

Environmental, Social & Governance (ESG) Report 2023

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Word from our CEO

The year 2023 has undoubtedly presented significant challenges for Diplomat as we navigated through a turbulent landscape marked by rising costs of goods, price increases, and the geopolitical turmoil in Israel. However, it has also been a year of remarkable achievements and resilience. We have not only managed to grow our sales but have also successfully launched new vendors and products and entered new channels across all our branches.

At Diplomat, Environmental, Social, and Governance (ESG) principles are not mere buzzwords but the cornerstone of our ethos. They encapsulate our steadfast commitment to doing the right thing. This report serves as a testament to our ongoing dedication to sustainability and ethical practices.

Our ESG initiatives span a broad spectrum of activities. We have implemented numerous social programs that aim to uplift the communities we serve. Recognizing the urgent need to address climate change, we strive to limit our carbon footprint wherever possible. Equally important is our unwavering commitment to integrity and human processes, which are rigorously applied across our organization.

We understand that the path to sustainability is a continuous journey, and we are firm in our commitment to walk it. With each step, we aim to integrate ESG considerations more deeply into our strategic decisions and daily operations, ensuring that our growth is both responsible and inclusive.

As we reflect on the past year and prepare for the future, I am filled with optimism and a renewed sense of purpose. I invite you to join us in this vital endeavor, as we continue to innovate, adapt, and uphold the values that define Diplomat.

Thank you for your continued support and partnership.

Sincerely,
Yaron Bloom
CEO, Diplomat Holdings

About this report

We are proud to introduce Diplomat Holding Ltd.'s first Environmental, Social, and Governance (ESG) report. This report reflects Diplomat's ESG performance for the calendar year 2023, and the data is updated as of its reference date – 31 December 2023. Our report is prepared in line with the Global Reporting Initiative (GRI) Universal Standards, which dictate the quality of the report, focusing on aspects such as accuracy, transparency, comparability, and comprehensiveness.

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 Diplomat Group, including its operations in Israel, Georgia, South Africa, Cyprus and New Zealand.

The material issues covered in this report were identified in the materiality analysis that we conducted, elaborated upon further in this report. The impact of each material issue depends on its importance to the various internal and external stakeholders associated with the company.

We welcome all feedback to help us improve our ESG practices. Please send your comments or feedback by e-mail to Sharonw@diplomat-global.com.

About Diplomat

Diplomat Group is a leading sales and distribution company in the Fast-Moving Consumer Goods (FMCG) sector. Diplomat Group originated as a private label Razor Blade factory established in 1963 in the Galilee, Israel. In 1968 Diplomat Distributors was established, to distribute the Razor Blades along with imported personal care products throughout Israel. From a local company we have grown to become a global concern while maintaining a unique corporate culture based on proven customer-centric strategies, best-in-class productivity methods and superior human resources.

Our successful expansion across the globe was facilitated by Procter and Gamble's (P&G) invitation to partner with us. The group operates in Israel, Georgia, South Africa, Cyprus, and New Zealand, with its headquarters situated in Airport City, Israel. While we started as the official and exclusive distributors of P&G, we have expanded into other FMCG categories, including food and beverages and acquired several brand companies with operations in Israel and abroad (StarKist, Meditrend, Naveh Pharma and Dorot). At Diplomat, we are committed to our customers, providing them excellent end-to-end supply chain management, logistics, and distribution solutions supported by sales and marketing management.

We remain committed to growth by continuously seeking new business opportunities. Our principle of 'think globally, act locally', help us seize business opportunities in the various markets we operate in, such as expanding into new categories and channels, identifying M&A opportunities etc. At the same time we are looking to enhance our growth by entering new territories.

Our people are our competitive advantage, every one of them is an integral part of the entire Diplomat family. It starts with recruiting the best candidates for each role, providing the tools and training they need to grow and unleashing their full potential to fulfill future leadership roles. Throughout our 50 years of experience we have acquired wide-ranging skills and best practices that serve as a highly valuable asset in today's business arena.

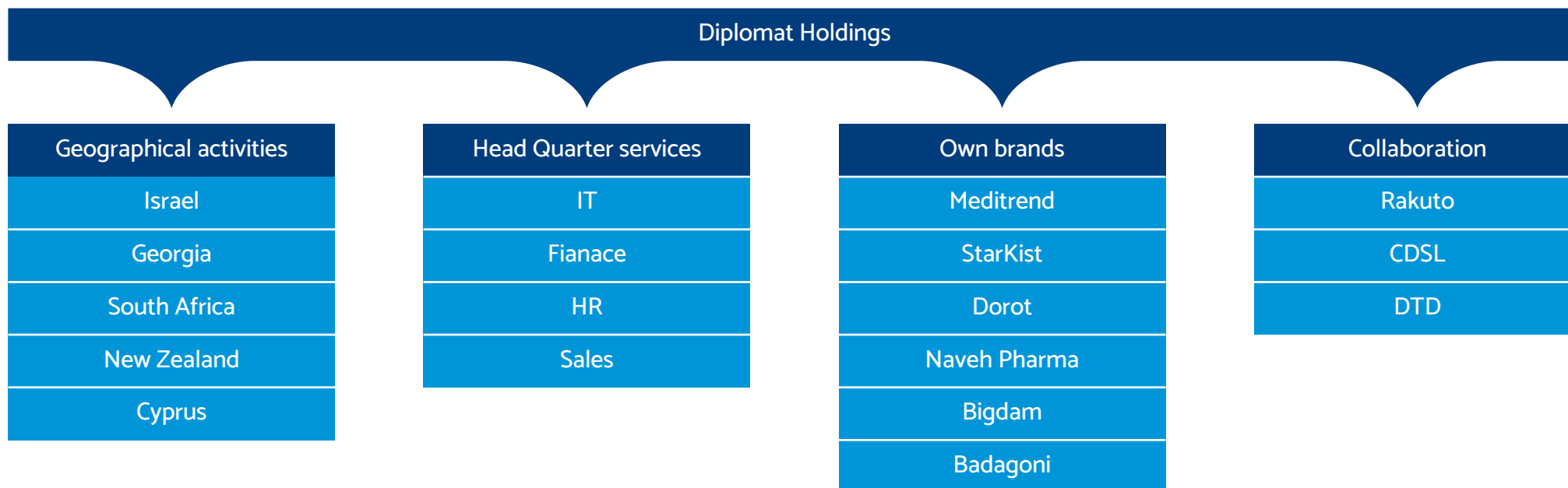


Our presence around the world:
Israel, South Africa, Cyprus, Georgia and New Zealand

Organizational structure

The company's diverse activities are driven both directly and indirectly by its numerous subsidiary firms. Each geographical territory operates as an independent business unit, supported by global functions such as sales, human resources, strategy, process and technology and finance.

Diplomat's structure as of December 31, 2023, is as follows:





DIPLOMAT ISRAEL

Diplomat Distributors (1968) LTD was founded in 1968. As part of its operations, it imports, purchases, markets, sells, and distributes FMCG products to approximately 5,000 customers in Israel, including the large and medium-sized food retailers, pharmacy chains, mini-markets, convenience stores, wholesalers, and the institutional market (such as restaurants, hotels, etc.).

Diplomat Israel mostly operates directly with the large and medium-sized food retailers and pharmacy chains. It operates from a logistics center in Airport City, and as of December 31, 2023, the company employs 790 workers.

Diplomat Israel has been able to achieve numerous successes, the main ones including introducing new FMCG products and adapting them to the Israeli market regulations, having a large, national distribution network, and providing high quality products to its customers.

Diplomat Israel imports, markets, sells, and distributes over 2,000 different products. It also provides to several of its customers TPL services which includes storage, collection, and delivery of their products.

Diplomat Israel's customers are divided into three main groups:

- The organized retail market: this group includes the large and medium-sized food retailers and the pharmacy chains. They normally have hundreds or dozens of branches spread across the country.
- The private market: this group includes grocery stores, mini-markets, kiosks, and local wholesalers (who sell company products to third parties).
- The institutional market: this group includes food factories, governmental entities, restaurants, catering bodies such as hotels, hospitals, kibbutzim, catering companies, and more.



DIPLOMAT SOUTH AFRICA

Diplomat South Africa began its operations in 2011. As part of its operations, it focuses on selling and distributing FMCG products to the entire South African market from Modern Trade to the Traditional Trade with a big focus on the Informal Market in Townships.

We have four distribution centers located in Johannesburg, Cape Town, Durban, and Port Elizabeth, and as of December 31, 2023, the company employs 753 workers.

Diplomat South Africa sells to over 26,000 customers across the country and offers a full market coverage solution. Diplomat South Africa sells and distributes over 800 different FMCG products.



DIPLOMAT GEORGIA

Diplomat Georgia began its operations in 2008 and has become one of the largest and most advanced distribution companies for fast moving consumer goods (FMCG) and food brands in the market.

Diplomat offers a diverse global and local portfolio, countrywide coverage, and strong sales competence. It is also responsible for the procurement system (from local suppliers and foreign suppliers). As part of its operations, it focuses on selling products to large and small food retailers, pharmacies, wholesalers, coffee shops, restaurants, and hotels.

Products distribution is done through its dissemination network, which includes a massive vehicle fleet. As of December 31, 2023, the company employs 704 full time employees.

Diplomat Georgia sells products to approximately 8,000 customers across the country, which are divided into three main groups:

- The organized retail market: this group includes large food retailers that have hundreds of branches spread nationwide and pharmacy chains.
- The private market: this group includes mini-markets, private grocery stores, kiosks, animal food stores, and wholesalers.
- The institutional market: this group includes restaurants, hotels, and coffee shops.



DIPLOMAT NEW ZEALAND

Diplomat New Zealand began its operations in 2016.

Diplomat New Zealand does not distribute the products imported to New Zealand through its own logistics system. Instead, it uses a local distribution company that carries out the storage, collection, and dissemination of goods to customers using the TPL model. As of December 31, 2023, the company employs 58 workers.

Diplomat New Zealand covers over 850 points of sale spread nationwide and are separated into three main groups – the large food retailers and pharmacy chains, the private market, and convenience stores.

Diplomat New Zealand imports and sells 18 branded FMCG food and non-food products with long shelf-lives, including household supplies, hair and personal care, personal hygiene, and more.



Diplomat Cyprus began its operations in 2011. As part of its operations, it imports products from different suppliers and sells them to customers across the Republic of Cyprus. As of December 31, 2023, the company employs 34 workers.

Diplomat Cyprus products are directly distributed to over 850 different customers across the country, and are divided into two main groups:

- The organized retail market: this group includes large food retailers that have dozens of branches spread nationwide, as well as smaller retailers.
- The private market: this group includes mini-markets, kiosks, grocery stores, and regional wholesalers.

Diplomat Cyprus imports, sells, and distributes 22 FMCG brands, both non-food and food products.

