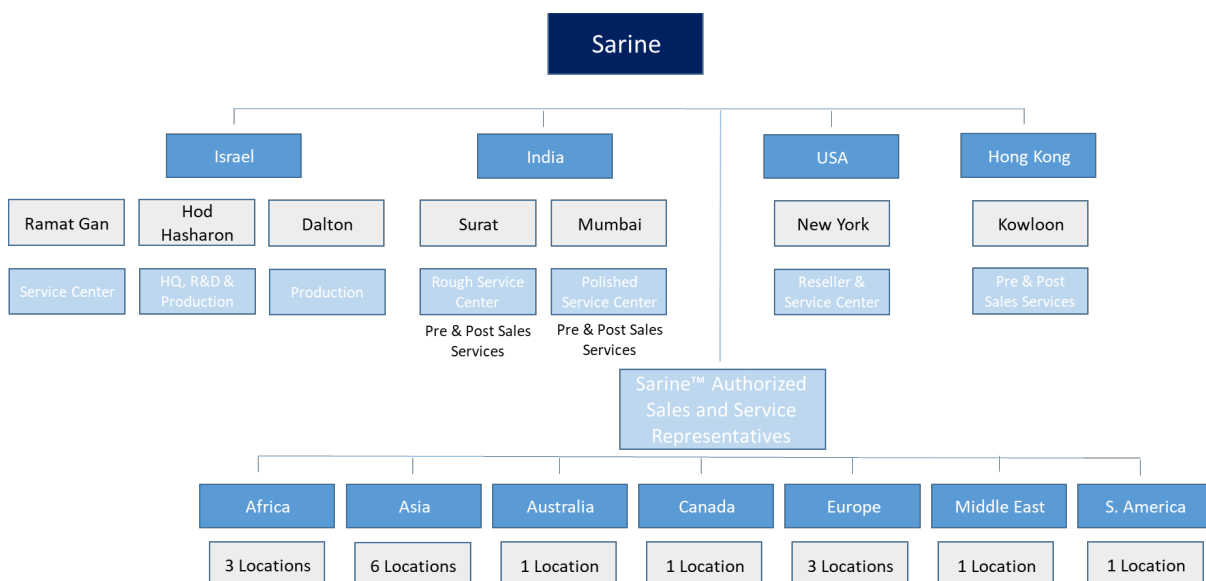
Goal	Our activity
	<ul style="list-style-type: none"> <li>— We invest significantly in research and develop solutions that enhance transparency and sustainability throughout the diamond industry.</li> <li>— We increase the integration of developing countries into the value chain and diamond market.</li> </ul>
	<ul style="list-style-type: none"> <li>— We develop products and solutions that optimise the usage of rough material and have a potential to lower the impact on the environment caused by its extraction, and which are also compatible with lab grown diamonds, which, if produced using renewable energy sources, have a lower environmental impact.</li> <li>— We promote environmentally friendly practices within the organisation such as recycling, switching to multi-purpose kitchenware, using recycled paper, enabling a hybrid-model of work, thus reducing employees' commute emissions and more.</li> </ul>

## SARINE AT A GLANCE

No significant changes to the organisation were implemented in 2022 in regard to group structure, ownership, supply chain, locations or operations. All relevant changes with regards to employee base, financial performance and ESG figures are detailed elsewhere throughout the report. Full detail of our financial results can be found in our 2022 Annual Report.

## OUR NUMBERS

### Description of operations:

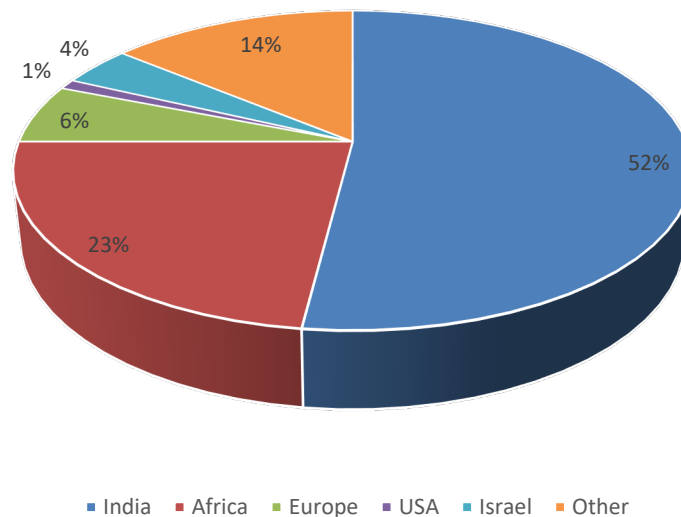


**Revenue, gross profit, profit from operations and net profit:**

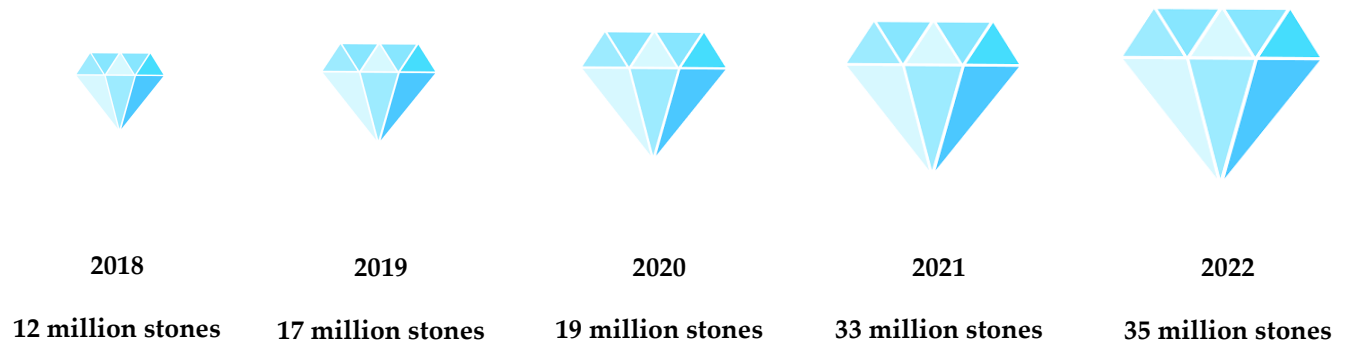
*For the year ended 31 December 2021 and 2022*

	2021	2022
	US\$'000	
<b>Revenues</b>	62,116	58,763
<b>Gross profit</b>	45,827	40,623
<b>Profit from operations</b>	19,203	10,998
<b>Net profit</b>	16,456	8,798

