KORNIT 2020 IMPACT REPORT

Environmental, Social and Corporate Governance:
Progress, Action and Future Goals

Kornit
Digital
bonding
matters

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⋙ A WORD FROM
RONEN SAMUEL,
KORNIT DIGITAL'S CEO

◎ur vision is to boldly transform the world of fashion and textiles for a better, more sustainable planet. As pioneers of digital innovation in the fashion industry, our solutions, service and actions create a ripple effect of change, one that we believe enables our customers, their customers, our partners and communities to maximize their positive impact on the environment.

Propelled by a passion for innovation, we constantly seek to develop and improve our technology, while decreasing it's ecological footprint at a speed that is outpacing the industry worldwide.

We've seen growth and success in our business, and with that success and commercial leadership comes great responsibility. From the technologies and consumables we develop, to the standards and practices we mandate throughout our organization, Kornit is committed to being a leader in fostering a textile industry—and a global community—that is ethical and responsible for a more sustainable future.

> " Our vision is to boldly transform the world of fashion and textiles for a better, more **sustainable** planet."

Our journey for ecological impact continues with more action, effort, resolution, and quantitative and qualitative key performance indicators (KPIs). In 2021, we are taking our long-term ESG program to the next level. Our dedicated ESG team will collaborate with the industry's best professionals to execute a wide array of initiatives. Today, with this inagural report, we begin an annual process of sharing our ESG progress and commitment to continuous improvement. As laid out in detail in this report, we set ambitious goals to make a difference by downsizing apparel overproduction, cutting down on water and waste and empowering fair labor practices.

We believe these goals are feasible, and we're already taking steps to achieve them.

These are extraordinary times. Faced with a global pandemic and unprecedented challenges, the past year and a half have no doubt affected all of us to our core. The pandemic was a defining moment for the textile industry. For us, it offered the opportunity to provide an ever-relevant solution and a chance to propel forward a sector inundated with hardship towards healthier operations. As the world gradually shifts into a new normal, the textile and fashion industries have finally started to grapple with the pressing need to accelerate digital transformation and mass adoption of sustainable on-demand production. Kornit Digital is positioned right at the intersection of this change.

> **We've proved "Bonding Matters" is not merely a much-loved catchy slogan for us, but a core value that is now more important than ever.**

Finally, a note about what matters most: the people who make Kornit Digital a market leader. Our employees bring passion and dedication and act with innovative thinking and a can-do approach. They are united by a commitment to the highest professional standards, yet differentiated by unique approaches that make the whole bigger than its parts. We've proved "Bonding Matters" is not merely a much-loved catchy slogan for us, but a core value that is now more important than ever. This year, we continue to nurture employee growth and development in various ways. We set internal goals to increase employee diversity and inclusion, and hire more staff from under-employed populations. Our people are our top priority and we strive to ensure their continued happiness, job satisfaction and overall wellbeing.

Thank you for taking the time to read this report. We hope you enjoy learning more about Kornit Digital and our commitment to creating a more sustainable planet.

Sincerely,

RONEN SAMUEL

Chief Executive Officer,
Kornit Digital

>>> ABOUT
THIS REPORT

We're excited to share our first-ever Impact Report. This is an opportunity to celebrate the alignment of our business with our ESG goal of taking action to achieve our purpose of boldly transforming the world of fashion and the textile industry via sustainable on-demand manufacturing.

This report is also an opportunity to establish our long-term goals, by setting actionable, concrete objectives to promote sustainability and social responsibility.

A few notes about this report:

- This report covers our strategy, targets, goals, results and operations pertaining to environmental, social and corporate governance. From our product choices to supply chain interaction, to people and actions in the community, this report provides data and information about our impact-driving activities.
- The reporting period is the financial year starting January 1, 2020, and ending December 31, 2020. However, as this is our first report, we've taken the liberty to reference activities from previous years to provide a broader context to some of the information and data presented in the report. We've also included some key highlights from 2021.
- This report generally follows GRI standards' core reporting framework option and the SASB reporting standards for the Professional and Commercial Services sector.
- All data and information presented in this report apply to Kornit Digital's global activity, unless stated otherwise.
- Kornit Digital's management team approved this report.

For any inquiries about this report, please contact *ESG@kornit.com*.

INDUSTRY IMPACT BY 2026
OUR CALLING IS PURPOSEFUL CHANGE

We think big. We think bold. We're fueled by a determination to innovate with imagination, all while contributing to a better, more sustainable world.

OUR LONG-TERM GOALS ARE AMBITIOUS, YET ATTAINABLE

Kornit Digital, a fashion tech company, is revolutionizing the textile and fashion industry with on-demand, sustainable manufacturing.

The fashion industry is unfortunately responsible for severe ecological damage. As a result of excessive production, approximately 30% of manufactured garments are considered over production. Furthermore, the fashion industry produces nearly 20% of the global wastewater.

Sustainability is top of mind for us, in spirit and in practice. We aim high, in everything we do—socially, ecologically and environmentally.

By 2026, Kornit's technology will enable the production of approximately **2.5 billion apparel items** in a responsible manner, saving **4.3 trillion liters of water** and **17.2 billion kilograms of greenhouse gas emissions** and reducing overproduction in the fashion industry by 1.1 billion items.*

In other words:

I. **Zero overproduction:** By moving the industry to on-demand manufacturing, Kornit will help eliminate the estimated 1.1 billion apparel items overproduced using traditional production methods, based on an industry average of 30% overproduction. This is about 1 apparel item for each and every person living in Europe and North America - saved.

II. **Zero water waste:** In addition to eliminating overstocks, Kornit enabled production on-demand will support saving an estimated 4.3 trillion liters or 1.1 trillion gallons of water. This is the estimated amount of drinking water needed for the entire U.S. population for 11 years.

III. **Reduced CO₂ emissions:** By enabling sustainable on-demand production, consuming less energy and generating less waste, Kornit will prevent an estimated 17.2 billion kilograms (37.9 billion pounds) of greenhouse gas emissions, compared to traditional manufacturing methods. This is equivalent to the estimated amount of carbon dioxide emitted from circumnavigating the entire planet with a car nearly 2,400 times.

** The calculation includes the following data and projections: production rates of apparel with Kornit products based on Kornit Digital previously disclosed revenue projection (1 billion in 2026, as last disclosed on August 10, 2021 in our earnings release available **here**), 3,969 liters of water and 15.9 kilo grams of GHG on average to produce one apparel item used as the basis for Kornit's water savings estimate, average water drinking needs is 3.2 liters per person and the US's population is approx. 331 million, the average carbon dioxide emissions intensity from a passenger and light commercial vehicles of 180.9 kilo grams per km used as the basis for Kornit's greenhouse gas emissions prevention estimate, and population of 744 million and 371 million people in Europe and North America, respectively.*

ABOUT KORNIT

Kornit Digital is a worldwide market leader in sustainable, on-demand, digital fashion and textile production technologies. The company is writing the operating system for fashion with end-to-end solutions including digital printing systems, inks, consumables, and an entire global ecosystem that manages workflows and fulfillment.

Applying our immense experience in the direct-to-garment market, we seek to revolutionize the direct-to-fabric textile printing industry by digitally printing with a single-step ink set for multiple fabric types with no additional finishing processes.

Founded in 2002, the Company is a member of the Manufacturers' Association of Israel. Kornit Digital is a global company headquartered in Israel with offices in the U.S., Europe and Asia Pacific, serving customers in more than 100 countries and states worldwide.

We're **THE** innovation leader in fashion tech—developing technologies that power today's biggest and fastest-growing brands in fashion.

We view ourselves as the builders of the operating system for on-demand fashion from pixel to parcel, which means an open, industry-wide ecosystem of hardware, software and networked partners that unlocks innovations and economic possibilities for the fashion and textile industries.

We think big, and we think bold, fueled by a determination to innovate in service of a better, more sustainable world.

Today's consumers seek self-expression through fashion choices that reflect their imagination and identity with complete liberty—in any quantity, on a myriad of fabrics, at the speed of digital. To meet this demand, suppliers require technologies that streamline production, simplify the supply chain (and its associated risks), enable proximity production, and eliminate waste, both from an inventory and an ecological perspective. Our technologies empower apparel, accessory, home goods and other manufacturers to print on-demand, just-in-time, producing only what they sell. By eliminating preparation time and maximizing production uptime, Kornit Digital's solutions create new revenue opportunities, ensure profitability from orders large and small, with a minimal carbon footprint, and mitigate vulnerability to sudden shifts in market dynamics. Print operations can allocate their human and capital resources more effectively, grow their e-commerce business, repatriate operations, and more. With Kornit Digital, fashion manufacturers eliminate the guesswork from demand fulfillment and position themselves for long-term success.