Leadership

Diplomat's key team members as of December 31, 2023:

Noam Weiman*	Chairman of the Board Diplomat Group
Yaron Bloom**	CEO Diplomat Group
Oren Weiman	CEO Diplomat Growth Division
Zvika Ritsulsky	CFO Diplomat Group
Sharon Weinbaum Gila	Chief Human Resources Officer Group
Tzvika Brotman	Chief Information Officer Group
Natan Gershony	VP Business Development Diplomat Group
Yosi Horev	Senior GM Diplomat Israel
Tamar Kovziridze	GM Diplomat Georgia
Riza Shah	GM Diplomat South Africa
Mikellis Christou	GM Diplomat Cyprus
Barry Guerin	GM Diplomat New Zealand

*Until December 2023 Mr. Noam Weiman held the position as the CEO of Diplomat Israel

**Until December 2023 Mr. Yaron Bloom held the position as the Deputy CEO and Chief Operating Officer

Diplomat heritage

Established Diplomat as a Sales & Distribution company in Israel

Began P&G distribution and expanded the brand portfolio

Entered the baby food category with the leading brand "Materna"

Established Global Export Network – Bond Razor Blade

Representing for Clarins Skin Care and built marketing capabilities

Distribution of Heinz and Starkist Tuna in Israel

Global expansion to New Zealand

- Distribution of Nestle in Georgia
- Established HoReCa channel
- Representation of Kikkoman

First global expansion to Georgia Quaker Pepsico

Won distribution of Gillette

Distribution of Mondelez in Israel and acquisition of 50% shares in Starkist Tuna

Global expansion to South Africa

Global expansion to Cyprus

Acquisition of 100% shares of Strakist Tuna

Acquisition of 100% of Rakutu

- Announces its IPO in the Tel Aviv Stock Exchange
- Acquiring 50% of Meditrend

Acquisition of 50% of CDSL

Acquiring additional 10% in Meditrend

- Acquiring 65% of Naveh Pharma
- Acquiring 92% of Bigdam
- Acquiring 51% of Dorot
- Acquiring 51% of Badagoni

1963

1968

1987

1992

2001

2005

2007

2008

2009

2010

2011

2012

2014

2016

2018

2020

2021

2022

2023

Our market and products

The group's paramount objective is to establish ourselves as a leader in the Fast-Moving Consumer Goods industry by formulating innovative sales and distribution solutions. The company engages in the procurement, marketing, selling, and distribution of an extensive array of over 2,000 products, the majority of which have a relatively long "shelf life." We continually strive to broaden our portfolio range, either by adding to our existing suppliers' product basket, collaborating with new suppliers, expanding into new channels or acquiring brands

We distribute products largely categorized into two main groups: food products and non-food products, the second including mainly toiletries and wellness.

/ Food products /

This category encompasses a wide array of food items such as canned fish, chocolates, spreads, cereals, snacks, candies, sauces, coffee-related products, baby food, sugar substitutes, plant-based meat substitutes, ingredients for Italian and Asian cuisines, pet food, and more.



/ Non-Food products /

This category includes a variety of items across different categories, such as textile and home cleaning products, hair and personal care items, paper and hygiene products, batteries, nutritional supplements, vitamins, among others.



The company's products are marketed to a diverse customer base, ranging from modern trade to small 'moms and pops' stores and even kiosks, pharmacy chains, minimarkets and wholesalers, convenient stores, restaurants and catering services, among others.

We also offer Third-Party Logistics (TPL) services in some countries. The service includes storage, collection and delivery of customer's products.

Business development during 2023

During 2023, we have expanded our business and holdings across various countries in which we operate:

- In March 2023, Diplomat Israel successfully finalized a deal to acquire 51% ownership in the Dorot Garlic Products and Seasoning Cooperative Agricultural Association.
- In September 2023, the group expanded its Cyprus operations to Greece with the purpose of selling Lotus products. Storage and distribution are handled by third-party services on the ground, while back-office operations are managed by Diplomat Cyprus. As part of this venture, Diplomat supplies products to 16 leading retail chains in Greece.
- On November 27, 2023, through Diplomat Georgia, the company formed a partnership with an alcoholic products manufacturer. The arrangement involves holding the intellectual property rights for the alcohol products in Georgia. Diplomat Georgia holds a 51% stake in this partnership and will maintain its role in the distribution of the company's products.

Economic performance

Year		2023	2022	2021
		NIS '000		
Direct economic value generated	Revenues	3,372,866	2,909,012	2,735,316
	Operating expenses	2,644,362	2,294,254	2,161,024
Economic value distributed	Income tax expense	21,481	20,994	27,790
	Employee wages and benefits	267,175	244,839	232,084
	Dividends paid	40,000	40,000	166,000
Economic value retained		399,848	308,925	148,418

Company's values and principles

Diplomat's values and principles are the guiding forces behind our company. They provide the framework for decision-making, conduct, and behaviour of the company and our employees. By upholding these values and principles, we have built a strong brand reputation, attract and retain top talent, foster a positive work environment, and ultimately achieve long-term and sustainable success.

/ Our values: /



Commitment

We act as owners, achieving results through leadership, involvement and personal initiative.



Integrity

We act with integrity, transparency and mutual respect, upholding our ethical principles, in accordance with the letter and spirit of the law.



Service orientation

We provide outstanding response to our external and internal customers by continually identifying their unique and changing needs.



Professionalism

We achieve optimal results by developing our capabilities and continuously improving work processes and organizational efficiency.



Team spirit

It takes all of us to win. We support each other and share ideas and knowledge together, contributing to the company and our long-lasting success.



Passion for winning

We win with diligence, determination and excellence.

/ Our principles: /

We act with respect and appreciation towards others

- We value differences.
- We listen, in order to understand the other's point of view.
- We give honest and candid feedback.
- We execute every assignment in collaboration with all parties.

We are focused on our customers

- We believe that customer's success is our goal.
- We build fruitful working relationships with our customers that lead to their success.
- We develop in depth understanding of our customer's needs.
- We provide our customers with superior service beyond competition.

We consider company and employee success as one

- We encourage employee development as a way to assure the company's growth.
- We act as leaders in our fields with strong ownership and commitment.
- We value professionalism and personal responsibility.

We are focused on our work and strategy

- We work towards achieving the company's objectives.
- We focus only on areas that add value to the company.
- We improve, streamline and simplify work processes wherever possible.

We encourage high value solutions to our customers

- We find creative and innovative ways to answer our customers' future needs today.
- We continuously evaluate and re-invent the way we work in order to win.

We strive to be the best

- We are committed to excellence in executing the work plans and business initiatives.
- We aim to leverage our successes and learn from our mistakes.
- We make sure we remain the experts in our fields, wherever we operate.

We act in collaboration and mutuality

- We work together with confidence and trust, across business units, functions & geographies.
- We support each other's success through sharing tools and skills we have gained.
- We celebrate mutual achievements.

We take pride in our ethical standards

- We believe that doing the right thing, with integrity, leads to long lasting company's success.
- We choose the right solution regardless of the effort it will require.
- We believe that people work best wherever there is trust.

Materiality assessment

Diplomat conducted its first materiality analysis in 2023. The scope of this report covers Diplomat's global efforts, in relation to the material topics identified in the analysis, and which Diplomat considers material to its business, stakeholders, and operations.

The topics identified to be considered are the ESG topics material to the company's stakeholders, the industry and the environment. Diplomat has considered topics that it believes its stakeholders would consider to be most relevant, such as ESG practices and activities throughout the organization, alignment to various regulatory requirements, specific topics related to the industry in which the company operates, as well as some global trends and ESG reporting requirements. The outcome of this assessment enabled the company to define the report's content, in alignment with the Global Reporting Initiative (GRI) Universal Standards.

/ The process /

Our materiality assessment was conducted by the company management, supported by an external ESG consultancy firm, using a three-step process. The methodological process involved a further review, evaluation, and approval, which were carried out in consultation with Diplomat's management. Below is a presentation of the three stages we conducted as part of our materiality assessment:

Identification of potential material topics	Ranking of material topics	Result review, validation, and approval
<p>The initial stage involved conducting a comprehensive peer review, media research, relevant regulation examination, internal material review and conducting discussions with relevant company representatives. The outcome of this stage was a list of potential material topics we identified from all stakeholders and relevant sources.</p>	<p>During the second stage, we ranked the material topics that we identified in the scoping stage. We evaluated and ranked the list of potential topics to determine which ones were the most significant to Diplomat.</p> <p>The evaluation was conducted using both qualitative and quantitative analyses, as well as discussions with management on whether and to what extent these topics have a significant impact on Diplomat's environmental, social and governance aspects. By using various measures, we were able to prioritize which topics were the most material based on our specific needs and goals.</p>	<p>In the final stage, the identified material topics were reviewed, validated and submitted for approval by key management personnel.</p>

The results of the materiality assessment 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 topics while taking into consideration global developments.

/ Material topics /

The company's ESG activities in this report are based on the following material topics identified:

1	Corporate governance and ethical conduct
2	Business continuity and risk management
3	External factors impact on business
4	Technology and innovation throughout the value chain
5	Customer satisfaction
6	Employees management
7	Safe and healthy work environment
8	Community engagement and social impact
9	Supply chain transparency and responsibility
10	Energy use and greenhouse gas emissions

Stakeholder engagement

Diplomat's key stakeholders include the board of directors, management, employees, shareholders, business partners (e.g., suppliers and vendors) customers and consumers. Although many of the topics pertaining to ESG are global by nature, the expectations, interests, and concerns for Diplomat vary among the stakeholders in the different regions. The company recognizes the importance of its stakeholders and their interests. We invest great efforts in ensuring we have open communication and transparent dialogue with all our stakeholders.

The approach and frequency in which we communicate with our stakeholders:

Stakeholder	Communication approach
<p>Employees</p>	<ul style="list-style-type: none"> ● Ongoing daily dialogue via email, phone (calls, SMS, WhatsApp communication), face-to-face meetings, organizational portal, office billboards ● Relevant training sessions ● Career development programs ● Annual performance review and periodic follow ups ● Satisfaction survey ● Annual company wellbeing program
<p>Customers</p>	<ul style="list-style-type: none"> ● Direct sales channels (in-person representative meeting, phone call or digital tools) or indirectly (through wholesalers) ● Ongoing communication on any issues that arise, feedback on products and service ● Conference for introducing a new product or service ● Annual customer satisfaction surveys ● Customer inquiries or complaints through our dedicated customer service team via WhatsApp, email and hotline

Stakeholder	Communication approach
Consumers	<ul style="list-style-type: none"> • Advertising in the media relevant information for consumers around the world • Consumer inquiries or complaints through email, hotline and social media
Board of Directors	<ul style="list-style-type: none"> • Periodic Board meetings including updates on company status and important issues • Board committees' meetings • Ongoing communication with management via email, phone calls, video conferences on specific issues
Vendors	<ul style="list-style-type: none"> • Ongoing face to face meetings, emails and phone calls for updating about company's merchandise inventory and new orders, changes that could affect their service, policies, timelines and order updates • Annual assessment of vendors' service and products • Continual confirmation with vendors to ensure they are aware and updated with any new regulations and laws that pertain to them and their products that Diplomat distributes
Regulators	<ul style="list-style-type: none"> • Company Legal Department continuously monitors developing regulations and laws
Shareholder	<ul style="list-style-type: none"> • Yearly meeting with the shareholder • Quarterly and annual reports per regulations, available for all to see • Immediate reports, when required



Diplomat’s contribution to the UN Sustainable Development Goals (SDGs)

The United Nations Sustainable Development Goals (SDGs) are a universal set of 17 goals with 169 targets adopted by all United Nations Member States in 2015 as part of the 2030 Agenda for Sustainable Development. The goals provide blueprints to achieve a better and more sustainable future for all countries by 2030.

The SDGs cover a broad range of issues such as poverty, hunger, health, education, climate change, clean water and sanitation, gender equality, economic growth, and social justice, among others. They aim to systematically address the many challenges that inhibit the development and wellbeing of communities and nations around the world. Diplomat recognizes the SDGs and understands the impact they are making on a global scale.



We have identified four priority SDGs that Diplomat believes to be contributing to through our business, products, operations, and targets:

UN SDG	SDG target	Rationale
5 GENDER EQUALITY 	5.5 - Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.	Diplomat fosters an environment of equal opportunities, allowing both women and men to apply for senior and managerial roles within the company. Presently, 38% of our senior management roles are held by women, signalling our dedication to promoting gender equality at all levels.
8 DECENT WORK AND ECONOMIC GROWTH 	8.5 - By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.	Diplomat’s compensation principles ensure a competitive salary linked with performance. As such, our pay is neutral to non-relevant factors like gender or personal characteristics. We also provide employment opportunities to individuals with disabilities and participate in providing learning opportunities for disadvantage people.
10 REDUCED INEQUALITIES 	10.3 - Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.	Diplomat promotes a culture of mutual respect and appreciation among all our members. We strictly adhere to laws concerning discrimination and have implemented processes to ensure equal opportunities for all individuals, irrespective of their background.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	12.6 - Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.	Diplomat invest efforts to foster an environment of sustainable practices. Our commitment is demonstrated through various initiatives, such as the use of electric vehicles to reduce our carbon footprint, and the recycling of wooden pallets to minimize waste and optimize resource efficiency.