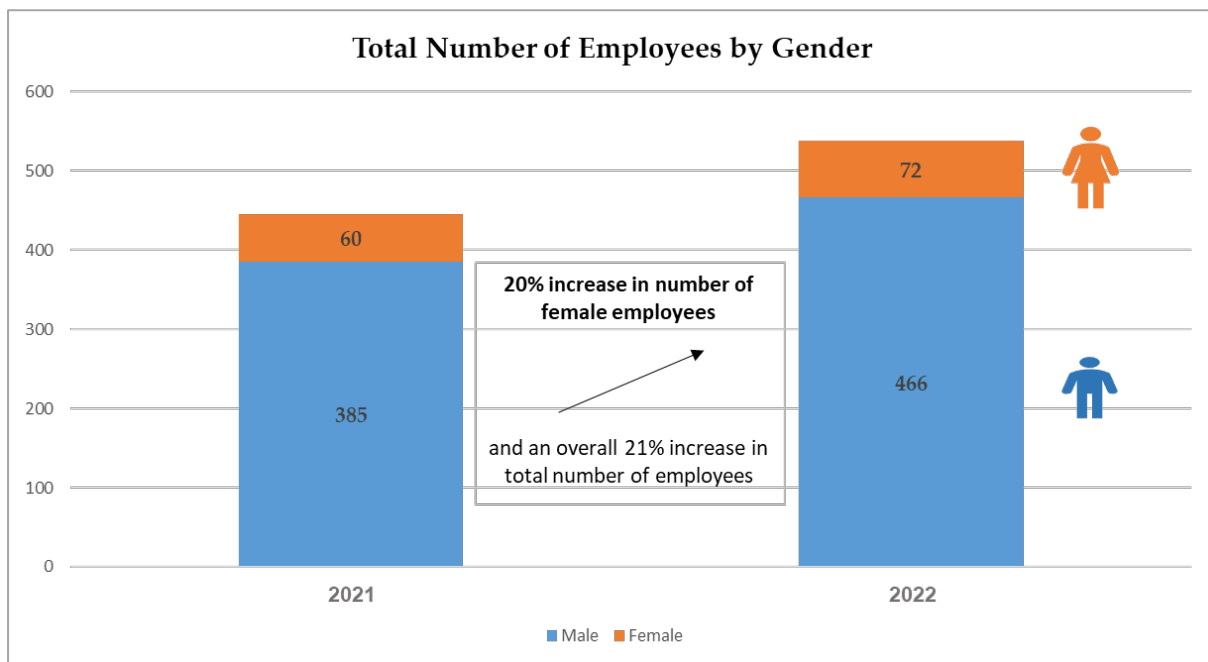
**Revenue by geographic segment:**



Approximately 35 million stones were scanned through Sarine's inclusion mapping products worldwide in 2022, reaching an all-time record surpassing our previous (2021) record by 6%.



**Our employees:**



## OUR VALUES

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



### **Innovation and Creativity**

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



### **Teamwork**

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



### **Customer Orientation**

We believe that things should be made simple, but not simplistic. We produce technologically advanced products and solutions, which are customer oriented both from the perspective of their operational safety and simplicity of operation.



### **Honesty and Fairness**

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

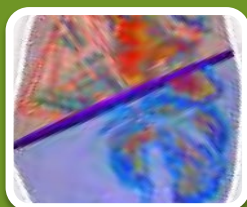


### **Commitment and Integrity**

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

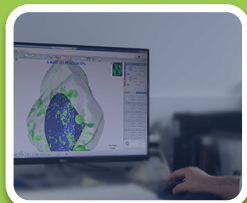
## BUSINESS

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



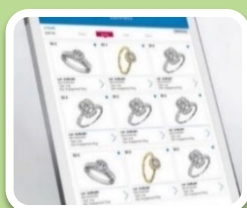
### Rough Stone Evaluation and Trade (The "Upstream")

Sarine assists the diamond mining producers to evaluate (high resolution mapping of a rough stone's external geometry and internal inclusions and tension) and offer for sale through digital channels their rough stones as per their varied qualities using our revolutionary Galaxy® and DiaExpert® families of platforms. In 2022 Sarine launched a new system, Sarine Autoscan™, that assists producers and manufacturers alike in the control and analysis of the overall produced rough diamond inventory.



### 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. Notably, Sarine's technologies are applicable to both natural and lab-grown diamonds (LGD).



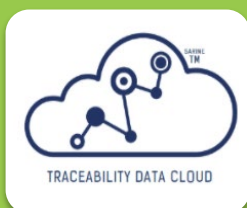
### Polished Diamond Trade (The "Downstream")

A strategic decision taken in 2010 was to expand our product and service offerings into the wholesale and retail trade of polished diamonds, referred to as the "downstream". We have launched the Sarine Profile™, Sarine Diamond Journey™ that was recognised in 2022 as the leading traceability solution by industry leading luxury brands, and TruMatch™ to support branding and merchandising efforts.



### Diamond Grading

Commencing 2018, Sarine offers comprehensive polished diamond 4Cs (Carat, Cut, Color, and Clarity) grading utilising artificial-intelligence (AI) based technology, along with light performance grading, essentially the fifth "C" in some APAC markets. In 2022, Sarine began the commercial rollout in India of its new revolution of polished diamond grading, e-Grading™, that allows on-site grading, replacing the need to send stones off-site to third-party gemmological laboratories.



### Diamond Traceability

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

In 2022 some 35 million stones were scanned for inclusion mapping using our Galaxy® family systems, and an estimated 100 million stones were planned using our DiaExpert® family platforms. Of these, 70 million stones were planned using our online Advisor® cloud-based software, which, optionally, records the actual processing stages.

Further information about the Sarine Group's products is detailed in the “Management's Business, Operation & Financial Review” section of the 2022 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 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 dictates and adopting all relevant guidelines and ethical mores.

Sarine is incorporated in Israel. Sarine is listed on the Mainboard of the Singapore Exchange (primary listing) and on the Tel-Aviv Stock Exchange (secondary listing). Therefore, we comply with various corporate governance requirements under the Israeli Companies Law, 1999, and the SGX Listing Rules. Furthermore, the Group 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>2022 Targets and Goals Status</u>	
<u>Target/Goal</u>	<u>Status</u>
• Periodic corporate risk assessment analysis.	Completed
• Upgrade parameters for evaluating the Board and the director effectiveness.	Completed

### Targets and Goals for 2023

- Examine the Group's ESG processes by the Internal Auditor.
- Approval of Diversity Policy by the Board.

To read more about the ongoing initiatives taken by the Board of Directors, please see the Corporate Governance section in our 2022 Annual Report.

## ESG MANAGEMENT

Sarine is aware of the ongoing need to properly address and manage ESG issues in our business. In the first quarter of 2023, the Board's ESG Committee comprised of three Board members and the Company's General Counsel held their inaugural meeting. The committee considers the Group's ESG practices and submits its recommendations to the Board of Directors. Furthermore, Sarine's Internal Auditor is qualified and tasked to review the Group's ESG report and will perform an annual internal review on the Group's ESG issues, in accordance with SGX requirements.

Sarine currently does not hold any ESG related certifications since such certifications are immaterial to the Group's operations. Our ESG reports together with our materiality analyses are generated by our appointed management team and have been reviewed and authorised by the Board accordingly.

## RISK MANAGEMENT

Sarine conducts ongoing Group-wide risk management activities that address strategic, financial and operational risks. The risk management system relates to strategic, operational, statutory and economic risks in all aspects of the organisation's operations, including potential impacts from the Group's activities. Through this structured process, which identifies risks, Sarine continued to implement precautionary procedures to relevant issues in 2022. The Board, with the assistance of the Audit Committee, reviews, on an ongoing basis, and at least annually, the adequacy and effectiveness of the Group's risk management and internal control systems. The Group's internal auditor conducts in-depth analyses of key issues on a routine basis. The primary areas that were audited in 2022, and the internal controls fine-tuned appropriately as per the findings of such audits, were Cyber and IT security and inventory management, Sarin India -- purchasing, payments, revenue cycle and controls at Indian Galaxy service centres, and inventory and customer service (began in late 2022 continued into 2023). In 2021, Sarine's internal auditor completed a comprehensive risk assessment of the Group's activities, which will be the basis for upcoming internal audits and risk assessments.

Further information regarding Sarine's risk factors and risk management process is detailed in the "Management's Business, Operation & Financial Review" section of the 2022 Annual Report.