VISION TO REALITY

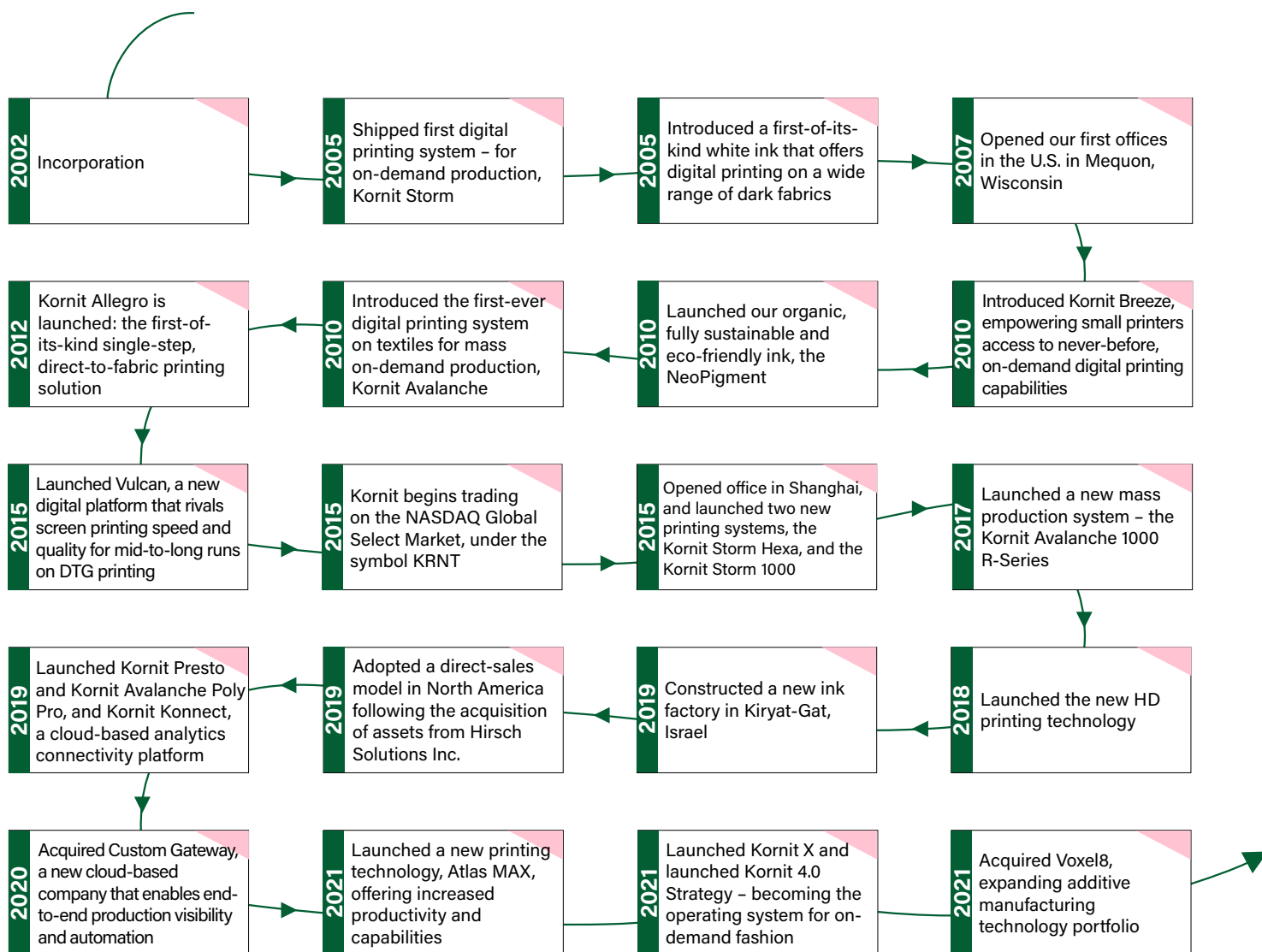We aim to be the biggest brand in fashion tech. With a unique industry vantage point, we can unlock previously unimaginable opportunities. We're determined to expand the realm of possibility and democratize the marketplace for anyone with an idea and the passion to deliver it.

With a steadfast commitment to people, planet and economic prosperity, we'll be the trusted leader in how fashion goes to market.

KORNIT DIGITAL:
INSIDE & OUT

KORNIT'S MILESTONES

2002 — Incorporation

2005 — Shipped first digital printing system – for on-demand production, Kornit Storm

2005 — Introduced a first-of-its-kind white ink that offers digital printing on a wide range of dark fabrics

2007 — Opened our first offices in the U.S. in Mequon, Wisconsin

2010 — Introduced Kornit Breeze, empowering small printers access to never-before, on-demand digital printing capabilities

2010 — Launched our organic, fully sustainable and eco-friendly ink, the NeoPigment

2010 — Introduced the first-ever digital printing system on textiles for mass on-demand production, Kornit Avalanche

2012 — Kornit Allegro is launched: the first-of-its-kind single-step, direct-to-fabric printing solution

2015 — Launched Vulcan, a new digital platform that rivals screen printing speed and quality for mid-to-long runs on DTG printing

2015 — Kornit begins trading on the NASDAQ Global Select Market, under the symbol KRNT

2015 — Opened office in Shanghai, and launched two new printing systems, the Kornit Storm Hexa, and the Kornit Storm 1000

2017 — Launched a new mass production system – the Kornit Avalanche 1000 R-Series

2018 — Launched the new HD printing technology

2019 — Constructed a new ink factory in Kiryat-Gat, Israel

2019 — Adopted a direct-sales model in North America following the acquisition of assets from Hirsch Solutions Inc.

2019 — Launched Kornit Presto and Kornit Avalanche Poly Pro, and Kornit Konnect, a cloud-based analytics connectivity platform

2020 — Acquired Custom Gateway, a new cloud-based company that enables end-to-end production visibility and automation

2021 — Launched a new printing technology, Atlas MAX, offering increased productivity and capabilities

2021 — Launched Kornit X and launched Kornit 4.0 Strategy – becoming the operating system for on-demand fashion

2021 — Acquired Voxel8, expanding additive manufacturing technology portfolio

OUR ESG VISION

≫ BOLDLY **TRANSFORM** THE WORLD OF FASHION AND TEXTILES FOR A **BETTER**, MORE **SUSTAINABLE** PLANET ≪

We focus on enabling sustainable on-demand fashion manufacturing and products that span the entire lifecycle.

Our Company was founded on a deep belief that we can and should make the world a better place. Propelled by our passion and triumphs, we push forward with unmatched momentum in the industry, surpassing the goals we set for the business and rewriting the fashion industry.

When we challenged ourselves to consider what more we can do to make the world a better place, it sparked a simple, yet powerful, question: **what if we lived in a world that creates only what is truly desired and wasted nothing?**

A world where there's a perfect balance between that which is sought, and that which is produced, where creation and consumption are always aligned.

At the heart of this transformation is physical production, the engine of the on-demand industry. Kornit Digital has long been one of the most innovative developers of digital textile print systems, and we endeavor to continue to raise the bar for our performance with faster throughput, higher quality and more versatility. Imagine a micro-factory that aggregates this into a complete system—cut, print, sew, pack and ship.

We're digitizing the workflow of on-demand proximity production as well. Kornit is the only end-to-end data-based solution that connects all the steps of the digital value chain in the textile industry, so they work seamlessly together at the shortest proximity. In combination with a global network of qualified fulfillers, Kornit Digital masterminds the operating system for on-demand fashion production—a giant leap forward to a better world that creates only what is truly desired and wastes nothing.
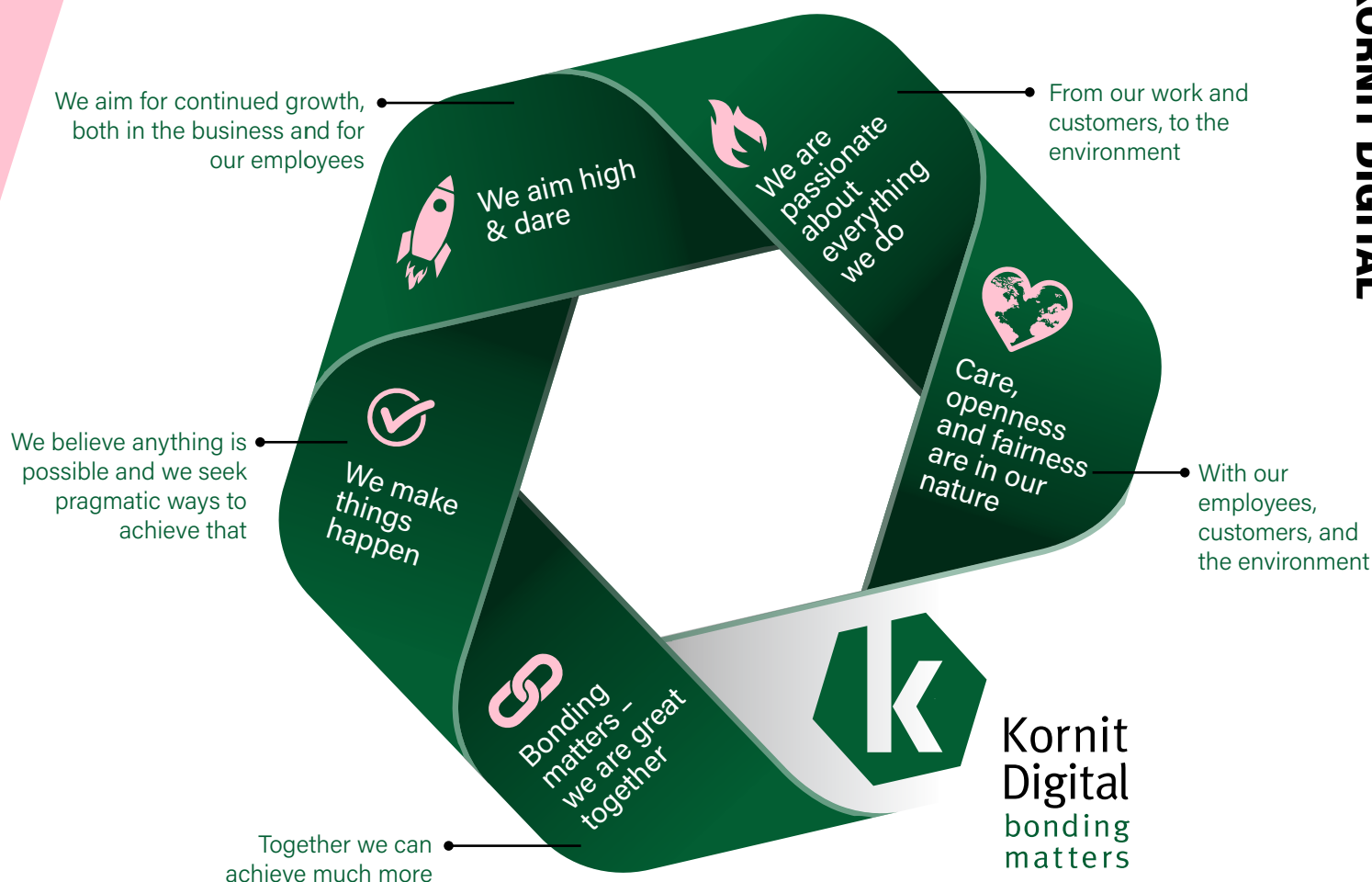
> " Kornit Digital has all the means required to embrace sustainable production as a goal we can genuinely achieve."
>
> **Omer Kulka**, *Chief Marketing Officer*