GOVERNANCE

1

Corporate governance and ethical conduct

Our values and principles serve as a guiding framework for our approach to corporate governance. We firmly believe that effective corporate governance practices foster improved outcomes for shareholders. We uphold governance principles, policies, and practices that reinforce accountability among the Board and management while serving the interests of our shareholders and stakeholders.

/ Board of directors /

In its crucial supervisory role, the Board and its committees devote considerable time to review strategic objectives as well as fundamental aspects of corporate culture - including ethics and compliance, cybersecurity, pay equality and human capital management. The entire Board delivers strategic oversight and closely monitors emerging priorities and risks in these and other areas. Additionally, each committee focuses more specifically on matters within its respective scope of duty. As of 31 December 2023, the board is comprised of nine directors, of which one is independent and two are external.

On February 24, 2021, the company's board of directors resolved that the minimum number of directors possessing accounting and financial expertise on its board will not be fewer than one director. This decision considers the company's size, complexity, and the nature of its operations. The number of directors with accounting and financial competencies is also influenced by the high level of accounting, business, and financial skills existing among senior office holders in the company, and due to the continual professional external consultation system utilized by the company. As of the reporting period, the company has two serving directors who, in the company's view, possess the aforementioned expertise.

The board has created standing committees to enhance the effectiveness of the board's oversight function and ensure appropriate focus on matters of strategic and governance importance.

Currently, the board has five standing committees:

Board of Directors	Balance Committee	Remuneration Committee	Audit Committee	Enforcement Committee
8 meetings held during 2023	5 meetings held during 2023	5 meetings held during 2023	5 meetings held during 2023	2 meetings held during 2023
Almost 100% participation of directors in meetings	100% participation of directors in meetings	100% participation of directors in meetings	100% participation of directors in meetings	100% participation of directors in meetings

/ Regulations and oversight of Diplomat's operations /

In its role of importing, distributing and selling toiletry, food and food supplements products across all its operational locations, Diplomat is subject to various local regulatory policies. These policies span areas including public health, product quality assurance, the acquisition of appropriate permits and licenses, and customs compliance among others. We conduct daily monitoring to keep well-informed of newly introduced regulations or laws in each of the markets we operate in. As of the reported time frame, to the best of our understanding, the entire Diplomat Group is in full compliance with all the applicable regulatory standards and rules pertaining to our activities.

The company manage a whistleblower system, including complaint boxes, email, and direct contact with the Human Resources Department across all locations as well as an external provider in South Africa. As of the first quarter of 2024, Diplomat introduced a whistleblower mechanism through an external provider across all locations.

/ Conflict of interest /

We actively avoid any circumstance that may lead to a conflict of interest, be it between the company and employees, or between employees and any third party. We recognize that such conflicts could potentially negatively impact the company's business activities. In determining what could constitute a conflict of interest, we adhere to the group's Conflict of Interest Policy.

The CEOs, GM and HR managers bear the primary responsibility for upholding the company's ethical standards. Direct managers also participate in this responsibility by identifying potential conflicts of interest and suggesting suitable measures to address or prevent such conflicts. They are also tasked with alerting the HR manager and the relevant mid-level management, as well as maintaining ongoing communication with the employee to ensure the recommended actions are effectively carried out.

Our company provides guidelines to steer clear of conflicts of interest, and there is a process in place to monitor and handle any risk of such issues.

/ Policy on charitable contributions by the company /

During the reporting year, the company **donated products worth approximately NIS 3.8 million** to numerous charitable organizations, as well as a nominal amount of monetary donations to assorted associations. The company believes, to the best of its knowledge, that there are no affiliations between the organizations and any of its executives, controlling stakeholders, or their family members.

/ Ethical conduct /

At Diplomat, our commitment to ethical conduct is deeply ingrained in our corporate values. While our Ethical Code is relatively new, our foundational standards, known as PVP (Purpose, Values, and Principles) have been an integral part of our company ethos from the beginning.

Our employees are well-acquainted with the PVPs, which are intertwined with our overall strategy and policy-making process. They serve as guiding principles in decision-making processes and are a fundamental part of our internal communications.

All employees are expected to uphold these values, and this commitment extends to our senior management as well. Every violation is dealt with in a swift and unbiased way, regardless of the level and experience of the employee. Some of our business units recognize and grant awards to exceptional employees who embody these values alongside stellar performance. These awards are tailored according to regions, focusing on specific values that each region wants to highlight - for instance, New Zealand chose 'Passion for Winning'.

Following our IPO (Initial Public Offering) in March 2021, we formulated a formal Ethical Code that provides clear guidelines on the company's values, acceptable behaviours, and the practical expression of our principles. The publicly accessible version on our website was completed in the first quarter of 2024, after a year-long writing process, and it is available in Georgian, Greek, English, and Hebrew. In 2024, we plan to develop an educational program focusing on the Ethical Code.

The Human Resources department in each country is responsible for enforcing the Ethical Code. Our onboarding process ensures that every new employee is introduced to the PVP and recently also to the Ethical Code. Additionally, new managers, as part of their training program, are given an understanding of their role relative to these values.

During 2024 we will implement a new training system that will impose a yearly 'read and sign' confirmation from employees for the Ethical Code. This new procedure will underscore their commitment to uphold these values. Essentially, this serves to reinforce that our Ethical Code is not just a document, but a clear commitment by Diplomat to uphold the highest levels of integrity and ethical conduct in all aspects of our business operations.

To prevent violations of our ethical code, we promote a culture of transparency and open communication among our employees. We provide multiple channels for reporting any misconduct, such as anonymous emails or physical drop boxes in all our sites. In addition, we offer reporting also directly to the Global Company's Internal Auditor, the direct line manager, or to the local HR manager. Our trainings consistently emphasize the proper channels for reporting unethical behaviour.

In the event of a severe violation, which holds a risk for the company, the internal auditor is involved. The Auditor share the case with the board of directors and update them in a regular basis until the desired resolution of the issue is concluded. During the investigation, HR ensure the privacy of the individuals involved is maintained. Learnings are shared among the HR managers, without disclosing personal information, as a way to try and avoid repeated issues.

Our Internal Auditor provides a quarterly report to the Board covering matters related to complaints and ethical code violations within the company. During 2023, zero complaints were received in South Africa, Cyprus and Georgia, one was made in New Zealand, and six complaints were received in Israel. All complaints were handled in accordance with Diplomat's relevant procedures.

2

Business continuity and risk management

/ Business continuity /

Our organization places significant importance on the development and implementation of solid business continuity strategies. We recognize the essential role of uninterrupted functioning of our core operations in the overall success and reliability of our business. As such, we invest in developing and implementing preventative measures and contingency plans. These plans are designed to mitigate potential threats, for example any disruptions in the form of cyber-attacks or malfunctions in the group's technology-based systems, including but not limited to sales management, inventory control, and financial systems.

We continuously engage in understanding and assessing potential vulnerabilities within our system to bolster resilience. Additionally, we strategically focus on ensuring our crucial business processes are well defined and have adequate backup protocols. Regular rehearsals of our continuity plans are carried out to guarantee minimal disruption and efficient response during any unexpected events, thereby maintaining the continuity of our services to both our customers and other stakeholders.

/ Risk management /

In the dynamical sphere of business, Diplomat, like any other company, encounters a myriad of external factors that have the potential to affect our functionality and profitability. These industry-related influences can range from changes in market conditions, technological advancements, regulatory changes, to supplier dependency and more. The ability to identify, assess, and manage these factors is critical to the survival and growth of our company.

The company's internal auditor conducts a risk survey every few years for the purpose of building a multi-year work plan for the internal audit. The last survey was carried out at the end of 2021. As part of the survey, the main risks to the group were identified, which were validated by the management and sorted into categories, such as operations, finance, information systems, human resources, corporate governance, and others.

The company's risks include macroeconomic risks, such as fluctuations in exchange rates, strikes and sanctions, economic slowdown in the economy, and industry risks, such as private label, e-commerce, regulatory changes, consumer claims, global changes in the prices of raw materials, dependence on main customers.

In addition, special risks for the company were identified:

- Supplier dependence - operations heavily rely on a few key suppliers.
- Logistics centers - product distribution and varied distribution system management lie heavily on logistics centers.
- Technological resilience and cyber security - product distribution is susceptible to cyber threats or failures in technology-based systems involved in managing sales, inventory, financial systems, etc.

/ Cyber security /

Information security risks in general and cyber-security risks in particular are inevitable with the continuously growing part which cyber takes in every business activity. Diplomat relies on its digital data assets in all its business processes and those digital assets introduce a variety of risks that should be addressed and treated through structured and controlled processes.

Diplomat recognizes the integral role that senior management, the Board, and business unit managers play in stressing the importance of information security awareness. The company's Head of information security is responsible of identifying risk controls and discussion on business contingency plans for unforeseen circumstances to prevent delays in operational services. Furthermore, every unit has a Head of IT to operationalize company policies and work plans, and they are also responsible for driving employee awareness to cyber security via training and drills.

In 2023, the company approved its Information Security Risk Management Policy that sets the framework and processes to assure Diplomat's continuous attention for any business impact that might be driven by information security risks. The policy is aligned with the NIST (National Institute of Standards and Technology) framework for information security. Moreover, data protection measures are in line with the stringent GDPR (General Data Protection Regulation) that are implemented at every operational site.

Our cyber risk procedure mandates a risk survey every 18 months to comply with the Israeli Privacy Protection Act. In 2023, we completed a cyber risk survey, which informed the development of our procedure and work plan for 2024, aimed at mitigating high and medium-level risks.

With the importance of being ready for a cyber crisis, we established a Business Continuity Management Systems (BCMS) – a set of procedures and routines focused on being prepared for a cyber crisis – both technologically and from a business perspective. The business perspective of it is a CBP – Business Continuity Plan – that each and every Business Unit had to build and exercise in order to improve readiness for a cyber crisis.. Preparedness is also tested through annual tabletop exercises during cyber weeks.

Our strategy places a high emphasis on employee awareness of cyber threats, particularly social engineering. We have constructed a comprehensive awareness program comprised of numerous sections, featuring informational videos, and at least five phishing exercises a year.

The group's CEO is responsible for the company's Business Continuity Plan (BCP), and each of the GMs is responsible for the local BCP in his Business Unit. Each business unit has a sound comprehension of its business continuity strategy, business goals and response processes.

3

External factors impact on business

Our company operates in a dynamic world where both local and global events can cause significant disruptions in our day-to-day operations. We are mindful of the ever-changing socio-political landscape, economic fluctuations and other concerns that affect us locally and globally. In response to these, we have established a comprehensive strategy that includes flexibility and risk mitigation. Our relentless pursuit of excellence and diligent planning have allowed us to weather unforeseen events without significant impacts on the company's activities.

Local and global events that have occurred in the past few years that posed a potential influence company's operations include:

- In response to the coronavirus pandemic, we swiftly transitioned our employees to remote work, even before mandatory lockdown measures were announced. Thanks to our versatile and adaptive approach, we successfully kept our operations running and even saw a rise in sales in 2020. Disruptions to global trade brought on by the pandemic have largely subsided, and sea freight prices have nearly returned to pre-pandemic levels.
- In the wake of a terrorist attack by the Hamas organization on settlements near Gaza, Israel, on October 7th, 2023, the "Iron Swords" war broke out. Concurrently, the Hezbollah organization in the north launched missile and rocket attacks on various northern regions, targeting both military and civilian facilities. Consequently, a state of emergency was declared in Israel, involving extensive reserve mobilization, evacuation of many settlements near Gaza and the northern border, and implementation of safety measures such as restrictions on gatherings, workplaces, and the education system according to proximity to combat zones. In addition, several shipping companies also announced Red Sea transit delays that postponed or prevented the arrival of goods the company imports from the Far East. In response to the war, we conducted at our Israel site a thorough assessment of areas requiring reinforcement taking into consideration potential escalation of the war at the various fronts. This involved evaluating protocols in the event of a missile strike, power loss, and other protective measures.