## BOARD OF DIRECTORS

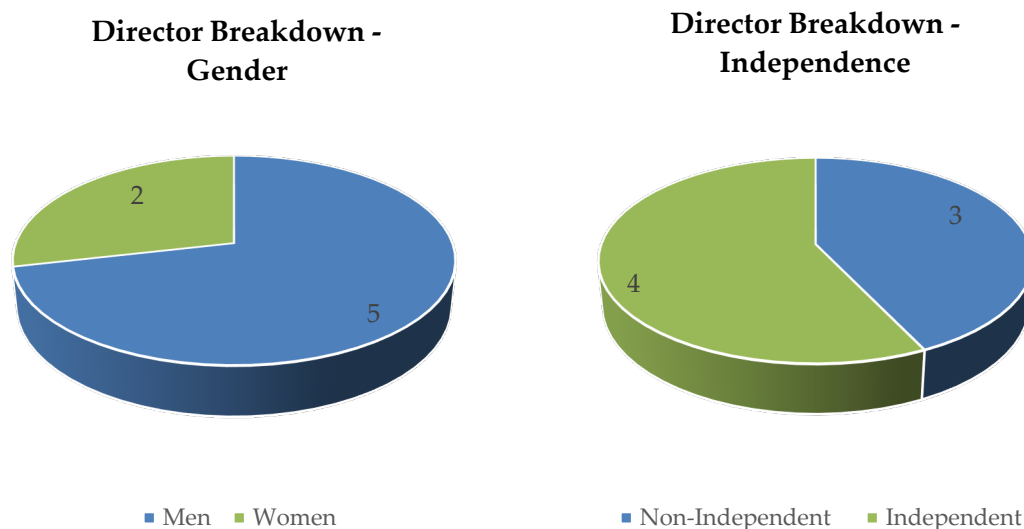
As of 31 December 2022, the Board is comprised of seven directors, the majority of who are independent (two of the directors, namely Ms. Neta Zruya-Hashai and Mr. Sin Boon Ann, also qualify as "External Directors", under Israeli law) and six out of the seven are Non-Executive Directors. Thus, the Board is able to exercise independent and objective judgment, and no individual or small group of individuals can dominate the decisions of the Board.

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

Ms. Varda Shine is the Lead Independent Director.

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

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



Women comprise just under 30% of the Board. The Board meets regularly, and in any event no less 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’s counsels, periodic updates with regard to legal and corporate governance developments affecting the Board and the directors, 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.

All Board members have undergone training on ESG matters in 2022, as prescribed by the SGX.

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	5 meetings	3 meetings	2 meetings
96% attendance	100% attendance	100% attendance	100% attendance

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

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

The Board is involved and oversees the ESG activities as described in this report, including ESG strategy, annual review and approval of the materiality analysis process and Board ESG statement, and it provides comments to and approval of our ESG report. Relevant market and other developments pertaining to ESG issues are shared with Board members and based upon the materiality of the matters, discussed at Board meetings. The Board will be updated by the ESG Committee on relevant issues on a periodic basis.

Further key information about the Directors, including compensation, is detailed in the “Board of Directors” and “Corporate Governance” sections of the 2022 Annual Report.

## BUSINESS DEVELOPMENT

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

These values, together with the Group’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 domains 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 approved 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 last updated and re-approved in 2021 to accommodate the Group's current needs and with an emphasis on communications’ channels 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 employ, 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 2022 Annual Report.

## PROFESSIONAL AND INDUSTRY-RELATED INVOLVEMENT

Sarine is honored to belong to industry-affiliated associations through which it can have a voice, exercise influence and have an impact on our industry, while creating shared value.

As of 2022, we are members of or have an ongoing discourse with numerous of industry associations, including:

- American Gem Society (AGS)
- Jewellers of America (JA)
- Jewellers Vigilance Committee (JVC)
- The Belt and Road Jewellery Extended Fashion Industry Alliance (JFIA)
- Black in Jewellery Coalition (BIJC)
- Women's Jewellery Association
- Jewellers for Children
- Surat Diamond Association

Sarine in addition cooperated with the following associations during 2022:

- The World Jewellery Confederation (CIBJO) – Sarine’s CEO is a member of the Technological Committee.
- Diamond Dealers Club New York

## GOVERNANCE AND RISK MANAGEMENT

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

- High value
- 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

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 Group assets. Sarine has effective controls in place at every stage of its business.

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

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

No claims or allegations of corruptive practices or actions, including bribery, were brought against any member of the Group or its employees during 2022 and no fines or non-monetary sanctions were imposed on the Group in 2022 in regard of non-compliance with anti-corruption legislation and regulations.

In 2022, no complaints were reported through the whistleblower mechanism regarding suspected fraudulent, wrong, or improper conduct of the management and personnel of Sarine.

## INTELLECTUAL PROPERTY

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 2022, nine patent applications were filed on behalf of the Sarine Group in Israel, Hong Kong, Europe and the US relating to the developments of new products in the fields of diamond traceability, provenance and grading.

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

As a leading technology company in our field, the Group invests substantial resources to maintain such leadership and to patent, copyright, trademark and otherwise protect the Group's proprietary assets. Nonetheless, the Group is exposed to ongoing attempts to misappropriate its technology and products and to infringements 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 and proprietary in-house developed cyber protection.

In 2022 we continued our zero-tolerance policy and pursued legal actions against several copyright and patent infringers, primarily in India, and we continued our enforcement activities regarding existing litigation.

<u>2022-2023 Targets and Goals Status</u>	
<u>Target/Goal</u>	<u>Status</u>
<ul style="list-style-type: none"><li>Continue to expand and protect our intellectual property portfolio, including patent, copyright, trademark and trade secret protection.</li></ul>	Ongoing
<ul style="list-style-type: none"><li>Continue our aggressive campaigns against IP infringement.</li></ul>	Ongoing

To read more about the ongoing efforts taken by us, please see our 2022 Annual Report "Management's Business, Operation & Financial Review" section.

## CYBER AND DATA SECURITY

Sarine protects its data and systems with the highest levels of security. As a leading technology company in the industry, we continuously verify that our proprietary 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.

A cyber security risk assessment was conducted in 2022 in order to map the risks that the Group faces such as IP infringement, business continuity and data breaches.

We continually strive to provide the most efficient data security and cyber protection customised for our needs. During 2022, we continued to create tailored products and enhance our IT security. We also formed a Cyber Security Committee that convened for the first time in the fourth quarter of 2022. The committee is expected to meet once a quarter to review the progress of implementing the annual work plan, to review new security threats that the Group may face and to determine vulnerability prioritisation.

During 2022 we enhanced our IT security by taking measures that also include:

- Release of Advisor® 8.0 with new sophisticated anti-hacking protection algorithms.
- Further enhancement of the security of our products with assistance of a third-party expert, who in addition oversees the cyber field in the Group.
- Implementing additional security measures to safeguard the internal network against external security threats.
- Refining the corporate culture for safeguarding information.
- Developing and incorporating an additional endpoint detection and response system layer, with 24/7 NOC support for the Group.