Kornit by the **numbers**

6 LOCATIONS GLOBALLY

Founded in **2002**

672 Employees (As of December 31, 2020)

KORNIT DIGITAL'S DNA: FIVE COMPANY VALUES

We aim for continued growth, both in the business and for our employees

We aim high & dare

We are passionate about everything we do

From our work and customers, to the environment

We believe anything is possible and we seek pragmatic ways to achieve that

We make things happen

Care, openness and fairness are in our nature

With our employees, customers, and the environment

Bonding matters – we are great together

Together we can achieve much more

Kornit Digital
bonding matters

KORNIT DIGITAL REVENUE FROM 2015-2020

For our fiscal year running January 1-December 31*

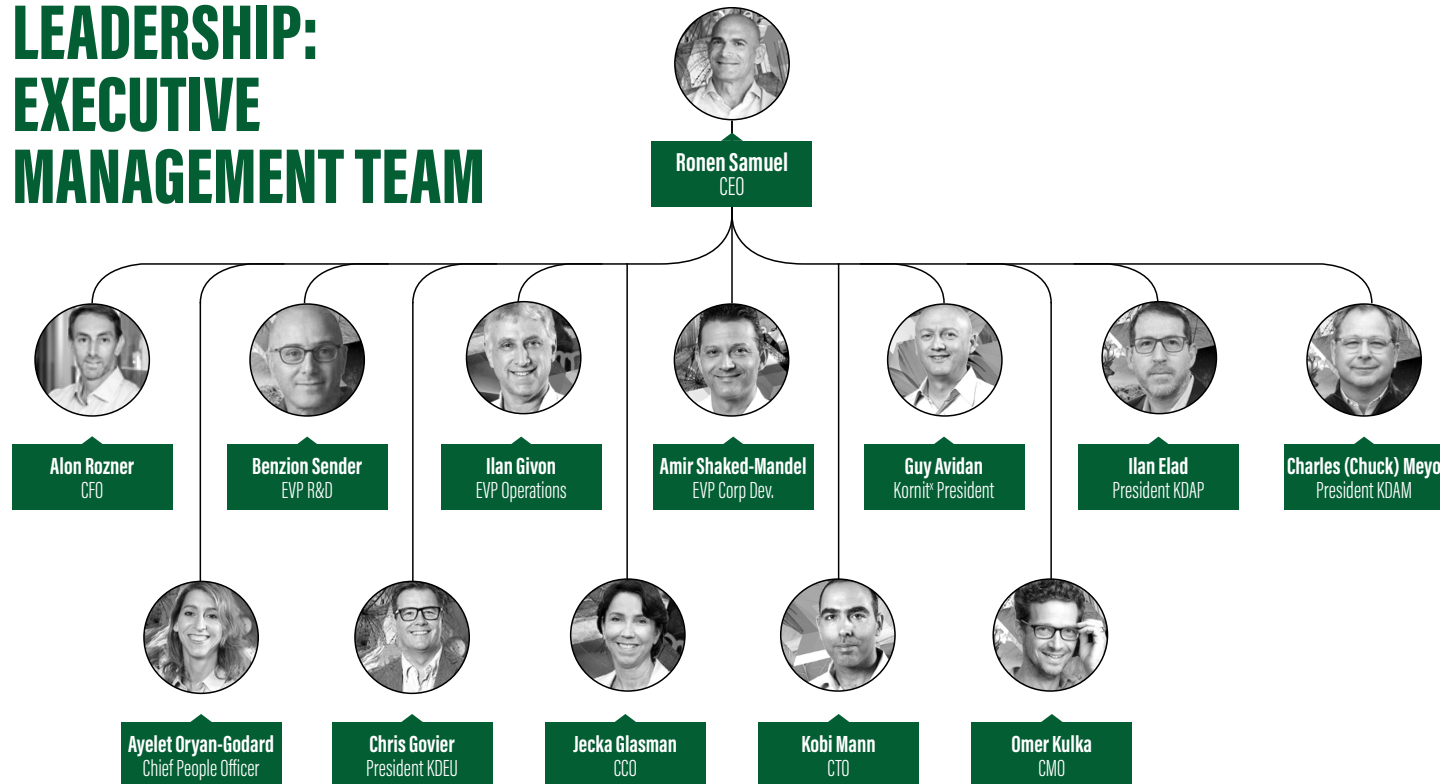|		2015	2016	2017	2018	2019	2020
Revenue and Gross Profit	Revenue	86,405	108,694	114,088	142,373	179,866	193,331
	Gross Profit	40,585	49,410	54,111	69,869	82,076	87,801
Revenue by Type	Product	79,751	100,818	101,953	125,729	156,594	164,918
	Services	6,654	7,876	12,135	16,644	23,272	28,413

U.S. dollars in thousand
*Net of warrants impact

10

COMPANY STRUCTURE

Israel is home to our headquarters and main manufacturing sites, with five additional offices worldwide in the U.S., Germany, Hong Kong, England and Japan. From customer care and technical support to sales, marketing and logistics, our global reach enables an end-to-end operation that empowers sustainable on-demand manufacturing.

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                        Kornit Digital Ltd.
                              Israel
   ┌──────────┬───────────┬───────────┬───────────┬───────────┐
Kornit       Kornit      Kornit      Kornit      Kornit      Kornit
Digital      Digital     Digital     Digital     Digital     Digital
Technologies North       Europe      Asia        UK Ltd.     Japan
Ltd.         America Inc. GmbH        Pacific Ltd.            KK
Israel                                            │
                                          Custom Gateway Ltd.
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Kornit Digital Technologies Ltd. Israel	Kornit Digital North America Inc.	Kornit Digital Europe GmbH	Kornit Digital Asia Pacific Ltd.	Kornit Digital UK Ltd.	Kornit Digital Japan KK

Custom Gateway Ltd.

LEADERSHIP: EXECUTIVE MANAGEMENT TEAM

Ronen Samuel
CEO

Alon Rozner
CFO

Benzion Sender
EVP R&D

Ilan Givon
EVP Operations

Amir Shaked-Mandel
EVP Corp Dev.

Guy Avidan
Kornit^ President

Ilan Elad
President KDAP

Charles (Chuck) Meyo
President KDAM

Ayelet Oryan-Godard
Chief People Officer

Chris Govier
President KDEU

Jecka Glasman
CCO

Kobi Mann
CTO

Omer Kulka
CMO

ESG PRIORITIZATION ANALYSIS >>>

A prioritization analysis is essential to pinpoint our ESG focus areas and compose an actionable plan. In addition, the process allows us to centralize our resources and activities under the scope of key ESG issues for our business.