Despite the challenges produced by the war, we managed to maintain operational continuity, and sustained activity with customers and vendors.

4

Technology and innovation throughout the value chain

Diplomat relies a lot on technology in order to drive its strategic objectives and in order to build a sustainable competitive advantage. Our investments around technology include both implementing the world's leading technologies in CPG and retail to run our core business processes, as well developing our own Applications and solutions, tailored specifically for our needs.

These investments in advanced technology and computer systems enable the efficient day-to-day management of our group's sales and distribution, supply chain and logistics as well as the management, monitoring, and oversight of our finances and human resources.

Our tech solutions facilitate optimal sales support, drive organizational productivity and ultimately enhance our profitability. We consider this investment in technology as one of the key strategic growth drivers for our group.

In the areas of sales, we have developed a set of applications that drive an Omni-Channel approach. With this Omni channel approach, we achieve three strategic objectives: drive higher and more profitable sales; increase the Sales Organizations' productivity; and just as important, provide our customers with excellent level of service. One of the main applications in this Omni-Channel solution is MyDiplomat - a self service application that serves as a one stop shop - it allows our customers to interact with us 100% digitally, browse our catalogue, place their orders, get attractive promotions, see their accounting balance, converse with their Sales Rep and a lot more. Customers can also maintain a reusable shopping list for recurrent purchases. This App is enhanced with a set of Machine learning

algorithms, that allow us to provide our customers with a very personalized experience - with specific offerings (Next Best Offer) unique for their specific store - so just before they check out, they can easily find suggestions for products they may have missed, or that are performing well with similar customers. The latest version launched in 2023 includes significant enhancements, making it more intuitive, and easier to operate. The app is currently available in Israel, South Africa, and Georgia, in close to 10 different languages.

The Omni channel approach also allows us tighter and more frequent interactions with our customers, keeping them constantly informed with all the relevant information - weather via push notifications in the App, via WhatsApp messages embedded in the App, or via our customer care team (Telesales) that can easily jump into the sales process and converse with the customer. The telesales platform available in Israel, Georgia, and South Africa, backed by a call center with dedicated representatives. They also manage community-based messages within the app, continually enhancing customer interaction and engagement with Diplomat.

Customers are kept informed of updates through two main methods. The first method is via Release Notes, which are issued when new features are introduced to the app. The second method is through comprehensive learning processes, utilized in the case of major changes; this is usually executed with the assistance of WalkMe technology, a tool designed to improve digital adoption. The frequency of these updates aligns with the launch frequency of our versions and is dependent on the complexity of each version.

As a group, we put a lot of effort into leveraging AI to improve retail decision making, and addressed one of the major challenges faced by retailers - product stock-outs. Collaborating with a leading Israeli retail chain, we developed a state of the art solution to accurately predict sales at the granularity of SKU and store, and automatically build replenishment recommendations to the store owner. The business benefits of this technology are both driving higher sales, while minimizing stock says at the stores.

In 2023, our AI solution was implemented across the complete Israeli retail chain. Simultaneously, we are introducing the Vendor Management Inventory (VMI) model with six customers in Georgia, essentially providing inventory management as a service, wherein Diplomat handles the ordering process for them.

Product visibility plays a significant role in driving sales. To achieve this, we employ roughly 700 merchandizers across South Africa, Georgia, as well as Israel. Their goal is to establish the 'Perfect Store' - merchandising initiative where products are organized based on their expiration dates and visual appeal. To assist in this mission, we utilize the "MIO" system, an adapted software platform specifically designed to optimize in-store execution. Implementing this system allows us to demonstrate a 'Perfect Store' arrangement for our suppliers and enhance the shopping experience for our customers. The MIO initiative began in South Africa in 2022 and was extended to Georgia in 2023.

For assistance when encountering difficulties with a digital platform, the assistance provided varies for internal and external customers. Internal organizational customers are catered to by internal support teams, positioned in each country, and for complex issues, an escalation protocol is followed. External customers, which include retailers or institutional clients utilizing our applications, are supported by customer service centers linked to the sales department, these centers are established in every country we operate in.

The sharing of successful strategies across business units is a common practice at our company, as we view ourselves as a cohesive partnership rather than independent profit centers. For instance, when implementing MIO in Georgia, we had the South African team travel there to facilitate the learning process.

We are rapidly embarking on a journey of integrating AI into our operations, making it an integral part of various business facets. The ongoing enhancement of these AI-driven processes remains a constant priority for us.

5

Customer satisfaction

At Diplomat, customer satisfaction is at the heart of everything we do. We understand that our success is deeply intertwined with the satisfaction of our customers, which is why we adhere to the highest industry standards and continuously strive to exceed expectations.

We serve three primary customer groups, divided into the organized market, the private market, and the institutional market, to which we maintain strong relationships to ensure consistent product availability and support.

Our operations are guided by a commitment to quality, transparency, and responsiveness, ensuring that every customer interaction reflects our dedication to their needs. We take great care in building long-lasting relationships based on trust, reliability, and consistent excellence in service, which are fundamental to our mission.

/ Customer communication /

We maintain open and effective communication channels with our customers to achieve high levels of satisfaction and provide the best customer care as possible. Whether through direct sales channels, such as in-person meetings with our representatives, or indirect sales channels via wholesalers, we ensure that our customers receive the attention they deserve. We proactively engage in ongoing communication to address any issues that may arise and actively seek feedback on our products and services.

To introduce new offerings to the market, we host conferences that provide customers with in-depth insights and foster a collaborative environment. Additionally, we conduct annual customer satisfaction surveys to gather valuable insights and continually improve our offerings. Our dedicated customer service team is always available to address inquiries and complaints through WhatsApp, e-mail, and our hotline, ensuring that our customers' voices are heard, and their needs are met to the best of our abilities.

/ Consumers /

In Israel, we also directly engage with end consumers through the sale of products like coffee and electric toothbrushes. Our consumer service team is always available to handle inquiries, thus ensuring a high level of customer satisfaction and service.

/ Satisfaction survey /

To measure our service level in retail, we participate in the Advantage Survey in four of our business units. The last survey was conducted in August 2022, and during 2023 we worked according to the scores and our suppliers' responses to the survey. In this survey, customers evaluate Diplomat across seven areas; business relationship, supply chain, promotions planning and execution, launches, category group, sales capabilities, data-based decisions. We consistently achieve high scores in these assessments and work closely with our suppliers to further improve in the areas needed.

/ Product safety and quality /

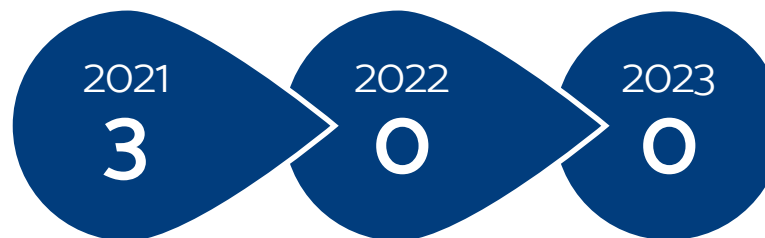
Diplomat places a strong emphasis on maintaining high product quality, ensuring that all our distributed goods across our markets meet the rigorous industry standards and regulations. We adhere to the latest quality assurance protocols, aligning with both local and international standards such as HACCP and ISO certifications. We implement comprehensive quality control measures throughout the supply chain, from shipping and storage to distribution, ensuring that every product delivered to customers is safe, consistent, and meets or exceeds their expectations.

As an importer of food products, one of our quality top priority is meeting all local regulations and requirements of where we operate. Diplomat recognizes the importance of the issue, and therefore it makes sure to meet the strictest standards of food quality. Similar and even more detailed

attention is given to our own brands – for which we are responsible as of sourcing stage.

As an authorized importer across our global sites, we diligently ensure that all product labels comply with legal provisions and local regulations. For instance, in Israel, we have established our own local factory as a service provider to manage necessary conversions of labels to meet region-specific regulations. Furthermore, we have an agreement with international vendors, across most of our sites where we handle the translation of product labels or necessary warnings and ensure that products have all the required licenses for sale. Additionally, we take responsibility for monitoring and updating our vendors on local legislation and regulations to ensure product compliance with legal provisions.

Furthermore, we have an internal procedure for recalls. The procedure is examined annually, by an external examiner who also approves our adherence with the ISO standards. Every recall incident is handled with the approval of the CEO and with the guidance of the quality division and is reported fully to the Ministry of Health. Whenever there was no reported recall, Diplomat conducts a recall drill for different products, as required by ISO9001, and following every drill we review the process and update the recall procedure accordingly. Recall training is conducted by the quality division to management and relevant position holders in the company on an annual basis. During the years 2021-2023, three recalls have been reported (all of them in 2021), in which all products were fully recalled and actions were made accordingly.





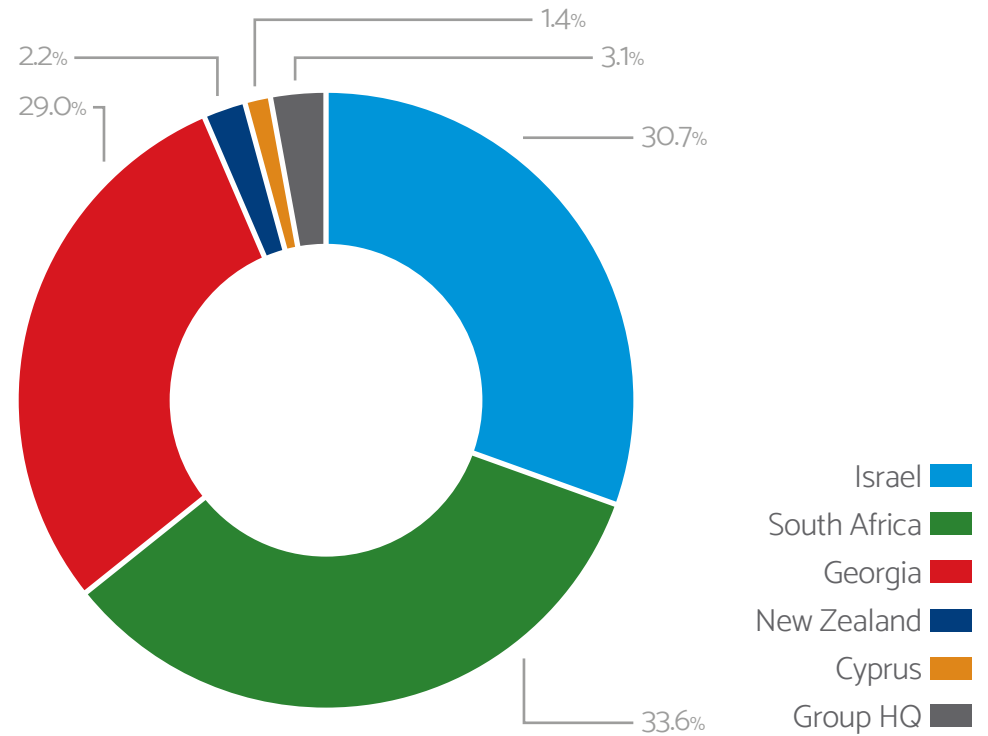
SOCIAL

6

Employees management

Our Diplomat culture and values are deeply embedded in the way we manage our employees and our approach towards them, at each company site around the world. Joining Diplomat means becoming part of a community of like-minded colleagues who share a commitment to our culture and values. We prioritize supporting and collaborating with each other, sharing ideas and knowledge, and contributing to the company's success together. By fostering a strong sense of camaraderie and mutual respect, we ensure a fulfilling and supportive work environment for all employees.

Total employees at Diplomat in the end of 2023, in all regions, was 2,429*, 40% of them are women. In addition, the Group employed a total of 205 contract workers during 2023.