<u>2022 Targets and Goals Status</u>	
<u>Target/Goal</u>	<u>Status</u>
• Improve our cyber security with added layers of security.	Completed
• Engage third party industry experts to further evaluate the security of our systems.	Completed
• Further refine Group policies to secure equipment that is used remotely.	Completed
• To engage a security expert and provide a wider security net for our assets.	Completed
• Continue enhancing our network and IT systems' security and improve the segmentation of our network.	Ongoing
• Update the Group's procedures and infrastructure in a methodical manner and in accordance with regulatory developments in the years to come.	Ongoing

- |  |         |
|--|---------|
| <ul style="list-style-type: none"> <li>Continue to update Sarine’s privacy policies and procedures in accordance with evolving and new regulations on an ongoing basis.</li> </ul> | Ongoing |
|--|---------|

### Targets and Goals for 2023

- Approve the cyber and data security risk map by the Board and create the 2023 annual work plan based on such cyber and data security risk map.

## EXTERNAL INFLUENCES ON THE GROUP

Throughout 2022 the diamond industry faced significant global political and macroeconomic headwinds. The Ukrainian conflict in Europe affected energy and grain prices, driving inflation to exceptionally high levels in the western economies in general, and particularly in the key U.S. market. As a result, the US Federal Reserve raised interest rates aggressively to levels not seen in over a decade, negatively impacting the equities, housing and other markets, and thereby eroding consumer confidence. Indeed, in the critical holiday season in the fourth quarter of 2022, retail sales dropped by some 5% year over year. In addition, in the second most important market for diamond jewellery, China, ongoing Zero-Covid pandemic-related restrictions disrupted retail activity throughout the year.

The diamond industry value chain was further impaired by the U.S. sanctions enacted in early April against Alrosa, the Russian producer, typically accounting for over 35% of the global rough diamond production. The expected shortage of rough diamonds drove their prices up throughout most of 2022.

Concurrent with the increase in rough diamond prices, polished diamond prices in fact eroded for most of the year, commencing in the second quarter through to year's end, as the combined headwinds of inflation and interest rates took their toll on the average consumer's appetite (the demand for high-end luxury brands, mostly bought by the most affluent consumers, showed higher resiliency to the prevailing headwinds). These two divergent trends, increasing rough prices and decreasing polished prices, again manifested themselves as impaired margins for our midstream customers.

## ECONOMIC PERFORMANCE

Year		2021	2022
		<i>US\$ '000</i>	
<b>Direct economic value generated</b>	Revenues	62,116	58,763
<b>Economic value distributed</b>	Operating expenses*	(26,891)	(29,625)
	Income tax expense	(2,481)	(2,537)
	Dividends paid	(7,018)	(10,514)
<b>Economic value retained</b>		<b>25,726</b>	<b>16,087</b>

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

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

<b>2022-2023 Targets and Goals Status</b>	
<b>Target/Goal</b>	<b>Status</b>
<ul style="list-style-type: none"> <li>Increase recurring revenue and profitability by honing our competitive edge and increasing Galaxy<sup>®</sup> penetration and usage in industry midstream (manufacturing).</li> </ul>	Ongoing
<ul style="list-style-type: none"> <li>Increase recurring revenue and profitability by increasing penetration and adoption of revolutionary services for the industry retail downstream — AI-derived technology-based 4Cs grading and provenance tracing.</li> </ul>	Ongoing

### **Additional Targets and Goals for 2023**

- Seek additional strategic alliances especially for downstream penetration.

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

### **ECONOMIC IMPACT**

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

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

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

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

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

## OUR PEOPLE

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

Sarine believes that offering an inclusive workplace is essential for the long-term success and sustainability of our business. We are committed to creating a culture where all employees feel valued and respected, regardless of sex, age, religion, ethnicity, disability or other personal traits or beliefs. Sarine invests time and effort in recruiting, developing, and retaining the best people by, among other things, providing opportunities for career growth and development, providing access to professional training, and encouraging employees to voice their opinions, ideas and satisfaction. We also create a safe and protective work environment for our employees.

This commitment has been reflected in our Code of Ethics, regarding our human resources are stated as follows:

- ❖ Our human resource 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 Group's premises and at its expense, during work hours, with a view to promote their health. As part of our effort to provide health and wellness programmes, we offer the employees in Israel annual flu shots, sports activities and nutrition programmes, free of charge.
- ❖ 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 to promote equal opportunity in the workplace.
- ❖ We strive to offer our employees engaging career paths, advancing them professionally with appropriate training, seminars, professional courses, etc.
- ❖ 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. 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 leisure activities for the employees and their families, to strengthen Group culture and reward them for their performance. This past year, Sarine provided a variety of leisure activities, including a company getaway to Sde Boker, Israel and a summer family event for our Israeli employees, and company getaway for Sarin India employees in Goa, India.

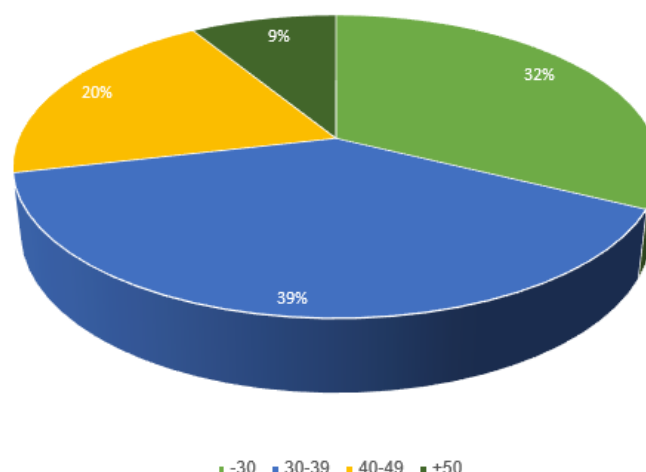
Sarine's employees are employed under personal employment agreements. None of the employees are under collective bargaining agreements. The Group's employees are hired with salaries exceeding minimum wage requirements. All our employees are remunerated and enjoy benefits according to the applicable labour 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 Group is either conducted by or supervised by employees who are directly employed by the Group.

**Breakdown of employees by region and gender for 2022:**

	Male	Female	Female %	Total
<b>Israel</b>	92	47	33.8	<b>139</b>
<b>India</b>	365	23	5.9	<b>388</b>
<b>USA</b>	4	2	33.3	<b>6</b>
<b>Hong Kong</b>	5	0	0.0	<b>5</b>
<b>Total</b>	<b>466</b>	<b>72</b>	<b>13.4</b>	<b>538</b>

**Breakdown of employees by age for 2022:**



**Breakdown of employee turnover by region and gender for 2022:**

	Employees Added		Employees Subtracted	
	Male	Female	Male	Female
Israel	16	13	10	4
India	119	5	44	5
USA	1	1	0	0
Hong Kong	1	0	1	0
<b>Total</b>	<b>137</b>	<b>19</b>	<b>55</b>	<b>9</b>

**Breakdown of employee turnover by region and age for 2022:**

	Employees Added				Employees subtracted			
	-30	30-39	40-49	50+	-30	30-39	40-49	50+
Israel	7	11	7	4	2	2	7	3
India	102	18	3	1	33	13	3	0
USA	0	1	0	0	0	0	0	0
Hong Kong	0	1	0	0	0	1	0	0
<b>Total</b>	<b>109</b>	<b>31</b>	<b>10</b>	<b>5</b>	<b>35</b>	<b>16</b>	<b>10</b>	<b>3</b>

**EMPLOYEE EQUALITY AND DIVERSITY**

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

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, such as flexible working hours, to others with disabled family members.

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 Group'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 domicile is from the geographical area of the entity. The Group's significant locations of operations are in Israel and India.

Gender diversity, as a fundamental principle of the Sarine Group, has been addressed on an ongoing basis since 2019 with the aim of increasing the number of females in departments and positions where the female presence is relatively low. Thanks to the Group's efforts, there has been an upward trend in the number of females over the past few years. In 2022, there was a 20% increase among female employees, in comparison to 2021. Sarine's senior management team is currently comprised of seven personnel, none of whom are women.