In the course of ongoing research, design and creation of sustainable solutions and services for our customers, we've both deepened and broadened our knowledge and awareness of these issues.
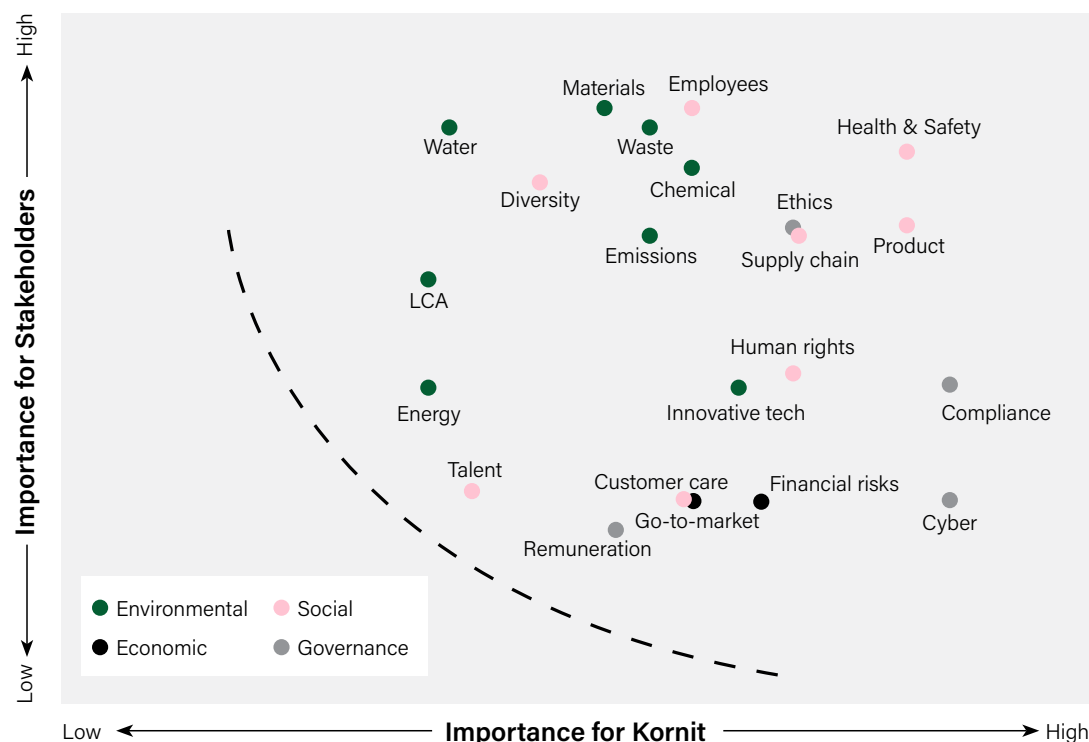
OUR PROCESS

We set to work running through a process to identify our ESG priorities. The process included inputs from various stakeholders, both internal and external. Pulling from employee surveys and trend research, to assessing local community and government requirements and those of our customers and suppliers, we created a holistic view of the issues.

We then examined the results against international models and best practices accepted by the ESG community reporting standards, such as the SASB materiality map. We also reviewed the results against the UN Sustainable Development Goals (SDGs) to identify where there may be alignment. The result is a list of 22 ESG Priorities that we are focused on, listed on the following page.

This prioritization exercise is not a one-time task, but an evolutionary, continuous effort. We've shortlisted priority ESG issues currently under focus. Still, they will be reviewed and updated regularly, based on our ESG strategy, progress, stakeholders' input and industry dynamics.

ESG PRIORITY MAP BY THEMES

Axis labels: Importance for Stakeholders (Low to High, vertical); Importance for Kornit (Low to High, horizontal)

Legend:
- Environmental
- Social
- Economic
- Governance

Data points: Materials, Employees, Water, Waste, Health & Safety, Diversity, Chemical, Ethics, Emissions, Supply chain, Product, LCA, Human rights, Energy, Innovative tech, Compliance, Talent, Customer care, Financial risks, Go-to-market, Remuneration, Cyber

KORNIT DIGITAL'S 22 ESG PRIORITIES

Material topic	ESG Area of Focus
GHG and carbon emissions	● Environmental
Energy consumption	● Environmental
Hazardous and non-hazardous waste	● Environmental
Chemical use and management	● Environmental
Water consumption and discharge	● Environmental
Sustainable materials consumption and composition	● Environmental
Sustainable and innovative technology	● Environmental
Circular economy and lifecycle management	● Environmental
Product quality and reliability	● Environmental
Employment and labor conditions, employee wellbeing	● Social
Talent management and employee development	● Social
Diversity and equal opportunity	● Social
Occupational and consumer health and safety	● Social
Customer care	● Social
Human rights, forced labor	● Social
ESG in the supply chain	● Social
ESG governance, governance ethics and integrity	● Governance
Compliance	● Governance
Cyber and data security	● Governance
Remuneration and performance	● Governance
Financial risks related to environmental issues	● Economic
Go-to-market	● Economic

" Fashion companies embracing Kornit Digital's technology provide a clear indication that consumers and manufacturers worldwide are ready to make better choices."

Adi May, *Director of Brand and Sustainability*

STAKEHOLDER ENGAGEMENT

Creating an impact starts from within and expands outward, creating a ripple effect of change. We are commited to transparency, honesty, authenticity and open, reciprocal communication with our stakeholders. Thus, we're able to create a collaborative relationship where the whole is bigger than its parts.

01/ CUSTOMERS

Open communication and a high level of support are among the goals we have for our customer relationships. We stay attuned to the needs and wants of our customers, and aim to provide uncompromising professionalism and customer satisfaction through the power of digital transformation. In addition, we conduct periodic check-ins and surveys to maintain high-quality service.

02/ SUPPLIERS

We consider our suppliers as our business partners. We maintain our business relationship with our partners, by engaging them into our long-term business plans. We constantly monitor the execution of our business plans, throughout on-going KPIs and quarterly and yearly business reviews. Our Operations team is constantly operating a supplier-management methodologies by operating weekly and quarterly production readiness reviews and long term projects execution progress reviews. Through the COVID-19 restrictions, we succeeded to minimize business continuity implications by leveraging our close relationship with our suppliers, and our strong long-term business commitments.

03/ EMPLOYEES

Transparency, honesty and care are the core values of our communication with employees. We have ongoing, open communication, conduct annual surveys, hold roundtable discussions and run focus groups on various topics. We have regular communication from HR sharing updates and news, and we hold quarterly Zoom meetings with our CEO to discuss company status, business results and key decisions.

04/ INVESTORS

We value our shareholders and are committed to frequent and transparent communication. As a demonstration of our commitment to the investor community, we recently hired a global head of investor relations, a newly created position for Kornit. In addition to hosting quarterly earnings calls, we regularly schedule meetings to update investors on the latest corporate developments. Additionally, we frequently attend and present at investment conferences and industry events. Kornit management's quarterly presentations are accessible via webcast.

For more information, please visit the *Investors Relations* section of our website.

05/ LOCAL COMMUNITIES

We're deeply rooted in the local communities where operational sites and our HQ are located. We aim to create a bond between our internal employees' community and our surrounding communities. We actively engage with social matters that concern our neighbors, even if they are not directly related to our activities. We volunteer, make donations, provide sponsorships and forge various partnerships with local community organizations. With the help of designated services and a donation committee managed by our Chief People Officer, Employee Relations and Social Responsibility Manager, ESG Director and employee representatives, we try to make a difference where it counts. For example, in Israel, we volunteer and empower school associations to enable a better learning experience for students, sponsor local sports teams, donate to local organizations that align with our company's values and meet our giving criteria.

06/ GOVERNMENTAL AND REGULATORY REQUIREMENTS AND COMPLIANCE

As a public company spread globally across continents and countries, we're subject to local and global regulation. Each entity defines our connection with the local and relevant regulators. It includes compliance initiatives such as periodic reports, the election of directors and committees, eventful press releases and financial and environmental information disclosures when required. Therefore, it is a top priority for us to ensure we're up-to-date and compliant with regulations worldwide.

>>> GOVERNANCE

BOARD OF DIRECTORS

Our Board of Directors steers the company's vision and values and provides guidance for our various needs, which is critical to running a thriving and healthy company. With nine members, the Kornit Board of Directors is experienced and highly professional. Our Board members have diverse backgrounds and relevant professional mastery to provide us with a solid foundation that contributes to successful performance.

OUR BOARD MEMBERS

Start Year	Position	Name
2018	Chief Executive Officer and Director	Mr. Ronen Samuel
2011	Chairman of the Board of Directors Independent	Mr. Yuval Cohen
2002	Independent Director	Mr. Ofer Ben-Zur
2015	Independent Director	Ms. Lauri Hanover
2015	Independent Director	Mr. Alon Lumbroso
2019	Independent Director	Mr. Stephen Nigro
2018	Independent Director	Mr. Yehoshua (Shuki) Nir
2015	Independent Director	Mr. Dov Ofer
2015	Director	Mr. Gabi Seligsohn

For more information about the Board members' experience and professional background, please visit the Board of Directors page in the *Investor Relations* section of our website. In the event of any future changes to our Board, we provide updated information regarding our Board composition on our website.

Our Directors are elected in accordance with the Company's Appointment of New Directors Policy that specifies required candidates' abilities, qualifications and experience. Director candidates are thoroughly screened and interviewed and are required to sign a declaration of ethical and professional compatibility. We're neither a party to, nor aware of, any voting agreements among our shareholders concerning the election of Directors or otherwise. In addition, there are no family relationships among our executive officers or senior management members. The election of Board members is subject to the relevant shareholders' approval, based on a majority vote (not counting abstentions or broker non-votes).

In 2020, we hired an external consultant to determine the compensation structure of the Board and our CEO, which was further approved by our shareholders in accordance with the requirements of Israeli law. Employee compensation is determined by management and discussed by the Compensation Committee in collaboration with the Board.

In 2020, the Board of Directors held 14 meetings with a 98% average attendance rate. Due to the COVID-19 pandemic, some of the meetings were held remotely via video or audio conferences. Some of our Directors serve on either or both of the two active board committees:

- Audit Committee, which convened eight times in 2020 and had a 100% attendance rate in every meeting
- Compensation Committee, which convened 11 times in 2020 and had a 100% attendance rate.

We have three other committees that convene on an ad-hoc basis:

- Mergers and Acquisition Committee
- Long-Term Product Roadmap Committee
- Long-Term Strategy Committee.

The Board of Directors designates the members of these committees, and they consist of at least three members.

COMMITTEE MEMBERS

GOVERNANCE

Name	Audit	Compensation
Lauri Hanover	+	+
Dov Ofer	+	+
Yehoshua (Shuki) Nir	+	+

COMPLIANCE

Obeying the law is the foundation on which Kornit Digital's ethical standards are built. Compliance efforts are governed by our Chief Financial Officer, who serves as our Compliance Officer, alongside our General Counsel and designated employees.