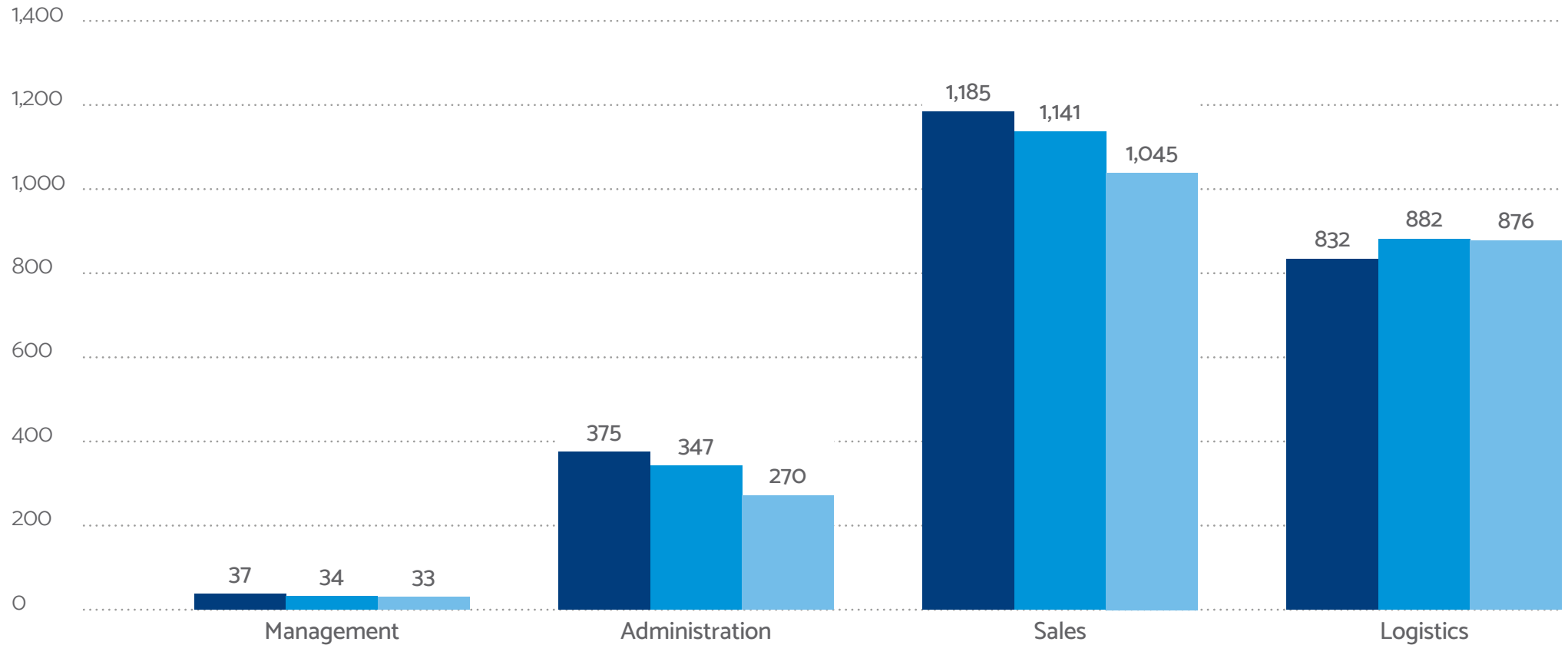


* The gap between employee data in the ESG report and the annual report is due to different measurement methods.

Breakdown of employees by business unit and gender for 2021-2023:

	2023		2022		2021	
	Male	Female	Male	Female	Male	Female
Israel	402	343	410	380	409	348
South Africa	528	289	501	265	500	262
Georgia	432	272	469	224	448	172
New Zealand	22	32	23	35	19	28
Cyprus	22	12	22	9	29	9
Group HQ	44	31	40	33	NA	NA
Total	1,450	979	1,465	946	1,405	819

Breakdown of employees by role distribution:



2023 2022 2021

* The gap between employee data in the ESG report and the annual report is due to different measurement methods.
 * 2021 data does not include Global HQ data

Breakdown of employees by age for 2023:

	Up to 30		31-50		51+	
	Male	Female	Male	Female	Male	Female
Israel	142	56	222	180	69	76
South Africa	81	49	398	213	49	27
Georgia	192	156	233	114	7	2
New Zealand	2	3	16	22	4	7
Cyprus	2	0	15	12	5	0
Group HQ	4	1	33	19	7	11
Total	423	265	917	560	141	123

During 2023, a total of 486 new employees were hired, of which 37% were women. A total of 462 employees left the Group during the year, 27% of them were women. The Group's turnover rate in 2023 was 19%.

**Employee turnover during 2021-2023,
by gender and business unit:**

		2023		2022		2021	
		Hired	Left	Hired	Left	Hired	Left
Israel	Male	46	69	74	80	71	147
	Female	57	89	124	141	90	79
South Africa	Male	123	120	106	93	67	146
	Female	81	64	63	45	48	92
Georgia	Male	176	205	135	130	42	112
	Female	85	52	77	44	8	34
New Zealand	Male	3	4	NA	NA	NA	NA
	Female	9	6	NA	NA	NA	NA
Cyprus	Male	3	3	4	1	10	15
	Female	3	1	0	0	1	1
Group HQ	Male	3	4	6	13	NA	NA
	Female	0	3	2	3	NA	NA
Total	Male	308	336	251	237	119	273
	Female	178	126	142	92	57	127

Recruitment

At Diplomat, we place emphasis on recruiting individuals for long-term careers. The recruitment process we follow is standardized across all company locations, focusing on the qualifications and abilities of candidates. Our aim is to maintain a fair process that identifies candidate's potential and minimizes bias as much as possible. We have ingrained this procedure deeply within our organization, training not just HR departments but also other recruiters on how to conduct an effective interview and make hiring decisions. Each candidate goes through an interview process with multiple interviewers and touchpoints to ensure a comprehensive evaluation.

In 2023 we launched an internal mobility module in our recruitment system. This tool offers every employee visibility into open positions within the company, and the opportunity to apply for them. Internal candidates are first to be considered for each position.

Onboarding

To facilitate the smooth transition of the new hire into the company and their new role, we have deployed quite a thorough onboarding plan. Each manager is tasked with creating a customized onboarding plan for their new team members, following a standard template provided by the company. To further support them, our company features an onboarding portal which entails important information for the new employees and a learning plan, ensuring they are equipped with the necessary professional knowledge required to perform their tasks efficiently. All new hires go through orientation training day, together with other new hires from other departments. At the end of the initial three months, we conduct a comprehensive review meeting with the employee and their manager to assess the employee's progress, identify any potential concerns. Specific orientations are arranged for operational level staff, with content tailored to their roles.

Each new hire is also assigned a buddy, during their first three months in the company, to help them with the cultural onboarding and the emotional support they may need during the change.

/ Employee development and training /

At Diplomat, professionalism is a cornerstone of our work ethic. We consistently strive to refine our skills and upgrade our abilities, to achieve the best possible outcomes.

As a company, we firmly believe in the value of internal growth and strive to ensure that between 65-75% of our promotions are internal. We have been successful in reaching this target, with 76% of internal promotions achieved in 2023. We do that by investing a lot behind our employees' development – from training programs to assignment planning, we ensure our employees gain the needed tools and experience to be able to grow to their next role.

Yearly training plans

The company identifies crucial areas of development like managerial skills, service orientation or emerging fields, such as AI, and then constructs tailor-made training programs. At the beginning of each year, management defines a yearly training plan for each employee, tailored to their needs, to support them in reaching their career goals within Diplomat.

We also cover vital soft skills trainings like presentation ability, audience interaction, time management, and team leadership.

As part of our continual professional development initiatives, we provide technical training on tools such as Excel and PowerPoint, specifically for those employees whose roles necessitate the use of these tools. We also provide English language courses during working hours that are mainly for managers in Israel and Georgia, with Russian language courses also available in Georgia. In addition, starting from 2023, we have been enriching our program by incorporating expert-led trainings on specialized fields like AI.

The company also hosts periodic enrichment lectures on various subjects that are available to all employees. Throughout 2023, a series of lectures were hosted in company sites. In Israel topics covered during these sessions ranged from the revolution in AI and ChatGPT, to a lecture decoding the subtleties of body language, and another focused on soft skills necessary for successful project management. In South Africa, Diplomat offered all employees the opportunity to participate in bursary programmes. They also conducted sessions discussing financials, stress management webinars, relationship webinars (grief and divorce) and empowerment training.

We leverage our professional experts in development of in-house training. In house training amount to 60% of the training delivered. To support our in-house training, we offer a “train-the-trainer” program where employees learn how to be trainers in their fields of expertise. This enables broad knowledge and experience sharing within our organization.

Regulatory training

Every employee at Diplomat is required to participate in the company's regulatory training courses, covering areas such as data privacy and security, safety, sexual harassment as well as specific role related mandatory training like commercial laws for salespeople or driving refreshers for drivers.

This training completion is being tracked and monitored to ensure full participation by all employees. For instance, in 2023, data security was a prominent, yet relatively new, topic. The Group HR team partnered with the global IT team to implement robust security measures and initiated annual training program to reinforce these practices.

Management training

Our managers receive dedicated development plans that cater to their individual needs, focusing on specific competencies critical for effective team management. New Managers of others go through a dedicated program to ease their transition into a managerial role. This training focuses on setting the direction, managing individuals across various situations, providing feedback as a motivational tool and more. These young managers get additional support through peer learning and semiannual enrichment meetings.

Our more senior managers get to take part of our future leaders' program (more information below). In 2024 we will complete a new program aimed for our middle level management, to help them manage their teams.

Future leaders' programs

Additionally, we have a specialized management development program designed for high-potential managers. By providing targeted and comprehensive training, we ensure that our employees are well-equipped to succeed in their roles and can grow to take on future leadership roles within the company.



Management Development Program (MDP)

a program offered to mid manager positions that focuses on improving leadership skills, improving long term effectiveness, expediting professional and business development, through inspirational lectures, training (external and in-house) and personal experience and workshops. The program is held every couple of years once we have a significant number of managers to participate. In 2023 six managers in South Africa participated in the program.



Diamond Program

a program offered to outstanding senior managers that includes a tailor-made hands-on exercise including an external mentor and coaching. This presents an opportunity for participants to step out of their comfort zones and gain a comprehensive view of the organization.

Special development options

Diplomat provides a range of exciting professional challenges and relocation opportunities to employees at our various global locations. We view relocation as a significant opportunity for personal and professional development and strengthening our global capabilities – a true win-win for both employees and the group.

We offer an Employee Study Program that is aimed to support Diplomat's top talent, in their pursuit of higher education and qualification, that will help them further succeed within Diplomat. The program includes the subsidiary of up to 60% of the school tuition fees, flexible work arrangement, special considerations in granting study related leave and other benefits. These programs vary slightly by country.

In 2023 a total of 14,307 training hours were conducted by all Diplomat employees around the world.

Total training hours per employee by business unit and gender for 2022-2023:

	2023	2022
Israel + Group HQ	6.2	5.8
South Africa	2.9	6.7
Georgia	8.6	8.5
New Zealand	13.5	NA
Cyprus	15	10
Group average	9.2	7.7

Leadership succession

We recognize the importance of having a strong leadership team to meet future challenges and drive our growth forward. Every year, we identify employees who possess high potential to take on leadership roles in the future. For those high potential employees and managers, we anticipate the next career step, assess their strengths and experiences compared to their future role's requirement and define needed development steps, to help them grow to the desired roles. We try to ensure all critical roles in the company will have potential successor within the organization. In situations where successors for specific roles are not available internally, we seek out top talents to join our team.

The identified individuals are given targeted assignments and training to prepare them for their anticipated future positions. For example, we provide unique cross-organizational and broad-based training to develop skills on multiple levels, such as interpersonal skills, negotiations, communications and professional skills. Our focus on nurturing future leaders helps support our business expansion while ensuring a sustainable and effective leadership pipeline.

At present, all our CEOs globally have been promoted from within the company, and we take pride in having local managers at all our locations.

Performance management

We place a strong emphasis on performance management. Our strategy is being cascaded from group to BU to function and eventually to each employee's level, ensuring the whole organization is working together to achieve the strategic goals. The performance management process is a two ways street – where company sets clear expectations for performance to the employees, but also listens to their expectations and dreams as to their career progression.