We will continue to empower female inclusion in the Sarine Group by taking the following actions:

- Encourage recruiting firms to send resumes of females for a variety of positions.
- Encourage managers to put an emphasis on the recruitment of females.
- Continue working with entities that encourage the employment of women, for instance the She Codes group in the technology field.

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 2022, 12% of our new recruits were female, including nearly 45% of new recruits in Israel.

### Breakdown of female employees by region for 2020-2022:

	2020	2021	2022
Israel	30	38	47
India	16	21	23
USA	1	1	2
Hong Kong	1	0	0
<b>Total</b>	<b>48</b>	<b>60</b>	<b>72</b>

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 Group conducts training on the prevention of sexual harassment for employees. In case of a sexual harassment event, an appointed supervisor in the Group examines the case and, if needed, it is transferred to the CEO for further examination and treatment.

One complaint was made towards an employee in 2022, in relation to sexual harassment, and was managed in accordance with Group procedures.

### **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. We believe that effective onboarding improves communication and contributes to greater job satisfaction, engagement and retention. Our onboarding policy includes a one-on-one meeting between the new employee and the CEO, as well as a follow-up HR meeting a few months later to discuss the employee's overall satisfaction. Sarine makes significant efforts on attracting the best professionals and providing them with the best work environment possible, with the aim of fostering their professional development. The Group strives to maintain a competitive advantage by strengthening its most important asset – our talented personnel.

Employees are sent for specialised training as needed, including professional courses to improve their knowledge in areas relevant to the Group's activities. In 2022, ten managers in Israel participated in an English course, two employees from India participated in a Product Management and QA course, and the Group's Marketing Director participated in the CMO Accelerator Programme at Cannes Creative Summit.

In addition to the above, in 2022 20 employees in Israel participated in various training programmes and conferences on issues such as, system engineering, robotics, GIA diamond grading, as well as participation in an Amazon Web Services conference and Amazon Web

Services summit. Data regarding average hours of training per employee is currently not documented.

Sarine's focus in 2022 was strengthening team development among the different management teams. The teams participated in various activities, including, team building processes with an organisational consultant, and social activities to strengthen relationships and enhance the team.

Over the past couple of years, we have concentrated on employee development. In 2022 the Group's Steering Committee implemented an organisational survey in Israel.

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

In 2022, we identified eight outstanding employees through managerial feedback. Their recognition was based on, among others, their performance, initiative, and responsibility for internal and external organisational service. These employees were recognised in a ceremony (and given prizes), resulting in improved morale and motivation.

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## **REWARDS AND BENEFITS**

Sarine considers issues of employee remuneration and benefits cardinal. We take into account various parameters 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 Group, as well as comparatives to parallel positions and in the competitive work marketplace.

The Group reviews compensation and benefits programmes regularly to ensure that we are on a par with the market. The Group believes in providing targeted incentives and rewards to employees that are consistent with their performance and contribution to business results. In 2022, Sarine encouraged managers throughout the year to provide incentives to employees that demonstrated outstanding performance for special projects and unique activities. These incentives were in addition to the annual bonus that was granted in 2022.

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 Group), 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 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 2022 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 addition, 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.

During 2022 we continued our hybrid model of work, enabling employees to work both on-site at our facilities and offices and remotely from home. We have developed best practices for working remotely from home, which are based on various factors including input derived from roundtable discussions between employees and management.

We conduct various programmes to foster and achieve work-life harmony for our employees.

In 2022 we continued our roundtable discussions on a variety of issues relating to all aspects of the employees’ work experience at Sarine. These discussions are another forum in which employees can have a meaningful discussion and provide their input and insights.

In November 2022 we performed a third organisational survey in Israel, with an 84% response rate. The main purpose of the survey was to gain better insight into the employees’ assessment of their work environment and to measure their level of satisfaction. We also analysed the results compared to the previous surveys, conducted in March 2020 and in December 2021. The survey comprises seven areas in relation to employee connectivity and organisational strength, such as management, team and personal role.

The results identified both the Group’s strengths and areas that need improvement. The results of most parameters in the survey improved as compared to previous surveys.

The main results of the survey were shared broadly with all employees and managers. During 2023 we will introduce certain changes in line with the findings of the 2022 survey with the goal to increase employee satisfaction and provide a more productive and effective working environment.

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

In 2022, we provided our employees a variety of different activities and gatherings, such as:

- Department daytrips and team activities
- An overnight getaway for employees
- Happy hour gatherings at our offices
- Holiday celebrations at our offices, for example, the Indian holiday Diwali
- A family event during the summer
- Enriching lectures on various topics, such as, innovation, new era trends, female pioneers and sustainability.

<u>2022-2023 Targets and Goals Status</u>	
<u>Target/Goal</u>	<u>Status</u>
• Reduce the percentage of voluntary staff turnover.	Ongoing
• Increase the percentage of internal promotions and recruitments to managerial positions.	Ongoing
• Continue employee development with fair and competitive remuneration based on merit.	Ongoing
• Strive for higher gender diversity.	Ongoing
• Implementation of employee development programmes.	Ongoing

## **MEDICAL CARE AND COVERAGE**

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

Occupational health and safety are an important matter to Sarine. The Group is proud to confirm that in 2022 there were no fatalities or recordable work-related ill health cases.

## **WORKING MOTHERS**

Sarine complies with all applicable legal mandates regarding maternity and parental leave as per country of operation. During 2022 six mothers, employees in the Sarine Group, took maternity leave. As part of our policy and recognition of the importance for work-life balance,

we allow, as much as possible, flexible working hours and conditions to enable working mothers to take an active role in Group activities.

## SOCIAL RESPONSIBILITY

Sarine instils an ethical corporate culture to ensure that the Group's standards, policies, and practices support the values of responsible governance. In addition, as part of our social mission, we invest in the local communities in which we operate. Key management and numerous employees regularly participate in social activities and community actions. Our emphasis is on supporting educational activities with infrastructure, means and even educational personnel as well as on supporting the less gifted members of society, such as orphan homes, the disabled and the physically/mentally challenged. Our main activities in 2022 included the donation of our advanced bestselling product, the Sarine DiaScan® S9+, to the Jewellers for Children auction at AGS Conclave 2022 and the donation of school supplies to an elementary school in India, which Sarine has been supporting for several years.



In India, our most significant market, Sarin India has an active Corporate Social Responsibility (CSR) Committee with six 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 2022, the CSR Committee focused on two schools in the Dang District in Gujarat donating school bags, notebooks, drawing books, clipboards and other stationaries to some 600 students in these two schools.





Further details may be found in the "Corporate Social Responsibility" section of the 2022 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. The year of 2022 was rich with innovations, partnerships, and social media achievements, including:

- ❖ Throughout 2022 Sarine's experts participated in influential panels, including "Building Sustainable Diamond Economies" at Facets 2022 and "Boldly Building the Future" at IAC's 12th Annual Gold and Diamond Conference. Sarine's CEO was invited to be a keynote speaker in the "Rethinking the Diamond Supply Chain" panel at the Dubai Diamond Conference (DDC) that took place in February 2022.
- ❖ The Group streamlined its customer service and support, by connecting all Group support channels to a single worldwide customer support system, thus improving customer support. In 2023 the programme is expected to expand and cover more areas, to scale the coverage, processes, and tools.
- ❖ Sarine enhanced its presence on social media platforms in 2022, gaining over 100,000 followers on its TikTok B2B2C account. The Group's campaign created a new genre called "Tech-Tok", with a fresh new approach that celebrates sustainability, ethnicity, diversity, transparency, and social responsibility.