Our compliance policies complement and support our core values. Our Code of Ethics is public and accessible on our website and refers specifically to the prohibition of non-competitive behavior, anti-corruption, anti-bribery and fraud prevention. In addition, our designated policies on all compliance matters inform our employees of the importance of corporate integrity as a communal virtue in the Company's culture.

Please view our Code of Ethics *here*.

ANTI-CORRUPTION AND ANTI-BRIBERY

Our Anti-Bribery and Corruption (ABC) Policy is available for review by all employees.

Given that we provide our customer services worldwide, we're exposed to diverse cultures and customs. Hence, our policy addresses prohibited actions in all locations as applied to all employee levels.

Our goal is to equip all staff with the information needed to follow the ethics and principles outlined in our policies for every business decision they face. In order to achieve this goal, we require annual compliance training concerning all our policies, including the Anti-Corruption Policy, the Code of Ethics and the Insider Trading Policy. In 2020, all of our employees completed our mandatory compliance training. Furthermore, we provide all employees with a guide for their convenience. Our policies and corporate culture allow our employees to make informed decisions that conform to laws and best practices. Violations of our policies may result in penalties, disciplinary actions and employee termination, as permitted under applicable law.

All employees can report concerns via our whistle-blower hotline. Any complaints are investigated thoroughly and resolved per the criteria set by our policies.

In 2020, we had zero incidents of non-compliance via the whistle-blower, and no financial or legal repercussions were brought against the company. Please also refer to the *Diversity and Equal Opportunity chapter.*

CYBER SECURITY AND DATA PRIVACY

Today's cybersecurity landscape mandates a constant need to defend against attacks, invasion, interruptions and destruction to the Company's IT and data systems. Our IT team, led by R&D specialists and accompanied by a designated CISO (Chief Information Security Officer), takes regular and proactive measures to protect our and our customers' data from targeted malware incidents and cyber-attacks.

Relevant employee policies and protocols are in place, including:

- Employee Privacy Policy, informing and educating employees on the importance of personal and proprietary business information
- Advanced data protective IT systems installed and updated
- Self-evaluating, auditing and conducting tests
- Regular backups of our information.

Our information and data security precautions correspond with GDPR requirements.

We further review our protections and periodically take remedial measures to ensure they are compatible with regulatory changes and demands.

We're not aware of any loss of, or disruption to, material information resulting from any such malware or cyber-attack experienced in our systems in 2020.

OF SPECIAL NOTE:
HIGHLIGHTS >>>

While 2020 will be remembered for the global pandemic, it was also the year in which the fashion and textile industries hit an inflection point.

At the beginning of the year, measures implemented to fight the pandemic such as fashion and apparel retail shutdowns, community lockdowns and curfews, remote schooling, suspensions of professional and recreational sports and postponement of all corporate and entertainment events, had an immediate impact on our customers. Some of them have had to cease operations entirely, which affected our business and operations.

As a result of the pandemic, we also experienced a massive growth in e-commerce (online marketplaces). The traditional textile supply chain's inefficiencies were exposed, creating strong tailwinds to the digital transformation that Kornit Digital is leading. While traditional retail (brick-and-mortar stores) was recovering from the effects of the pandemic, e-commerce continued to boom across verticals, including core fashion brands, athleisure, merch, sports licensing, customized apparel and home décor.

2020 was a phenomenal year for Kornit Digital throughout the pandemic, demonstrating the accelerating demand for our products and our team's continued execution. We had to employ our organizational resilience, positive approach, professionalism and agility. Key highlights include:

CUSTOMER SUPPORT HIGHLIGHTS

PPE INITIATIVE

Textile manufacturers and brands worldwide have joined the fight against COVID-19 by producing personal protection equipment (PPE). We supported our customers, many of whom produced protective gear for medical staff, by offering free ink. We also acted as connectors between our customers to facilitate PPE production and printing. Leveraging our entire partnership ecosystem, we had a positive impact on communities around the world at a time of major distress.

BUSINESS HIGHLIGHTS

PUBLIC OFFERING

Since our founding as an influential powerhouse in the sector, we've quickly grown, earning our investors' trust and faith. Gaining status as a credible industry player and steadily increasing capital, we completed follow-on offerings, on January 31, 2017, June 18, 2019 and September 21, 2020, pursuant to which we sold approximately 2.3 million, 5.0 million and 3.0 million ordinary shares, respectively, for aggregate gross proceeds (before underwriting discounts, commissions and expenses) of $38.0 million, $137.3 million and $168.0 million, respectively. As part of our September 21, 2020 follow on offering, Amazon sold approximately 1.7 million ordinary shares pursuant to exercise of their warrants for the aggregate gross proceeds of $95.0 million.

PARTNERSHIP WITH AMAZON

Our innovative approach to on-demand textile and fashion production have opened the door for partnership with a mega global player of procurements and trade – Amazon. In January 2017, we were selected to deliver a large number of on-demand textile production systems to Amazon in support of the Merch by Amazon program. Since then, we've supplied additional systems, large quantities of inks and consumables

and have been providing paid service support to multiple facilities under the agreement. In addition, we agreed to grant Amazon warrants, or the Original Warrant, to acquire up to 2,932,176 of our ordinary shares at $13.03 per share in conjunction with the commercial contracts.

In September 2020, Amazon exercised its vested shares under the warrant agreement signed in 2017 and immediately entered into a new transaction, or a New Transaction Agreement, under which we issued to an affiliate of Amazon a warrant to acquire up to 3,401,028 of our ordinary shares at a purchase price of $59.26 per share. The shares underlying the New Warrant are subject to vesting as a function of payments up to an aggregate of $400 million by Amazon and its affiliates over a five-year period for two different categories of product lines and services. The shares underlying the new agreement are subject to vesting as a function of payments up to an aggregate of $400 million by Amazon over five years for two different categories of product lines and services.

We expect that our relationship with Amazon will continue to expand in the future as they continue their quest for innovative and sustainable on-demand technologies with Kornit.[1]

ACQUIRING CUSTOM GATEWAY LTD. EXTENDS OUR VERTICAL EXPANSION AND VALUE PROPOSITION

In August 2020, we acquired Custom Gateway Ltd., a leading global provider of cloud-based software workflow solutions for B2B and B2C business models. Custom Gateway's solution enables us to offer customers an end-to-end solution for on-demand production. The acquired technology connects front-end, web-based demand generators such as online stores and brands and licensors with a digitized fulfillment process, enabling a digitized on-demand manufacturing process. With Custom Gateway's production floor solution, orders are routed and managed to allow for efficient on-demand production on a mass scale. The technology enables customers to realize the total efficiency, scalability and profitability benefits of digitization by seamlessly connecting the front-end, be it online or a brick-and-mortar storefront, to the most suitable backend element. Custom Gateway's solution also enables us to facilitate smart connectivity for operational and business transactions between multiple stakeholders in the on-demand manufacturing ecosystem, such as brands, licensors, retailers, blank providers and on-demand fulfillers.[2]

PEOPLE HIGHLIGHTS

HUMAN RESOURCES EXCELLENCE COMPETITION - INITIATIVES DURING COVID-19

In September 2020, The Israeli Society for Human Resources recognized our HR team's outstanding performance by selecting us as winners of the Human Resources Excellence Competition in the category of Activities and Initiatives in COVID-19.

Praising the company's care, agility, innovation and adaptability to both business and social challenges presented by the pandemic, this esteemed competition identified our ability to outshine and even set an example for other organizations. The award was presented to our Chief People Officer, Ms. Ayelet Oryan Godard, in an exciting online international conference attended by a host of executives from top-tier local and global companies, including Facebook, Intel and Amdocs.

How did we tackle COVID-19? We took a three-pronged approach:
- Innovative business conduct
- Continued focus on our people and values
- A proactive approach to care for community needs

Here too, we've stuck to our slogan, Bonding Matters. Actions speak louder than words. Hence, we've taken an active approach with a range of initiatives.

Please refer to the ***People chapter*** for detailed information.

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[1] For more information - please refer to our most recent annual report on Form 20-F, filed with the U.S. Securities and Exchange Commission on March 25, 2021.

[2] Kornit is reviewing Custom Gateway's ESG policies and practices and integrating with global policies where appropriate.

TECHNOLOGY HIGHLIGHTS

IT EXCELLENCE AWARD

Kornit Digital's IT Department is focused on driving the evolution of our collaborative, seamless and digital workplace. The team's efforts increase employee productivity and power our "go green" strategy, all the way to the implementation of Secure Print to assist in reducing paper waste and cost.

Kornit Digital IT has won six award categories in the IT Excellence Award presented by the Israeli People & Computers magazine in recognition of these efforts and for improving a wide range of capabilities to provide significant business value, including:

- Cutting-edge manufacturing foundations
- Automated data collection and security
- Positive and effective work-from-home environment
- Heightened and automated internal sales and contractual processes

EDP AWARD 2020 (NEOPIGMENT™ ROBUSTO SOFTENER)

At the end of 2020, we were among 29 winners of the prestigious EDP (European Digital Press Association) award in 2020 for remarkable research and development in the digital print industry. EDP's experts in the Best Coating and Varnish in the Consumables category assessed our NeoPigment™ Robusto Softener solution in four categories: innovation, quality, performance and cost. The Association noted that our solution was exceptionally easy and sustainable to apply in the production process. We're proud to offer the NeoPigment™ Robusto Softener solution as an advanced and sustainable product to our customers.