Clearly defined goals

Each year, we initiate the iPlan process, a program designed to help all employees achieve their goals by setting clear expectations for the upcoming year and providing easy monitoring of their progress along the year. At the beginning of each year, we translate our corporate strategies into functional and individual work plans, consisting of specific goals and clear indicators for success. The employees take a leading role in defining their work plan and are fully aware of their success criteria. Over the year, employee and manager will review progress made on the work plan to identify any potential performance gaps, barriers that require manager's support or additional steps to be taken to be able to meet the required goals. This transparent process ensures the whole organization is working towards achieving our mutual goals and at the same time enables objectivity and fairness in the performance evaluations process.

At the end of the year, the manager will assess the employee's performance. This process involves sit-down meetings between managers and their employees. During these sessions, managers provide feedback on the employee's performance, looking at both the results achieved, and the competencies demonstrated.

During 2023, a total of 766 employees, from all business units, participated in the iPlan process.

Personalized development plan

We believe that company and employee's success are one. As such, having the most professional and equipped employees is a mutual goal. Every year we assess the performance of employees and the capabilities that supported them. We then listen to the employee's personal goals and career aspiration and build a yearly plan together to help them develop the needed skills that are required for their future roles.

The development plan initiated by collecting feedback from peers, direct reports and direct manager of the employee. This helps the manager get a more accurate understanding of their employee's capabilities as demonstrated along the year.

Evaluating process

Performance assessments follow a bell-curve distribution with 35% of employees as above expectations, 50% within expectations and 15% below.

Performance appraisal is considered as one of the principles by which we define our employees' salary (the other being pay competitive to the market). This comprehensive approach spans across all departments.

While the Global HR Officer bears the overarching responsibility for the global performance evaluation process, operational responsibility and process progression are managed by the HR managers within each business unit. This ensures a meticulous and thorough approach to assessing performance and fostering employee growth.

/ Employee recognition /

We have a few programs to recognize and reward employees for their hard work, strong commitment and outstanding results. Every business unit deploy the programs that best suit their unique needs, structure and local customs.

Peer recognitions

Employees can send a formal note of appreciation for a peer in case of outstanding service received. This recognition going to the employee and their manager.

Quarterly recognition

Each quarter we spotlight employees and managers who have either demonstrated outstanding performance or have embodied our company's core values. Both employees and managers can suggest their colleagues or direct reports for this recognition, depending on the location.

Yearly awards

This is an award to recognize the unique contributions of exemplary employees. Utilizing a comprehensive evaluation criterion, winners can be from any department. This procedure allows managers the opportunity to nominate deserving candidates from their respective teams. Recognized individuals are then befittingly rewarded and acknowledged for their exemplary contributions.

Tenure-based reward

We acknowledge and reward employees based on their length of service with the company. As a token of gratitude for their dedication and loyalty, we have distinct recognitions for milestone years such as one, three, five, seven, and even 30 years of service.

Yearly wellbeing programs

Our annual welfare plan is designed in line with the specific needs of each country and the allocated budget. This plan includes various initiatives from holiday gifts, special gifts for various events in the employee's life (birthday, new child, wedding etc.), team building activities, corporate fun activities for employees and family and provisions for personal events like moving, weddings or hardship.

To ensure we meet the need of all our employees, we use local social committees catering to a variety of employee demographics – gender, family status, age, segment and religious.

At the end of 2022 and beginning of 2023, we introduced the 'Moments that Matters' initiative to better align employee benefits with their needs. Using feedback from surveys and local roundtable discussions, we upgraded our benefit package. Such improvements have included broadening the scope of family leave in South Africa, adding a 'personal day' in Israel that employee can choose to take for important events such as holidays or birthdays. Additionally, we offer two 'declaration days' per year, when employees can take time-off due to illness without needing a doctor's approval.

As part of our dedication to supporting and assisting our employees in all aspects of their work life, we provide transportation to work where the need arises, including organized transportation for our staff in Georgia, Israel and South Africa.

Health and safety

It is important for us to help our employees keep healthy.

To help employees keep healthy we ensure all operational employees, and in some locations all office employees as well, get a nourishing and healthy meal during their workday. We follow Health and Safety regulations assessing all our offices for any potential hazards and training employees how to avoid them. We conduct yearly health and safety training across all locations. We organize a Health and Wellness Day at all company locations worldwide. This event typically includes stalls offering healthy food alternatives, physical activity sessions, informative lectures on physical and mental health and medical screenings like blood pressure, breast cancer examination and other important checks.

Parental programs

We are committed to support our employees as they grow their family.

That means our new moms and dads to be. As a base, we follow the local laws and regulations surrounding paternity leave. At some cases, when the local regulations do not provide sufficient support during this crucial time, we provide additional support above and beyond. For example, local regulations in Georgia provide a minimum wage for new mothers for a period of one month, we provide a fixed salary for four months as well as their full additional benefit package during parental leave. In Israel and Cyprus, we enable maternal and paternal leaves, per local regulations. We also give the employees their full additional benefit package during their parental leave.

The manager will conduct a feedback discussion with their employee before leaving on parental leave. During this review, they will also discuss time away and returning plan. During the parental leave the company will ensure periodic contact to keep the employee updated and engaged.

Number of employees on parental leave during 2023, by gender and business unit:

	Number of employees that took parental leave		Number of employees that returned to work in 2023 after parental leave ended	
	Male	Female	Male	Female
Israel + Group HQ	4	21	4	15
South Africa	39	11	38	10
Georgia	-	20	-	19
New Zealand	NA	NA	NA	NA
Cyprus	NA	NA	NA	NA
Total	43	52	42	44

Flexible working arrangements

Employee wellbeing extends to our provision of flexible work arrangement, supporting employees' ability to manage their work requirements and personal activities. Recognizing the value employees place on flexibility, we have continued our hybrid work model post-pandemic, allowing employees to work from home up to two days a week as per global policy. We believe that this approach reduces the risk of employee stress and burnout, promotes overall wellbeing and fosters increased engagement. The result is an enhancement in performance and productivity.

Rooted in our guiding values of commitment and integrity, our flexible work arrangement policy caters to the diverse needs of both employee and business. Moreover, it reflects our trust in Diplomat's employees by providing a wide array of work alternatives, enabling them to fulfill business expectations while also taking care of their personal needs and goals. Another aspect of our employee support and dedication to their personal development is providing resources and advice on financial management and insurance coverage.

Organizational satisfaction survey

We place a great deal of importance on understanding our employees' perception of their work environment and level of satisfaction. To this effect, we carry out a comprehensive annual survey involving all employees. In the past, our surveys have covered 14 categories, however, in 2024, we are transitioning to the more refined 'Great Place to Work' survey, which concentrates on five core areas: camaraderie, credibility, fairness, pride, and respect.

In 2023, there was a boasting 90% participation rate, serving as a critical performance indicator for our management team. The results are shared with employees, in an effort to maintain transparency, and in 2023 the company achieved a satisfaction score of 79. Following the survey, each HR manager develops a work plan focusing on areas needing attention, with insights derived both locally and globally.

Compensation and benefits

Our company strongly believes that our success is rooted in our employees. We aim to hire professionals who embody our values and enable them to be at their best. To attract, recruit, and retain top talents, our pay principle is based on two principles – pay competitively and pay for performance. These pay principles ensures fairness and integrity by disregarding any non-related differences.

We offer competitive pay packages. Our pay scales are based on the median salaries of selective, relative companies in the market - those that share our talent pool, even across different industries. Comparisons are made based on local data, assessing job content per each function, level, and position.

We firmly stand by a pay-for-performance structure, promoting commitment and professionalism. We trust in our employees' ability to deliver excellent results and therefore, compensation is tied strongly to performance. Defined salary ranges are set based on different performance ratings. The size of salary increases is determined according to an employee's performance evaluation as well as their comparison to market pay.

Our company's benefits align with local practices. Regarding two provisions we offer benefits that surpass the local practices:

- Medical insurance - In areas where government-provided healthcare services are inadequate, we incorporate medical insurance into the compensation package.
- Pension plan - In regions without government-sponsored long-term savings programs, we provide a pension plan where both the company and the employee contribute 5% each. This pension plan is integrated into the overall compensation package.

To support employees during retirement, we have established procedures, including our "Special Separation Package," which offers compensation for this stage of their lives. We collaborate with a pension consulting agency to conduct meetings with retiring employees, and our HR department provides additional support as needed.

No harassment and discrimination policies

As part of our ethical conduct and company's value of Integrity, it is important for us to treat one another with respect and dignity. The company is entrusted to guard the employees' privacy and their rights to equity in the workplace. We have a zero-tolerance policy with respect to harassment and discrimination of any kind, whether physical, verbal or emotional. All employees are protected against victimization, retaliation, intimidation, and from false accusation occurring as a result of lodging a grievance.

No harassment

Our Sexual Harassment Policy is in line and in some locations more demanding than local sexual harassment laws and regulations. Our sexual harassment policy is an affirmation of our commitment to provide a work environment that is inclusive and free from harassment or discriminations. It includes suitable procedures for handling any issues should they happen and preventing their repetition. It encourages and supports a work environment free of any form of harassment. The policy guides us how to act in case a complaint is filed, to ensure the confidentiality of the individual involved is guarded. All internal and external communications related to an incident of harassment are to be treated as confidential.

In Israel and South Africa, it is mandatory for all employees to sign our sexual harassment policy during their onboarding process. We also conduct an annual training for managers on the topic per regulation requirement. As a result, in 2023, there were no reported cases of harassment.

Employment equity and Black employees' empowerment

Diplomat South Africa (DSA) has established an Employment Equity (EE) Policy and Procedure. This was designed to address past imbalances by promoting diversity among employees. The policy focuses on strategic human resource management interventions, such as recruitment, selection, and personnel development to guide and raise awareness. The main objective of the EE Plan and Procedure is to promote the representation of designated groups at occupational levels and within all job categories.

The management of DSA is tasked with facilitating the development of the equity plan and monitoring its execution. The EE Policy and Procedure are communicated to all employees through management. Semi-annual employment forum meetings are held to gather employee feedback. The Head of HR is mandated to provide annual reports to the CEO on employment equity and affirmative action progress within the company. They are also responsible for ensuring legal compliance, leading efforts and committing to the EE plan. This includes integrating it into the strategic plan and establishing numerical objectives and goals to achieve employment equity.

We are mindful of the unique regional challenges our global locations face. Our objective always remains fostering a multicultural and inclusive work environment.

In line with our commitment to diversity and inclusion, we established our recruitment process around clear individual capabilities and tests that seek to eliminate exterior biases. Our interviewers are trained to recognize potential biases and how to minimize their own preconceptions, ensuring an equal opportunity for all candidates.

In our company, we recognize and appreciate the diversity of our workforce, which includes men and women from a variety of backgrounds, religions, and physical capabilities. We believe this diversity is an important part of our ability to truly understand the markets in which we operate, as our employees represent the communities in which we operate. For example, when catering to Arab villages in Israel, we can benefit if our sales agents are Arabic speakers to facilitate better communication.

In Israel, we collaborate with the "Shekel" organization, which offers support and assistance for employment across a broad variety of work sectors. This includes people with intellectual developmental disabilities, those dealing with mental injuries, individuals with physical disabilities, and more. We employ people with such disabilities, who are fully employed by Diplomat and guided by an instructor from the organization. Additionally, we are proud to have a team of individuals with disabilities who are positioned in various divisions.

We continually evaluate gender representation across all levels within the organization. Furthermore, the Global HR Officer evaluates annually the gender representations as part of the employees evaluation process, to ensure the absence of bias. In case a significant discrepancy is identified, the HR Officer addresses the matter at the specific location where the difference was observed and oversees to ensure that such a pattern does not recur in the following year. In Israel, per specific regulations, we also run an equal pay report, ensuring no gender discrimination for men and women doing same roles. Given our clear pay principles, that focus on performance, we are happy to state that no such differences were identified in the last three years, since we started doing the report.