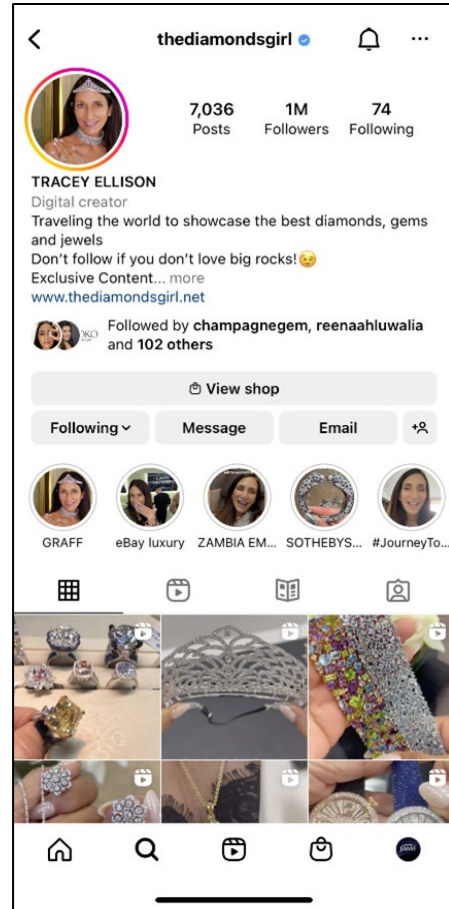
- ❖ The Group recognizes the global trend of engaging with modern consumers, such as Millennials and Generation Z through social media platforms. Thus in 2022, Sarine strengthened its presence on social media platforms through, but not only, successful collaborations with diamond industry influencers such as Bebe Bakhshi (from Australia) and Tracey Ellison (from the USA).
- ❖ In 2022, Sarine was featured in leading media publications, including Rapaport Magazine, with live interviews regarding partnerships, technology breakthroughs and its developments in AI information. Sarine also publishes monthly regional newsletters to 12,000 potential prospects in English, Japanese and Chinese. In addition, the Group held several Webinars in multiple languages, about the future of the diamond industry and the Group's technologies that play an important part in the evolving industry.
- ❖ In 2022, sustainability continued being a point of focus in the diamond industry. Sarine is leading this significant development by providing the world's first traceability solution based on verifiable data generated throughout the process from rough to polish, thus establishing a new standard of confidence, sustainability, and customer experience for the natural diamond industry. In fact, Sarine has participated in several webinars to promote the importance of sustainability on a global scale.
- ❖ In January 2022, an important milestone included the partnering of French High Jewellery Maison Boucheron with Sarine to provide Boucheron branded diamond report "powered by Sarine", using Sarine's sustainability enhancing solutions.
- ❖ The Sarine Diamond Journey™ traceability solution has led to significant partnerships in 2022, including with the Aura Blockchain Consortium that was founded by LVMH, the Prada Group, Cartier, part of Richemont, and the OTB Group. The consortium has selected Sarine to provide full diamond traceability across the entire supply chain, from extraction to polishing and setting. Furthermore, Bonas Group, the largest independent global diamond and gemstone tender and auction house, adopted the Sarine Diamond Journey™ as a means to offer diamonds with a registered geographical origin.
- ❖ In 2022, Sarine announced an MOU of cooperation with the U.S. based Gem Certification & Assurance Lab, Inc. (GCAL), including acquiring a major position in GCAL. There is a natural synergy between GCAL which is one of the most reputed and respected diamond grading labs in the U.S., and Sarine that has developed the industry's foremost AI-based technology that allows objective and consistent diamond grading, also on the customer's premises. This will allow GCAL to bring its substantial expertise to additional international clients worldwide.
- ❖ Sarine launched its the industry's first-ever rough diamond report and valuation appraisal in 2022 with Mazalit and the Delgatto Diamond Finance Fund. Based on data collected from the Sarine Advisor®, Galaxy®, and DiaExpert®, the report assesses rough diamonds from various aspects, including trade, financing, insurance, and more, to allow regulated financial entities to provide working capital against rough diamonds as collateral.



Traceability webinar hosted by Sarine in June 2022



CEO, David Block, taking part in a panel at the DDC dedicated to the topic of the future of the diamond industry



Influencer, Tracey Ellison, promoting Sarine's traceability technology on her Instagram account

## TECHNOLOGY AND INNOVATION

Over the years, our solutions have improved the utilisation of rough diamond material by some 33%, thus helping to reduce the waste and the environmental impact of the mining and polishing segments of the diamond industry value chain. Furthermore, Sarine offers comprehensive solutions that provide end-to-end diamond traceability from mine to consumer, for the documentation of the sustainability of the supply chain from rough stones to polished gems. These solutions provide the diamond industry with the means with which to improve and promote its awareness of Environmental, Social and Governance (ESG) values and principles, and enhance transparency throughout the diamond industry. We continually work to advance our technologies in order to contribute to the industry as a responsible and ethical Group.

In 2022, Sarine's research and development teams improved upon or rolled out several impressive and cutting-edge new products, all of which add value to diamonds across the industry. Our 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 in a more efficient, accurate, and transparent manner their rough stones. The Group's relationships with these producers expanded over the past years with the expansion of digital tenders.

During 2022, Sarine released the Sarine AutoScan™ high-speed robotic scanning system to beta testing. The system provides rough producers, polishers and traders with broader control and analysis of their overall production rough stones inventory. The system will allow the producer/polisher to rapidly scan diamonds thus creating a cloud-based database, which will serve both the internal need for tighter inventory control, as well as the growing demand by consumers for documentation of the diamond's sourcing. Sarine AutoScan™ will provide the initial data entry point into the Sarine Diamond Journey™ traceability model. Moreover, the new system will automate and effectively reduce the suppliers need for human handling of the diamonds.

The Group has an extensive industry-leading presence in the diamond industry's midstream, wherein the critical transition from rough to polished stone occurs. Advisor 8.0™ was released in 2022, being the most advanced diamond planning software ever to be released. The software improves yield, boosts productivity, and adds value to the midstream.

Sarine released a new revolutionary model of the Galaxy® systems – the Meteorite™ Plus. This technology breakthrough is a major development for the segment of small rough diamonds and a significant step in the Group's ongoing fight against piracy and copywrite infringements. The value proposition of the Meteorite™ Plus is derived by significantly reducing the total cost of ownership while maintaining the highest level of accuracy.

Sarine also rolled out to the midstream segment and other industry players its e-Grading™ technology in 2022. The enhanced AI-based grading technology offers in-house objective and consistent grading at a fraction of the time and cost of currently utilised offsite grading at third party laboratories. With the e-Grading™ rollout, Sarine introduced its second-generation of AI-empowered grading technologies with the Sarine Clarity-II™ and an updated version of Sarine Color™, for even more accurate and consistent grading. The 4Cs grading results are derived without any human intervention and are immediately made available for online B2B access and subsequent B2C consumer report generation. Our aim is to assist the manufacturer to grade its output in a flexible and reliable manner in-house, without the inefficiencies incurred today.

An additional tool was introduced in 2022 - the Sarine Traceability Origin Check™ that allows consumers to instantaneously trace their diamonds to their country of origin. The system only requires typing in the gem’s Sarine ID, making it simple and fast to trace from where the diamond was extracted.