NEW PRODUCT INTRODUCTION

At the beginning of 2019, we launched a new industrial DTG platform, the Kornit Digital Atlas. The Atlas represents our next-generation direct-to-garment printing platform, equipped with our next-generation HD technology and designed mainly for high-volume garment decoration businesses and mid-to-large-sized screen printers. With its retail-grade print quality, high productivity and attractive total cost of ownership (TCO), the Atlas allows our customers to serve additional market needs and open new opportunities.

In January 2020, we introduced the Storm HD6 Lite, which effectively replaces the Kornit Digital Storm II, enabling DTG printing for smaller print operations, such as commercial printers moving to the industrial market and analog printers broadening their production capabilities. With a production capacity of up to 60,000 impressions annually, it provides on-demand DTG printing that meets high-level retail quality and sustainability standards.

In January 2020, we also launched the Vulcan Plus, which is currently our highest productivity HD system. The Vulcan Plus has the best TCO for large production facilities with high volumes of mass customization print jobs. The next generation of the Vulcan platform, introduced in 2016, the Vulcan Plus was designed based on our customers' feedback and field experience with the platform.

Building on the massive new product introduction of 2019 and the beginning of 2020, we were able to create an extensive HD product portfolio. This portfolio includes all our main product platforms and a multitude of product configurations, starting from the Storm, through the Avalanche, and all the way to the Atlas and the Vulcan Plus. Our product upgrade strategy offers different improvement paths to the HD systems, enabling our customers to benefit from new and superior capabilities and improve the cost of ownership on

existing systems. Thus, our customers expand their business opportunities, allowing us to extend the life-cycle of our existing platform.

Melding environmental efficiency with technological innovation, we launched the R-Series (Re-circulations) printheads that are equipped with a recirculating ink system. This technology, already in use by Kornit, optimizes print quality, reliability and ink efficiency. As a result, users of the R-Series benefit from up to 20% ink savings compared to our systems without the re-circulation printheads and a faster system availability after the start-up process.

In addition, our recently launched Atlas MAX system raises the bar for high-volume fashion and retail production. Responding to consumer demands for quality, durability, creativity, and digital speed, the Atlas MAX, powered by our revolutionary MAX Technology, caters to every on-demand production need and offers creative freedom and growth opportunities. On the one hand, production can become more accurate thanks to precise color-matching capabilities, smart ActiveLoad automation and robust production. On the other, production can be more flexible thanks to versatile design options, a wider color range, the use of multiple fabrics and Kornit Digital's new XDi decorative applications that create unique effects of simulated embroidery, vinyl heat transfer, and more.

For more information, please refer to the *Technological Innovation chapter.*

ENERGY AND WASTE HIGHLIGHTS

REFURBISHMENT PROCESS

To help our customers minimize waste generated by our printing systems, we've implemented refurbishment processes. For the Kornit Digital Atlas printing systems, we have a refurbishment process for impaired ink-heads, so our customers can continue using the printing systems without disposal. In 2020, we refurbished approximately 700 ink print-heads.

By providing our customers with trade-up/trade-in deals, we enable reuse by refurbishing old Storm and Avalanche systems with the newest HD technology. Our refurbished systems undergo extensive treatment for optimized performance and are certified at the Kornit Digital facility by authorized Kornit experts.

We therefore provide new life to old equipment and reduce the amount of metal and electronic scrap.

For more information, please refer to the *Waste section* in the **Environmental Care chapter.**

“ It's a privilege to be part of such an innovative company that is not only revolutionizing the fashion industry, but is doing so while caring for the environment and the health and benefit of the global community."

Yuval Cohen, Chairman of the Board of Directors

MARKETING AND COMMUNITY HIGHLIGHTS

FASHION TECH ON THE RUNWAY

In keeping with our aspiration to empower sustainability on both eco and social aspects, in the spring of 2021, Kornit Digital joined forces with Fashion Week Tel Aviv. Israel's biggest fashion event, to showcase the works of 40 of the country's top fashion designers, and for the first time, cast the light on sustainable production and consumption.

According to Fashion Week's organizers, one of the event's main goals was to appeal to apparel companies and convince them to substitute traditional fashion cycles. The message: instead of excessive production of garments that precede the actual demand, leaving much of the production to waste, choose an on-demand approach, manufacturing only the necessary and strictly per amounts ordered. Flipping the fashion industry's traditional production trajectory is more sustainable, and it also meets other consumer trends, especially the increasing growth of e-commerce. The designers created a complete collection in under three weeks with our technology while exercising absolute creative freedom at zero overproduction.

In addition, Kornit Fashion Week Tel Aviv propagated diversity, inclusion and a body-positive outlook. The show featured models of varying body types, ages and genders, thus challenging current conventions and accepted notions of beauty.

For many Israeli fashion designers, this was their first experience with this type of fashion technology and one that has significant ecological benefits and saves on money, time and hassle by eliminating overstock, decreasing unnecessary shipping and cutting down on waste.

Held in collaboration with local media TV powerhouse Channel 13, Kornit Fashion Week Tel Aviv was extensively covered in the media with shows broadcasted to audiences countrywide. A breath of fresh air at a time of COVID-19-inspired lockdowns and social distancing regulations, the event had a tremendous appeal. Striking design and glorious fabrics on the runway proved that our technology produces beautiful and smart clothes with reduced impact on the environment yet maximal impact on the fashion crowd.

ESG AT KORNIT DIGITAL
IN SPIRIT AND ACTION >>>>

THE BOTTOM LINE: KORNIT SOLUTIONS' ENVIRONMENTAL BENEFITS

Kornit Digital's on-demand sustainable solutions seek to revolutionize the fashion and textile industry, both technologically and ecologically. When comparing our digital printing to analog printing, Kornit Digital's products have much lower impact according to a Life Cycle Assessment (LCA) performed in 2021 for two of our leading machines: Kornit Digital Presto S and the Kornit Digital Atlas MAX. You can read more about the results of the LCA in the **Product & Service chapter.**

These are extraordinary achievements, which reflect the heart of our value proposition and our core business. The eco footprint of the textile industry at large, heavily impacted by excessive water consumption, effluent discharge and waste generation, takes its toll on the planet. We take pride in our ability to substantially reduce this impact and minimize damage without compromising on quality at any point.[3]

> "As an environmentally-focused company, values of sustainability are not only critical in all decision-making processes, they also have a significant positive impact on our business performance."
>
> **Alon Rozner**, Chief Financial Officer

ESG IN PRACTICE: ORGANIZATIONAL IMPLICATIONS

ESG issues are an integral part of our business and products. Various company functions govern them at the highest executive level. We've designated an ESG Steering Committee, staffed by the middle, senior and executive management from all company departments: operations, CTO, marketing, finance and HR. Supervising environmental and sustainability governance, the ESG Steering Committee is responsible for formulating policy, devising strategy and ensuring governed execution.

Complementing the work of the ESG Steering Committee, our General Counsel and ESG Director, who report to the CFO, supervise and lead the strategy and plans implementation.

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[3] For further reading about our performances when it comes to natural resources consumption and savings, please see the chapter "Materials Management" in this report.
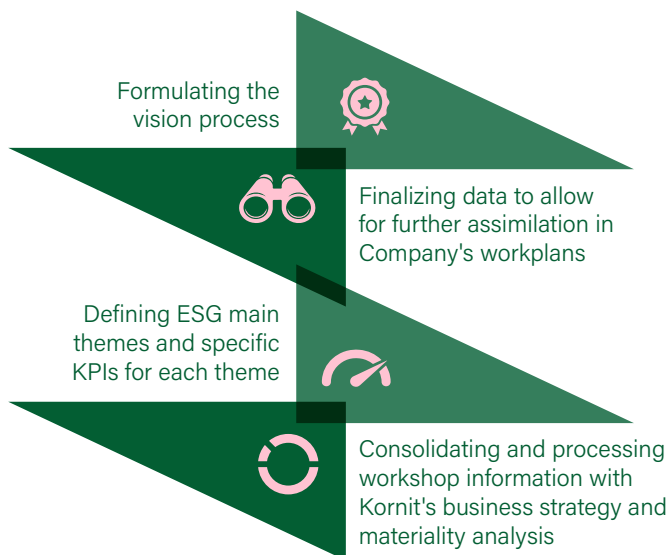
BOARD OVERSIGHT OF ESG

Our Board of Directors works with management to set the short-term and long-term strategic objectives of our company and to monitor progress on those objectives. Strategic topics are generally discussed at each Board meeting, with the Board and management participating in a separate strategy session once a year.

With respect to oversight of ESG-related risks and opportunities, each Board committee is assigned responsibility for oversight of matters most applicable to its charter responsibilities. We believe that allocating responsibility to a committee with relevant knowledge and experience improves the effectiveness of the Board's oversight. For example, the Audit Committee oversees risks related to regulatory, financial and compliance matters while Compensation Committee oversees implementation of our compensation policy and practices designed to ensure equitable pay across the organization.

ESG: FROM VISION TO KPIs

In 2019, we kicked off a process to solidify the company's ESG goals and identify relevant UN SDGs. Starting early 2021, we've enhanced and organized this effort, which is integral to our business strategy. The primary purpose of the ESG process is to define KPIs for our most significant ESG activities.