“Iron Swords” war ongoing impact on employees and company response

Since October 7th, 2023, Israel has been in a state of war. This affects our employees in numerous ways – some had to evacuate from their home, some had family members who were killed, some suffer continuous stress and/or depression due to the situation, some were called for army service while other had their spouse called to service and had to deal with little kids at home.

As we are a required service, we had to raise to the pressing emergency. Our workforce was lacking, as during this time 10% of our workforce, over 80 employees, were called to reserves duty. We are proud to say, that our committed employees have risen to meet the challenge, voluntarily extending their roles beyond their original scope of work. They have made relentless efforts to ensure our company’s operations continue to run smoothly and efficiently, fully cognizant of the importance of their contributions during these difficult times.

We extended substantial support to our employees who were called into reserve duty. This included maintaining continuous communication with them and their families by both human resources and direct manager, delivering care packages for their families, and extending mental health services for those returning from service. Our managers were equipped with the necessary guidelines and resources to efficiently aid employees upon their return. Throughout the entire period, reassurances were given concerning job security.

The Israeli office coordinated a large-scale donation initiative. Thousands of products were generously given to various groups impacted by the war.

7

Safe and healthy work environment

At Diplomat, a safe and secure workplace environment for every employee is a fundamental principle of our management approach. We aim to institute a standardized safety protocol that extends across the entire organization, underpinned by individual commitment and rigorous compliance with all relevant laws, regulations, and guidelines concerning employees' safety. This commitment is also the foundation for our comprehensive and meticulous Safety Management Plan.

The company upholds vast safety procedures to ensure the wellbeing of every employee. These procedures are in place according to local regulation, and include, but are not limited to, clearly defined operational guidelines aimed to minimize risks to employees per their work environment, assigning and training safety trustees to ensure they are well-equipped to manage any potential hazards. Furthermore, there are clearly defined protocols for handling work-related accidents to ensure quick and effective responses. Newly hired employees undergo safety training as part of their onboarding to acquaint them with our safety practices and expectations. We also have a comprehensive emergency evacuation plan to ensure the orderly and safe evacuation of the building during emergencies, thus minimizing potential harm. These procedures, among others, are updated to reflect any changes in safety regulations or company operations, demonstrating our proactive approach to maintaining a safe and secure work environment.

The CEO has the overall responsibility for ensuring the employees' safety. They are responsible to provide the needed resources to enable the proper execution of our safety plan. Managers, utilizing their authority, ensure proper usage of safety equipment by their teams, instruct employees on safety rules, monitor policy adherence and foster an environment for reporting safety hazards. Employees, on their part, are entitled to be informed of potential risks and are obliged to use safety equipment as per the regulations. In our three big offices we have a dedicated manager assigned to this topic, to support CEO and managers in safeguarding the employees.

As an example, in Diplomat Israel, we have formed a safety committee, which is comprised of the Chief Operating Officer, the safety manager, managers from all departments, and our external safety inspectors. In 2023, this committee convened on nine occasions. Its role involves scrutinizing the implementation of the Safety Management Plan, evaluating key indicators, and observing trend patterns. Through its regular meetings, the committee formulates risk mitigation strategies, oversees the removal of potential hazards, and enforces compliance with organizational laws and work supervision principles. A Health and Safety committee exists also in Diplomat Cyprus, and is equipped with the necessary training to guarantee the implementation and observance of all safety protocols by employees.

In alignment with local regulations, we have designated safety trustees in each office. Their duties encompass upholding a safe working environment, ensuring compliance with safety conditions within their respective departments, maintaining employee health and safety standards, and overseeing the correct usage of personal protective equipment. Acting as a crucial liaison, the trustee maintains a dual reporting line: they report to their managers for matters related to their job role and in matters of safety the trustee is subordinated and operated directly by the safety department. This structure helps ensure that safety regulations are upheld without compromising the specific needs and operations of each team.

We prioritize the safety of anyone present at our sites and facilities. In Israel, for example, we outsource some of the services in the warehouse. As such, we have established a safety policy to ensure our contractors maintain the same high standards of safety with their employees. For instance, contractors are required to equip their workers with necessary safety gear and to confirm that the provided safety equipment is both in good condition and used correctly.

Further enhancing communication and awareness, we have implemented unique safety WhatsApp groups. Whenever there is a safety concern or accident, it is immediately reported and documented. Each occurrence is thoroughly reviewed by the safety supervisor, the department manager and the concerned employee. A report is produced which includes findings and responsibility attributions that are shared across departments.

/ Health and safety at company warehouses and offices /

In company office spaces our focus is placed on ergonomics, safe usage of stairs and electrical outlets. To maximize comfort and prevent workplace injuries, we have brought in ergonomic consultants for exercises and advice on better posture. Furthermore, our employees have demonstrated their supportive and collegiate spirit through initiatives like forming a diet group to advise and encourage each other on health and wellbeing. We use the support of an external doctor for additional healthcare support.

To prioritize the safety and health of our warehouse employees, we have implemented the use of electric conveyors and loaders instead of diesel operated machines that pollute gases into the air. Diesel generators are reserved exclusively for emergencies.

/ Safety training /

We conduct several annual training programs that encompass a wide range of areas. To educate employees on work related risks we have dedicated training per each work environment – office, warehouse, maintenance and driving. Similar routine safety trainings are provided for our contract workers in the warehouse and cleaning services. In 2023, all employees in South Africa and Israel successfully completed the legally required safety training, achieving a 100% completion rate. In Georgia, 87% of employees successfully completed the mandatory safety training.

We also have dedicated training for our safety trustees - first-aid training, fire handling training, earthquake training – each tailored for the specially assigned team, and the local office risks. For instance, 24 employees in South Africa and 29 employees in Georgia successfully completed first-aid training, reflecting our commitment to ensuring safety across all levels. To test their preparedness, we performed safety drills – for example, twice a year in Diplomat Georgia – focusing on emergency evacuation, which the employees successfully passed.

Each recruit to the company or an employee transitioning from one work environment to another is required to participate in safety training before commencing their role in the respective environment. This critical training is administered by the department manager or the safety trustee to ensure every employee is acclimated to our safety norms and practices prior to their start in their new work environment.

At some of our business units, such as in Georgia and South Africa, we have dedicated safety managers as well as safety committees, made up of the warehouse, delivery, transportation, and administration managers, who meet regularly regarding protocols at their respective facilities.

| Safe driving |

Diplomat operates an extensive fleet of vehicles, ranging from cars as a working tool for our sales representatives, private cars offered to senior management in some locations as part of their benefit package, to various sizes of delivery trucks operated by our drivers. We conduct training sessions for all company workers who drive company vehicles, with specific sessions tailored for our truck drivers. These training sessions cover various scenarios, helping our drivers refine their skills, such as maneuvering on slippery surfaces and practicing preventive driving. In South Africa, we even test the drivers driving skills as part of the recruitment process.

Vehicle maintenance is a critical aspect, especially for our leased trucks. In Diplomat Israel we manage this in collaboration with our leasing partner, Eldan Rent a Car LTD., we carry out regular inspections, services, and necessary replacements such as tire changes to prioritize driver safety. Two representatives from Eldan are tasked with overseeing Diplomat's fleet and handle all vehicle-related concerns, ensuring our fleet stays in optimal condition.

In Diplomat South Africa, all the trucks used by our drivers are on full maintenance lease, with the responsibility of maintenance belonging to the external party owning the lease. The trucks are inspected daily by our drivers before departure, and the inspections are recorded and submitted.

In Diplomat Georgia, 40% of the fleet is leased and 60% is owned by the site. In terms of fleet maintenance, in East Georgia an outsourced company coordinates maintenance with the Fleet Manager. In West Georgia, our full-time employees are responsible for maintenance in coordination with the Fleet Manager. Based on state regulations, different inspections are conducted – once a year to have a general check for each truck, and regular service checks for every 10,000km driven. Visual on-site checks are performed once a month by an external company.

Our safety officer performs inspections for each driver before permitting them to begin driving, ensuring everyone is adequately skilled and trained. Background checks for drivers are also part of our safety protocol. During 2023 we created a program that was launched in January 2024, that focuses on the challenges and necessities of winter driving, followed by a summer training session to emphasize the safety aspects regarding seasonal risks. Moreover, with approximately 20 company forklifts, external experts conduct specialized training for employees who operate the forklifts, that encompasses both theoretical and practical training.

A key component of our safety infrastructure is the Saver One technology incorporated into Diplomat Israel's fleet of trucks. This system limits potential distractions for our truck drivers by disabling all alerts except for essential navigation and phone services. Implementation of this advanced system began in 2023 and by year-end was fully activated across our entire fleet. Diplomat's safety officer and supervisors receive daily updates regarding those who have or have not logged into the platform. This enables them to monitor engagement and productivity while also identifying potential technical issues or shortcomings in user engagement. By doing so, they can promptly address these concerns and ensure the smooth operation of the platform, ultimately improving the workflow and efficiency of the organization.

In South Africa, applications such as Fleetvision and CarTrack have been introduced as technology supporting safe driving and monitoring. While current usage by employees is not the most active, we encourage our employees to use the applications to enhance safety. In Georgia, an application exists that provides live monitoring of truck driving, speed, and driving maneuvers. The collected data is converted into scores per truck and truck driver, and then shared with their managers for further preventive activities.

Number of work-related injuries and lost days
at company business units during 2022-2023:

Category	Business unit	2023	2022
Number of work-related injuries	Israel + Group HQ	21	27
	South Africa	13	4
	Georgia	3	6
	New Zealand	-	-
	Cyprus	-	-
	Total	37	37
Number of lost days	Israel + Group HQ	541	686
	South Africa	8	NA
	Georgia	59	107
	New Zealand	-	-
	Cyprus	-	-
	Total	608	793

/ Security of our facilities /

Diplomat has a dedicated security department, entrusted with the important task of safeguarding the entire company premises. They ensure the protection of important business assets, this includes the company's office spaces, where all internal operations and decision-making processes occur, and the warehouse, which houses valuable inventory and vital logistic operations. The security department works 24/7 to establish a safe environment, enabling the company to focus on its core services without concern over potential threats or risks.

8

Community engagement and social impact

We believe that as a successful organization we have a role to play in setting a good example and showing our responsibility to sociality and the future generations. Our overarching plan centers around aiding teenagers, fostering learning abilities, promoting academic excellence, and ensuring life preservation. Each country applies this framework based on local needs.

The management of volunteering efforts and community relations are overseen at each site by the Head of human resources. The overall policy coordination is handled by the group's human resources manager to ensure consistency.

For instance, in Israel, we created and support an after-school program at a youth center in Ramla, equipped with computers, facilities, and private tutors. For over a decade, our employees voluntarily participate in activities at the center, which presently supports more than 400 children.

In 2023, given the special situation in Israel, we also allocated over a million NIS to various philanthropic endeavours and supported the evacuated families. We established laundry stations and organized activities for the children at hotels housing evacuees, our employees packed food and candies for them during the annual Good Deeds Day.





Diplomat South Africa is dedicated to supporting various social causes, especially for underprivileged children, including children in orphanages and shelters. In 2023, Diplomat South Africa engaged in several Corporate Social Responsibility (CSR) initiatives to assist local communities in areas where we operate:

We observe the International Nelson Mandela Day by partnering with “Rise for Hunger” to provide nutritional meals to underprivileged child-headed households in South Africa. We established an early childhood development center in Wuppertal, a historic and underprivileged town in the Western Cape. This project aims to deliver high-quality education and promote the development and future success of the local children. Also, we provided our employees extra two optional days of leave annually for volunteering.

Diplomat Georgia social activities focus on the community in which it operates. Given the high number of refugee families fleeing into the country, from Ukraine, the organization provided a range of selected products to refugee families living in the area near our offices and to a refugee supporting foundation, for two of the big holidays – Easter and New Year celebration. These packages included snacks, sweets, drinks, canned goods, home care, and self-care items.

Our team in Cyprus contributed to the local community by renovating the yard of a school for children with disabilities. The addition of grass to the yard created a comfortable, accessible outdoor space where the children can play, learn, and connect with nature.