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.

<b>2022 Targets and Goals Status</b>	
<b><u>Target/Goal</u></b>	<b><u>Status</u></b>
<ul style="list-style-type: none"> <li>To release the Sarine AutoScan™ that will automate and quicken the process of scanning diamonds at the mined source and during their sorting.</li> </ul>	Beta completed; released in Q1 2023
<ul style="list-style-type: none"> <li>To release an enhanced Galaxy® system especially designed for the higher throughput and lower operational cost scanning of very small rough diamonds.</li> </ul>	Completed
<ul style="list-style-type: none"> <li>To roll out of our e-Grading™ paradigm to a broader group of key midstream entities.</li> </ul>	Ongoing
<ul style="list-style-type: none"> <li>To 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.</li> </ul>	Ongoing

### **Targets and Goals for 2023**

- To further accelerate the Sarine AutoScan™ to improve the value proposition of the process of scanning diamonds at the mined source and during their sorting.
- Enable broader penetration into the small diamond’s market by furthering automation features of the Meteor™ and Meteorite™ systems.
- Continue to refine and enhance the technologies and infrastructure for Sarine’s traceability solutions and to reach a broader group of midstream entities so as to enable transparency and trust throughout the entire supply chain.
- Further refine Sarine’s e-Grading™ AI-based technologies that provide retailers a time-saving, cost-cutting automated 4Cs grading solution that will continue to reduce time-to-market and provide operational flexibility.
- Further penetration of the LGD segment with all our technologies by making necessary refinements to reduce pricing points.
- Continue to develop technologies and algorithms that will protect against illicit usage of our intellectual property.

## **CUSTOMER TRUST AND SUCCESS**

A long-term approach to business has always been part of Sarine’s DNA. The Group’s long-term success will be ensured by our creating value for both our shareholders and the industry

as a whole. This approach, called Creating Shared Value (CSV), remains a fundamental guiding principle on how we do business by creating new shared value for our customers. It enables us to create customer satisfaction and to remain a leading innovative and sustainable force in our industry. Sarine's innovative solutions provide customers with the safety and peace of mind that comes with highly reliable products.

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

## **PRODUCT STEWARDSHIP AND LIFECYCLE**

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

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

Sarine's products are marked to show the Group'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 for 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 Group technicians and support teams with the recycling of obsolete products.

All Sarine products meet European CE standards, and our initiatives go beyond legal requirements as we monitor the compliance to guidelines and standards through regular audits and check-ups. Sarine's technical and safety support continued to be available during 2022.

Sarine did not have any incidents of non-compliance with regulations resulting in a fine, penalty or warning in 2022.

## CUSTOMER HEALTH AND SAFETY

Sarine continually seeks to enhance products by incorporating cutting-edge technologies and educating employees and customers about quality and safety. Product safety instructions are being conveyed to new customers in person by Sarine personnel during the installation of the equipment.

Sarine supports laser safety training for 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 2022.

Sarine conducts safety risk surveys where needed and equips relevant employees with advanced protective equipment. The Group also conducted professional quality inspections of suppliers, examining areas of safety and working conditions. In 2022, Sarine performed 12 supplier inspection, assessing working conditions in terms of safety and work environment in the supplier's facilities, and the use of proper protective equipment.

We require each new employee to complete a safety training program upon joining the Group. Furthermore, once a year all employees complete a general safety training session, and employees who work with specific equipment are required to complete additional periodic training as needed (such as for work at height, production, use of different tools). In 2022, one injury by an employee was reported. No injuries were reported regarding 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.

<u>2022 Targets and Goals Status</u>	
<u>Target/Goal</u>	<u>Status</u>
<ul style="list-style-type: none"> <li>Zero substantial findings in 2022 by the internal auditor on safety issues.</li> </ul>	Completed
<ul style="list-style-type: none"> <li>Successfully pass external surveys on environment protection, equipment safety assessments, etc.</li> </ul>	Completed for Galaxy® machines in 2020; ongoing for legacy machines.
<ul style="list-style-type: none"> <li>Make on-site visits at our suppliers' facilities for health and safety inspections and surveys.</li> </ul>	Ongoing
<ul style="list-style-type: none"> <li>Maintain the goal of zero safety incidents with bodily harm.</li> </ul>	Ongoing

### **Targets and Goals for 2023**

- Complete connecting all Group support channels to Sarine's centralised worldwide customer support channel.

## **CUSTOMER PRIVACY**

Sarine complies with all applicable laws and regulations, along with taking the necessary precautions to protect customers' information.

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

## **SUPPLY CHAIN AND PRODUCTION**

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 2022 we successfully maintained open communications with our suppliers throughout our supply chain. Sarine discloses its Business Conduct Policy on the Group's website.

In 2022 we continued the process of evaluating our key suppliers as part of our annual review, in which they were offered an opportunity to provide feedback based on our evaluation. These evaluations assist us in maintaining fruitful and productive relations with our key suppliers. Our "Know Your Supplier" questionnaires enable 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.

We also promote and foster relationships with suppliers who promote shared environmental and social values, such as employment of workers with disabilities.

### **Targets and Goals for 2023**

- Continue to conduct monthly on-site audits of our suppliers to inspect quality, capabilities and deliverables
- Improve the work processes with the Group's worldwide distributors and agents.

## ENVIRONMENTAL RESPONSIBILITY

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

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

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

- Energy saving - automatic shutdown of air conditioning and lighting
- Using recycled paper
- Using multi-use kitchenware
- Encouraging two-sided printing
- Battery recycling
- Encouraging employees to choose hybrid cars
- Company blog that promotes sustainability. The blog has two reports every month.

### 2022-2023 Targets and Goals Status

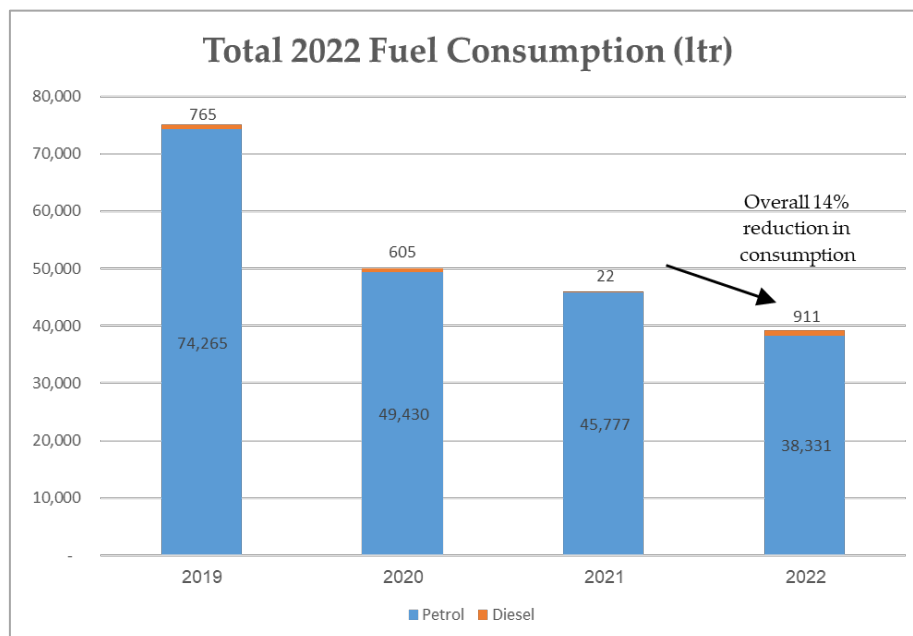
<u>Target/Goal</u>	<u>Status</u>
• Where possible, transition to multi-use kitchenware.	Completed
• Where possible, utilise recycled paper.	Ongoing

## ENERGY

As part of our efforts to improve our performance and limit our environmental impact, we measure the energy consumed in performing our activities.