An outline of the ESG strategy structuring process

Formulating the vision process

Finalizing data to allow for further assimilation in Company's workplans

Defining ESG main themes and specific KPIs for each theme

Consolidating and processing workshop information with Kornit's business strategy and materiality analysis

When strategizing our ESG KPIs, we ran a two-step process. First, we tasked one team with formulating our ESG vision and strategic goal. The next step was to translate the vision and goals into specific, measurable KPIs. Strategy and objectives coupled with measurable KPIs will together serve as our ESG north star and unify the entire company, down to the last employee, for action, growth and evolution.

ESG STRATEGIC GOAL

Propelled by an ardent motivation to change the world for the better, we endeavor to transform the fashion industry by building the operating system for on-demand fashion from pixel to parcel.

Our primary strategic ESG management goal is to lead a change in the fashion industry by allowing our partners, people and communities to maximize their positive impact on our environment. With this in mind, we further defined three ESG themes for our company:

01. PEOPLE
Employment and Labor Conditions, Employee Wellbeing

02. PRODUCT
Quality and Reliability

03. SUPPLY CHAIN
ESG in the Supply Chain

We outlined KPIs for each theme to incorporate into working plans for every department. We're currently in the process of refining the KPIs and goals to ensure the optimal achievement of our ESG vision.

ENVIRONMENTAL
CARE >>>

WATER AND EFFLUENTS

THE STORY OF WATER

Water gives life. Facilitating all of life's essential processes, it's a precious resource, and its conservation is top-of-mind for Kornit Digital.

Unfortunately, millions of people worldwide are in dire need of fresh water. Water depletion is expected to increase substantially by the end of this decade, creating water scarcity for some 700 million people globally.[4] **The fashion industry is the second most water-intensive industry worldwide, with a current estimate of 79 billion cubic meters of water consumed each year for this industry alone.[5]**

Water consumption aside, the fashion industry is also responsible for a significant extent of water pollution caused by chemicals, heavy metals and micro-organisms. The ecological repercussions are grave: water pollution, eutrophication and severe negative impact on marine life.

One of our core objectives at Kornit is to decrease water pollution caused by the textile industry. Therefore, our digital printing technologies produce substantially less water waste and provide a sustainable print pathway to serve the world's textile printing industry at any scale. Our solution is free of pre-treatments, steaming, or washing, thus driving sustainable change across multiple applications involving water in the textile industry.

Consider these facts: up to 200,000 tons of dyes are lost to effluents every year during dyeing and finishing operations;[6] the fashion industry produces nearly 20% of global wastewater;[7] approximately 8% of water consumption in the textile manufacturing process is concentrated in the printing phase.[8] With such grim data, our water-saving technologies seem even more significant.[9]

Fast fashion and an ever-growing population are only expected to increase these consumption and pollution rates in years to come.

Kornit Digital's printing solution has extremely high water efficiency,[10] that produces:

- Minimal water waste
- Low biodiversity risk
- Low freshwater eutrophication

Our printing solution is free of pre-treatments, steaming and washing. This enables our clients to consume and waste less, and drives sustainable change across multiple applications that involve water.

In 2020, we consumed in Kornit's operations and facilities a total of 714 cubic meters of water globally.[11]

Water and effluent management at Kornit Digital is governed by the EHS discipline in each Kornit local site worldwide – as part of our Operations Division. Due to the nature of our core offerings, we're required by our operations and environmental permits to dispose of effluent at the end of the cycle as hazardous material, separately from the municipal effluent system. Process water undergoes a short softening cycle before use.

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[4] According to the Department of Economic and Social Affairs of the UN as part of the SDGs, ***Goal 6.***

[5] See: ***https://sustainablecampus.fsu.edu/blog/clothed-conservation-fashion-water***

[6] See: ***Textile dye wastewater characteristics and constituents of synthetic effluents: a critical review;*** Textile Dyeing Effluents and Environment Concerns – A Review

[7] See: ***https://www.google.com/amp/s/fashionunited.uk/news/fashion/wastewater-fashion-s-grotesk-sustainability-problem/2020050548770%3famp=1***

[8] See: ***https://sswm.info/sites/default/files/reference_attachments/SHAKIH%202009%20Water%20conservation%20in%20the%20textile%20industry.pdf***

[9] According to an LCA performed in 2021 for two of our leading machines, the Presto S and the Atlas MAX, that compares performances of digital and analog printing on a similar fabric composition, print size and complexity.

[10] Thanks to the marginal amount of water used via the humidifier system.

[11] Includes data from both Israel and the US, does not include data from the EU and Asia.

WASTE

ON-DEMAND MANUFACTURING SOLUTIONS THAT CUT WASTE

Nature is a gift, and we take the preservation of natural resources very seriously. For us, it's a core value. Our technology offers on-demand fashion and textile solutions that, thanks to direct-to-garment or direct-to-fabric printing, enable sustainable manufacturing, freeing both the manufacturer and the consumer from an outdated business model of overconsumption and excess waste, caused by mass production.

Moreover, digital printing is a sustainable alternative to conventional analog printing.

> Between today's consumers' needs and yesterday's supply chain, there's a huge gap and only one clear solution: on-demand sustainable proximity production, empowering minimal waste, immediate gratification with near-shore production, and limitless self expression for creators and consumers alike.

Analog printing requires multiple steps, from pre-treatment to a less than accurate use of inks for each print, causing up to 50% more ink waste than Kornit's digital solution.[12]

CUSTOMER-CARE WASTE-SAVING MODELS

Striving to help our customers minimize waste generated by our printing systems, we have implemented refurbishment processes and take-back models. For example, for our Kornit Digital Atlas printing systems, we created a refurbishment process that allows our customers to continue using the printing systems without disposing of them in case of impaired ink-heads. With the goal of reducing waste and increasing circularity, we have refurbishment processes for other spare parts, and we plan to expand them in the coming years.

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[12] As concluded in a Life Cycle Assessment we performed for our Presto S printer in 2021.

MANUFACTURING: WASTE CREATED BY THE NUMBERS

We monitor the waste amounts we generate across our six locations, aiming to collect as much data as possible to be later used as a mechanism for the consistent reduction of waste.

Our waste streams include both hazardous and non-hazardous waste, and each is handled as required by law.

IN 2020, WE GENERATED 393 TONS OF WASTE GLOBALLY INCLUDING:

63 tons non-hazardous waste
mainly paper, cardboard and electronic waste treated in authorized treatment facilities

330 tons hazardous waste
mainly ink and colors waste treated in recycling facilities

Seeing that data-collection processes for waste were not optimized in 2019, the data below is for 2020 only. However, we've improved our internal tracking systems and have better mechanisms to track our waste generation for future management and reporting.

WASTE: KPIs

Moving forward, we've defined the following KPIs for future action:

Ink Plant KPIs

Topic	Goals	KPIs	Target Year
Ink waste	Reduction of the amount of ink which is sent to destruction from each batch	Reduction of the number of liters sent to destruction from 4 liters per batch to 1.5 liters per batch (i.e., a reduction by ~60% of the amount of ink sent to archive from each batch)	2021

MATERIAL MANAGEMENT

We also aim to minimize our material usage and consumption in our manufacturing processes and have thus begun implementing refurbishment processes for various spare parts in our machinery (for further details, see the *Waste chapter.)*

Our goal is to reduce Kornit's ecological impact by reducing the amount of raw materials wasted, while increasing the number of refurbished parts and recycled materials used.

Moving forward, we've defined the following KPIs for future action:

Topic	Goals	KPIs	Target Year
Take-back	Reduce waste and increase circularity	Starfire print heads refurbishment yield – 95% (in the maintenance process of systems) * Based on our experience, we assume that our capability to fix print-heads will increase and improve over time as our labs gain more experience and knowledge to be able to implement strategies that reduce waste.	2023

26

CHEMICALS

A textile digital printing powerhouse, Kornit relies on chemical development and usage that help drive innovative solutions for the textile industry. The environmentally responsible treatment of chemicals and hazardous materials is among our most important ESG focus areas, to ensure the safety and health of our employees and communities and secure our production sites and supply chain.

CHEMICALS MANAGEMENT AT KORNIT'S MANUFACTURING SITES

We are committed to comply with local regulations related to hazardous materials, chemicals use, handling and storage. Committed to protecting both our workers and the surrounding environment, Kornit Digital takes action to pioneer change, surpassing the legal requirements.

In our Israeli operation, we recently performed a risk assessment[13] for the chemicals stored and used in our operations. We tested various scenarios to evaluate potential risks relating to materials stored on-site. This assessment showed that Kornit poses very limited risks to its surroundings and that we manage our chemicals and hazardous materials with utmost care.

CHEMICALS MANAGEMENT IN THE SUPPLY CHAIN

In the supply chain, we employ a comprehensive chemical management policy. Our goals are to develop safe and sustainable products, ensure compliance with our MRSL[14] requirements, and ensure the protection of our suppliers, workers, the planet, our customers, the output product of our systems and ultimately the end consumer.

We encourage all of our suppliers to avoid using hazardous chemicals and adopt best manufacturing practices in their facilities. Suppliers are expected to establish their policies and management systems to meet our requirements. We may also require random chemical management audits as part of a systematic program to evaluate supplier performance.