9

Supply chain transparency and responsibility

At Diplomat, we recognize that supply chain transparency and responsibility are fundamental to sustainable business practices. As a company committed to ethical and environmentally conscious operations, we strive to ensure that every link in our supply chain process upholds the highest standards of integrity, accountability, and sustainability. Diplomat works with international suppliers of the highest levels which expect us to maintain same level of excellence.

We foster close partnerships with our suppliers and maintain rigorous oversight of all steps of the process to create a supply chain that meets the expectations of our customers and suppliers.

The responsibility for ensuring the processes run smoothly and efficiently belongs to the Operations Department. The Head of Operation responsibilities include, but are not limited to, overseeing processes from the initial forecasting phase to order placement with suppliers, stock arrival, storage, distribution, and logistical collections. This division entails four main operations - distribution, warehouse, the supply chain, and the third-party logistics - and holds the highest number of employees across the organization. The four main operations have to meet the local regulations as well as the company's high standards in their respective field. They do so by sharing knowledge and learning from past experiences, placing special emphasis on client service and efficiency measures.

Our risk management processes ensure that we identify potential disruptions and vulnerabilities throughout our supply chain, allowing for proactive responses.

/ High service level /

We follow detailed service measures to ensure our service level, across the 4 operation practices, meet and even exceed their customer's service expectations. Distribution measures will be around delivery time, warehouse measures will be to ensure quick handling of the goods as well as accuracy of order preparations, supply chain will be measured around their ability to properly predict sales (to ensure correct level of stock) and TPL operation will focus on fast and accurate processes.

Other than our internal measurement, the organization uses a periodic questionnaire, to evaluate the service satisfaction of both vendors and customers. Customer's satisfaction from our logistic service is also part of an external survey we participate in – the Advantage survey.

/ Products' quality assurance /

We want to ensure that our stakeholders across the supply chain are satisfied throughout every step of the way. Therefore, we conduct regular check-ups with our vendors regarding the product quality and with our customers regarding supply satisfaction – whether our products arrived safely and on time. Any issues or inquiries are responded in a fast manner.

/ Adherence to local regulations /

We are regularly updated on the local regulations in each of our operating countries and adjust our products and services accordingly. Any request we receive from our stakeholders always passes through our legal department to ensure that we do not violate any specific laws and standards.

As the local representatives of the vendor in the countries, we are responsible for dealing with any product returns due to defects or other reasons. Such extreme situations are dealt with in utmost urgency, and with full compliance to local regulations. The process includes communicating with our suppliers and figuring out together the gaps in the delivery as to ensure they do not repeat itself. Learnings are shared with other business units, to improve our performance overall.

Starkist

We are beyond proud to spotlight one of our unique brands, Starkist.

Starkist is the leading brand in Israel in the canned tuna fish market, holding 35% market share of the industry. The brand was established in Israel in 1999 and got exclusivity to all Starkist products in the year 2000. In 2009, Diplomat bought 50% of the company's shares and became, in addition to the primary distributor of their products, a partner of 50% of the company. In June 2018, Diplomat bought the remaining 50% of shares and officially received full ownership of the Starkist brand in Israel.

Product quality is a top priority at Starkist, and the company is committed to delivering tuna that meets the highest industry standards. Every stage of the production process is carefully monitored, from sourcing to packaging, ensuring the products not only comply with, but exceed the strict regulations governing the seafood and canned fish industry.

Starkist practices the "Dolphin-Safe" standard, which is a set of practices and certifications aimed at ensuring that tuna is caught in a way that minimizes or eliminates harm to dolphins. This standard emerged due to concerns over the large number of dolphins that were accidentally killed or injured in tuna fishing operations.

Starkist has become inseparable and integral to the Diplomat family, embodying our dedication to quality and excellence. We take immense pride in our products, which are a testament to our commitment to delivering exceptional value and taste to our consumers. As a cornerstone of our brand portfolio, Starkist represents our unwavering pursuit of excellence and our pride in offering trusted, high-quality products that resonate with our customers.



ENVIRONMENT

10

Energy use and greenhouse gas emissions

We are committed to preserve and protect the environments where we operate and diligently comply with local regulations. Our adopted measures are carefully adjusted to meet the requirements of each jurisdiction we operate in. One of our focused initiatives is the reduction of Greenhouse Gas (GHG) emissions from our vehicle fleet as part of our wider effort towards environmental responsibility.

In February 2023, we launched a 2.5-month pilot program, in Israel, to assess replacing our company car fleet from fuel based to electric based. We focused the pilot in Israel where we have the largest fleet. The pilot consisted of four electric vehicles to assess their energy efficiency, user experience, and environmental impact. The favourable results led to a detailed assessment of our employee's roles and commuting patterns to evaluate the feasibility of shifting completely to electric vehicles. By the end of 2023, 80 vehicles of our fleet were electric. In addition to our fully electric vehicles, our vehicle fleet in Israel also boasts a substantial count of more than 70 hybrid vehicles. Currently, electric vehicles constitute 40% of our fleet.

We are targeting further expansion, with the goal of having approximately 59% electric vehicles as part of our total fleet of 253 vehicles by the end of 2024. By the end of 2025, we plan to have our entire fleet transitioned to electric vehicles, marking a significant step towards environmental sustainability. Mindful of the practicalities involved in charging electric vehicles, we have installed charging stations at both our company premises, providing 26 charging points, and at the homes of our employees, offering 50 charging points.

We will continue monitoring our other markets to assess their market maturity and readiness for electric cars. In Georgia, we are currently working with a car leasing company to replace some fuel-based cars to electric cars, which we plan to solve by 2025. Unfortunately, to date, there is not enough support in the other markets to enable us to take the same course of action with our other company car fleets.

Throughout the reporting year, Diplomat did not face any penalties or monetary fines related to environmental matters.

/ Energy /

The company's energy consumption encompasses both fuel and electricity. Our fuel (e.g. petrol and diesel) is consumed by company vehicles, including managers' private cars and operational vehicles like trucks and forklifts. Electricity consumption covers the company's operations, such as offices and warehouses.

Fuel consumption at company business units during 2023 (liter):

Source	Business unit	2023
Petrol	Israel + Group HQ	556,493
	Georgia	673,893
	Cyprus	69,774
	Total	1,300,160
Diesel	Israel + Group HQ	637,278
	South Africa	81,404
	Cyprus	463,498
	Total	1,182,180
Heating gas (m3)	Georgia	27,375

Electricity consumption at company business units during 2023 (kWh):

Source	Business unit	2023
Electricity consumption from the grid	Israel + Group HQ	4,986,492
	South Africa	639,742
	Georgia	1,062,788
	Cyprus	14,696
	Total	6,703,719

* Environmental data of New Zealand is not available

Company total scope 1 and scope 2 emissions during 2023 (tCO₂e):

Source	2023
Scope 1: Direct emissions (fuels consumption)	4,152
Scope 2: Indirect emissions (electricity consumption)	2,848
Total emissions (scope 1 & 2)	7,000
Total emissions intensity (scope 1 & 2 per employee)	2.95

* Environmental data of New Zealand is not available

| Water management |

In Diplomat Israel, we conduct annual soil tests and sewage water sampling (for example, testing for contaminants and pH levels) as part of our environmental management procedures and in accordance with the Israeli Environmental Protection Council provision. To ensure quality control and for future reference, all this information is systematically archived in dedicated folders and shared with our suppliers abroad when required.

In Diplomat Georgia, we conduct proper laboratory analysis on our drinking water to ensure that it is clean and safe for our employees' health. Furthermore, we use water dispenser machines with filters to automatically generate clean drinking water. The filters are replaced once every six months. Our office building is equipped with environmentally friendly recuperation systems for our cooling systems, and the sewage system in the building is centralized and connected to the municipal sewage and drainage network, in accordance with the country's regulations.

Water consumption at company business units during 2023 (m³):

Source	Business unit	2023
Water consumption	Israel + Group HQ	5,966
	South Africa	2,767
	Georgia	4,692
	Total	13,425

* Environmental data of New Zealand is not available

* Water consumption data of Cyprus is not available

| Waste management |

Products - In an era where sustainability and efficient management of resources are of paramount importance, our company has adopted a dynamic approach towards handling stock levels, returned, damaged and destroyed goods. Our key focus is at reducing waste and ensuring maximum utilization of resources. We invest a lot behind correct sales forecasting, to ensure we order only needed goods. We conduct daily reports on products reaching their expiration date, and ensure proper support is given to drive their sales. We leverage strategies like recycling and redistribution to minimize waste, of all returned, damaged or near expired goods we still have, offering goods to employees at reduced prices or free of charge.

The destruction rate is measured daily as well as annually, having found that in 2023 the destruction rate for all products in Israel was 0.6%. Destruction is executed under the supervision of regulatory approved companies and following local laws. Our facilities undergo annual audits by both in-house and external auditors, and comprehensive tracking is implemented company-wide at all locations.

In terms of food product waste and its disposal, our facility in Israel adopts an environmentally conscious approach partnering with an external organization that converts waste into cattle feed. Our facility in Georgia partners with a local food provider company that is responsible for the end-to-end food product waste.

Paper - Our facilities in Israel, Georgia, Cyprus and South Africa utilize an external company for the safe disposal of paper waste, including sensitive documents such as invoices and business plans. The external company performs on-site shredding services, safeguarding confidential information. Additionally, we ensure batteries are responsibly discarded in designated waste containers and directed to authorized sites for proper handling.

Previously, efforts were made to reduce paperwork, such as invoices and customer signatures on a proof of delivery screen. We are piloting a system that will enable digital check and payment collection services. This will enable us to offer our customers digitized invoices, among other things. Plans are in place to convert all customers by the end of 2024 to this system. It is encouraging to see the collaborative efforts of our customers and a mutual understanding of the need to minimize paper usage and embrace digital methods.

Pallets waste - A notable project initiated in 2023 focused on the retrieval and reuse of wooden pallets that are used daily as part of company operations and distribution. Previously, drivers would return a small number of pallets, but by changing the reward method for Diplomat drivers, we significantly improved the return rate. As a result, we now rarely need to purchase new pallets, leading to higher employee satisfaction and improved quality and quantity of the pallets. Additionally, nylons, cardboards, and other raw materials are shredded and reused, further minimizing waste.

GRI content index

GRI 1: Foundation 2021

Statement of use	Diplomat has reported with reference to the GRI Standards for the period 1 January 2023-31 December 2023.
GRI 1 used	GRI 1: Foundation 2021

GRI 2: General Disclosures 2021

GRI Standard		Location
The organization and its reporting practices		
2-1	Organizational details	5
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	4
2-5	External assurance	The report has not undergone an external assurance

GRI Standard		Location
Activities and employees		
2-6	Activities, value chain and other business relationships	5-11, 14-15
2-7	Employees	38
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2-9	Governance structure and composition	12
2-10	Nomination and selection of the highest governance body	26
2-11	Chair of the highest governance body	12
2-12	Role of the highest governance body in overseeing the management of impacts	26
2-13	Delegation of responsibility for managing impacts	26
2-14	Role of the highest governance body in sustainability reporting	26-28
2-15	Conflicts of interest	26-28
2-16	Communication of critical concerns	26-28
2-17	Collective knowledge of the highest governance body	26-28
2-18	Evaluation of the performance of the highest governance body	26
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GRI Standard		Location
Strategy, policies and practices		
2-22	Statement on sustainable development strategy	3
2-23	Policy commitments	26
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2-26	Mechanisms for seeking advice and raising concerns	26
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Stakeholder engagement		
2-29	Approach to stakeholder engagement	21-22
2-30	Collective bargaining agreements	0% of employees are under collective bargaining agreements

GRI 3: Material Topics 2021

GRI Standard		Location
3-1	Process to determine material topics	18-20
3-2	List of material topics	18-20
3-3	Management of material topics	18-20

Material Topics' Standards

GRI Standard		Location
GRI 201: Economic Performance 2016		
3-3	Management of material topics	15
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GRI 203: Indirect Economic Impact 2016		
3-3	Management of material topics	15
203-2	Significant indirect economic impacts	15, 32
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