The Group's electricity consumption in most of its facilities slightly decreased in 2022 compared to the previous year. The consumption was approximately 1,752 MWh, which includes all Sarine facilities in Israel, India and the US. Sarine did not sell any energy during 2022.

The Group's total fuel consumption during 2022 was lowered due to hybrid work that resulted in reduced driving for business, as can be seen below. This amounted to 39,242 litres, of which 98% were petrol and 2% were diesel fuel. The fuel consumption includes Group-issued employee cars and Group cars in Israel and India. The Group has neither Group cars nor participates in employees' car expenses in other locations.



## CARBON FOOTPRINT

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

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

Source	Group total 2020-ton CO2 equivalent emissions	Group total 2021-ton CO2 equivalent emissions	Group total 2022-ton CO2 equivalent emissions	Change % 2021>2022
<b>Scope 1: Direct emissions</b>				
Transportation fuels	108.71	100.47	85.20	-15.2%
<b>Scope 2: Indirect emissions</b>				
Electricity consumption	1,257.53	1,372.56	1,330.47	-3.1%
<b>Total emissions (scope 1 &amp; 2)</b>	<b>1,366.23</b>	<b>1,473.02</b>	<b>1,415.67</b>	<b>-3.9%</b>
<b>Total emissions intensity (scope 1 &amp; 2 per employee)</b>	<b>3.32</b>	<b>3.31</b>	<b>2.63</b>	<b>-20.5%</b>

Source used for data unit conversion:

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

## RESPONDING TO THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Sarine, for the first time, refers to climate-related disclosures consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, as set in the new requirement by the SGX, with the intention to promote reporting regarding climate-related risks.

The TCFD was established by the G20 Financial Stability Board (FSB), which developed recommendations on the types of information that companies should disclose to support investors, lenders and insurance underwriters in appropriately assessing and pricing risks related to climate change. The recommendations include addressing topics of governance, strategy, risk management and targets.

For companies who report for the first time, climate reporting is mandatory by the SGX on a 'comply or explain' basis, considering the following four items:

Items	Description of activities
<b>Description of the governance structures, including Board oversight and management's role</b>	Sarine's ESG Committee will be responsible for assessing Group climate-related risks and providing recommendations on the subject to the Board of Directors
<b>Identify the climate-related risks and opportunities</b>	Environmental topics, specifically climate, are taken into consideration as part of our ongoing risk management processes. Up to date, no climate-related risk has been identified with regards to the Group operations.  Sarine will continue to evaluate and analyse the potential impact of climate risks, and opportunities, on its activities on a regular basis.
<b>Impacts in qualitative terms</b>	Sarine will assess the impacts of climate-related risks and opportunities in qualitative terms as part of its ongoing risk management processes, in the case that relevant risks will be identified.
<b>Scope 1 and Scope 2 GHG emissions</b>	Please see above in <i>CARBON FOOTPRINT</i> chapter.

Sarine will continue to follow the relevant regulations and development of reporting requirements, as well as will adjusting and broadening its reporting on climate-related risks accordingly.

## GRI 1: Foundation 2021

Disclosure	Page/Answer
Statement of use	Sarine Technologies has reported in accordance with the GRI Standards for the period 1 January 2022 – 31 December 2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI sector standards	Not currently available

## GRI 2: General Disclosures 2021

Disclosure no.	Disclosure	Page/Answer
<b>The organization and its reporting practices</b>		
2-1	Organizational details	4
2-2	Entities included in the organization's sustainability reporting	5
2-3	Reporting period, frequency and contact point	4
2-4	Restatements of information	None
2-5	External assurance	None
<b>Activities and workers</b>		
2-6	Activities, value chain and other business relationships	5, 43, 38-39
2-7	Employees	29
2-8	Workers who are not employees	None
<b>Governance</b>		
2-9	Governance structure and composition	5
2-10	Nomination and selection of the highest governance body	18-20
2-11	Chair of the highest governance body	19
2-12	Role of the highest governance body in overseeing the management of impacts	18
2-13	Delegation of responsibility for managing impacts	18
2-14	Role of the highest governance body in sustainability reporting	18, 20
2-15	Conflicts of interest	17-18
2-16	Communication of critical concerns	22-23
2-17	Collective knowledge of the highest governance body	20
2-18	Evaluation of the performance of the highest governance body	2022 Annual Report
2-19	Remuneration policies	2022 Annual Report
2-20	Process to determine remuneration	2022 Annual Report
2-21	Annual total compensation ratio	2022 Annual Report
<b>Strategy, policies and practices</b>		
2-22	Statement on sustainable development strategy	11-12
2-23	Policy commitments	22, 23, 28, 31
2-24	Embedding policy commitments	22, 23, 28, 31
2-25	Processes to remediate negative impacts	18
2-26	Mechanisms for seeking advice and raising concerns	23
2-27	Compliance with laws and regulations	22
2-28	Membership associations	21-22

Stakeholder engagement		
2-29	Approach to stakeholder engagement	9-10
2-30	Collective bargaining agreements	28

### GRI 3: Material Topics 2021

Disclosure no.	Disclosure	Page/Answer
3-1	Process to determine material topics	7-8
3-2	List of material topics	8
3-3	Management of material topics	7-8

### Sarine's Material Topics

GRI material topic	Disclosure no.	Disclosure	Page/Answer
GRI 201: Economic Performance 2016	3-3	Management of material topics	26-27
	201-1	Direct economic value generated and distributed	26-27
	201-2	Financial implications and other risks and opportunities due to climate change	46
GRI 202: Market Presence 2016	3-3	Management of material topics	30
	202-2	Proportion of senior management hired from the local community	30
GRI 203: Indirect Economic Impact 2016	3-3	Management of material topics	26
	203-2	Significant indirect economic impacts	26
GRI 205: Anti-Corruption 2016	3-3	Management of material topics	22
	205-1	Operations assessed for risks related to corruption	22
	205-2	Communication and training about anti-corruption policies and procedures	22
	205-3	Confirmed incidents of corruption and actions taken	22-24
GRI 206: Anti-Competitive Behavior 2016	3-3	Management of material topics	9, 22
	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	22-23
GRI 302: Energy 2016	3-3	Management of material topics	44-45
	302-1	Energy consumption within the organisation	44-45
GRI 305: Emissions 2016	3-3	Management of material topics	44-45
	305-1	Direct (Scope 1) GHG emissions	44-45
	305-2	Energy indirect (Scope 2) GHG emissions	44-45
	305-4	GHG emissions intensity	44-45
GRI 401: Employment 2016	3-3	Management of material topics	28-34
	401-1	New employee hires and employee turnover	29
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	32-33
	401-3	Parental leave	34-35
GRI 405: Diversity and Equal Opportunity 2016	3-3	Management of material topics	27-29
	405-1	Diversity of governance bodies and employees	27-28
GRI 413:	3-3	Management of material topics	35-36

Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programmes	35-36
GRI 416: Customer Health and Safety 2016	3-3	Management of material topics	42-43
	416-1	Assessment of the health and safety impacts of product and service categories	42-43
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	42-43
GRI 418: Customer Privacy 2016	3-3	Management of material topics	42-43
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	42-43