CHEMICALS: KPIs

Moving forward, we've defined the following KPIs for future action:

Topic	Goals	KPIs	Target Year
VOC emissions (volatile organic compounds)	Minimize VOC in the drying phase	- Reduction of at least 25% VOC of new generation ink products by 2023 compared to 2020	- 2023
RSL (restricted substances list)	Minimize use of RSL (Health and Environmental CLP Classified chemicals)	- Eliminate usage of Acute Toxic Amines (CLP category 1, 2, 3) - Eliminate CMR from Kornit processes - Elimination of MIT and BIT addition in Kornit's inks and auxiliary printing products * Based on the assumption that we will be able to make certain technical changes to our formulation and techniques in order to achieve this goal.	- 2021 - 2023 - 2022

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[13] Updating of risk assessment should take place in case of change of chemical usage profile and/or amounts used.

[14] Kornit Digital developed its own MRSL (Manufacturing Restricted Substance List) that surpasses the individual standards certifications and ensures compliance with them.

EMISSIONS

GLOBAL WARMING

2019 was the second-warmest year on record, with climate experts project that global temperatures may rise substantially in the coming decade.

Thankfully, as public awareness expands, new regulations are put in place, slowly but surely altering the environmental discourse. While smaller in scale than its governmental counterpart, the private sector can be faster to implement environmental goals and more innovative. Therefore, we believe that manufacturing companies should not linger. Rather than wait for the regulation to force action, we must take action now to reduce GHG emissions. The sooner, the better.

As part of our ongoing efforts to decrease our ecological footprint, we aim to minimize our emissions to the lowest possible point. We also prepare ourselves for changes, risks and opportunities to come (see *Climate Change Assessment chapter* for more information). Our digital printing solution is a significant vehicle for positive environmental impact in the textile industry. Compared to analog printing, our printing solution saves up to 83% of GHG emissions per sqm.[15]

We strive to minimize our emissions in our operations, taking the following actions:

- Installing solar panels on our manufacturing site in Israel to use renewable energy as a source of power
- Decreasing our VOC emissions during the drying phase across all of our printing systems
- Performing a CO_2-equivalent emissions calculation for 2019 and 2020 for scope 1, 2 and 3 across all of our locations, to better quantify and learn so we're able to reduce emissions where needed and feasible. We hope to translate these savings into the IPCC Global Warming of 1.5°C initiative with clear and measurable reduction targets for upcoming years.

URBAN FORESTRY PROJECTS TO OFFSET CARBON EMISSIONS

Reforestation efforts in urban areas have a significant effect on reaching carbon sequestration goals. We took the first step in what is planned to be a long-lasting and wide-ranging effort further to offset the GHG emissions resulting from our own production in 2021. With the purpose of offsetting the GHG emissions resulting from the production of the Kornit Atlas printers, we have implemented two community-based projects in Israel:

- The Beit Shemesh Climate Forest – a forest in development in a previously abandoned public property in the heart of Beit Shemesh, a small city populated with mostly low-income residents.
- The Lehavim Climate Forest – a forest in development in a previously abandoned public property in Lehavim, a community in the semi-arid Negev region with a population of about 6,400 residents.

In the future, we plan to offset carbon emissions with forestry projects for all new products we'll introduce to the market.

> " It's a great privilege to adopt technologies that meet the industry's needs while protecting, sustaining and enhancing human and natural resources."
>
> *Ilan Givon, EVP Operations*

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[15] According to an LCA performed in 2021 for two of our leading machines – the Presto S. Analysis compares performances of digital and analog printing on a similar fabric composition, print size and complexity.

METHODOLOGIES AND RESULTS

The small scale of the urban forest offsetting project limited our ability to meet the requirements set by standard methodologies currently in practice by larger carbon offsetting programs. Still, to the extent possible, we followed UNFCCC CDM methodologies, with some adaptations, as described by McPherson et. al.[16]

The results of our offsetting program are:

Total estimated above-ground CO_2 sequestered	268 tons CO_2
The total estimated below-ground CO_2 sequestered	75 tons CO_2
Estimated CO_2 emitted due to irrigation (subtracted from total CO_2 offset)	(14) tons CO_2
Total CO_2 offset	329 tons CO_2
Emissions released in the manufacturing of Kornit Digital's 35 Atlas printers	315 tons CO_2
Carbon offset ratio	**104%**

EMISSIONS: KPIs

Moving forward, we've defined the following KPIs for future action:

Topic	Goals	KPIs	Target Year
Greenhouse gases	Reduction of greenhouse gases emission	• 10% decrease year over year as a result of using sea shipments vs. air freight	• 2023
		• Conversion of the operational vehicle fleet based on fossil fuels to electric vehicles by 100% by 2023	• 2023
		• Reducing the use of fossil fuels in the company's new ink plant by 80% by 2024 as a result of eliminating the use of generators (compared to previous ink plant)	• 2024
		• Reducing the use of fossil fuels in heating processes in the Israeli facilities infrastructure by 50% by 2024 as a result of eliminating of the usage of propane gas in the drying phase	• 2024

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[16] McPherson, E. G.; van Doorn, N.S.; Peper, P.J. (2016) Urban Tree Database and Allometric Equations. Gen. Tech. Rep. PSW-GTR-235.Albany, CA: U.S. Department of Agriculture, Forest Service, Pacific Southwest Research Station. 86 p.
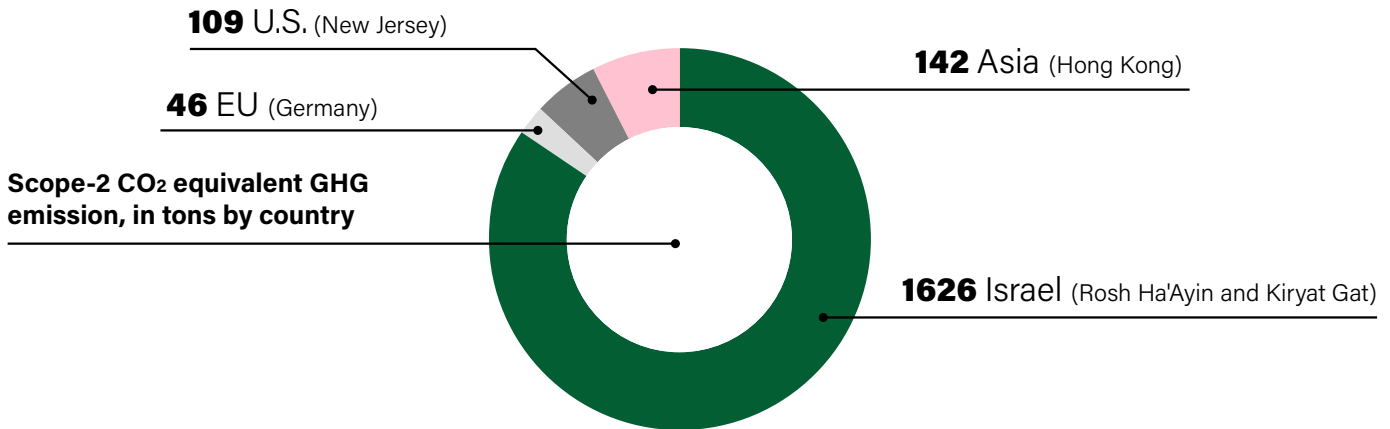
Emissions by the **numbers**

In 2020, our direct scope-1 GHG emissions were ## 168 TON **CO₂ equivalent.**[17]
Including our heating processes, propane gas consumption, transportation/company vehicles (ops fleet car) and generator fuel (used as a back-up and calculated per liters purchased in 2020).[18]

In 2020, our indirect scope-2 GHG emissions were ## 1,923 TON **CO₂ equivalent.**[19]
Including emissions caused by electricity usage (manufacturing and office space) purchased from local corporations.

SCOPE-2 EMISSIONS BREAKDOWN (TON CO₂)

109 U.S. (New Jersey)

46 EU (Germany)

Scope-2 CO₂ equivalent GHG emission, in tons by country

142 Asia (Hong Kong)

1626 Israel (Rosh Ha'Ayin and Kiryat Gat)

CLIMATE CHANGE ASSESSMENT

Minimizing climate-risk exposure is critical, as reflected in the UN's SDGs. We're aware that climate change may exacerbate the frequency and severity of natural disasters, and we're evaluating the potential implications on our operations. Come 2022, we'll begin looking into our climate adaptation readiness level as part of our general risk assessment process.

RISKS IN THE ISRAEL FACILITY

In our Israeli operations, there are ESG-related risks related to increased temperatures in the southern part of the country, home to our factory. Blazing temperatures potentially lead to energy and electricity expense increases for cooling processes, mainly chillers. Therefore, our energy financial expenses may increase, so we need to factor this into our projections carefully.

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[17] Calculated with DEFRA, US EPA, HK EPD and IL EPA conversion measures for 2020. [Exhibit]

[18] For company owned vehicles.

[19] Calculated with DEFRA, US EPA, HK EPD and IL EPA conversion measures for 2020. [Exhibit]

Our factory's location is burdened with additional risks due to national security circumstances. Considering we store chemicals and hazardous materials on-site, we're prone to threats. Therefore, we're obligated to take extra measures to ensure our chemical management policies are met and secure our hazardous materials with caution. While not directly related to climate change, we believe that these risks are nevertheless substantial and might be, in the grander scheme of things, affected by ever-rising temperatures and ever-growing pressure on the local natural resources.

RISKS IN THE GLOBAL FACILITIES

As we operate in six locations worldwide, we're exposed to climate risks faced by these areas, mainly:

- Scarcity of critical materials from our suppliers
- International regulation relating to chemicals management.

We plan on evaluating our climate change risks under the Task Force on Climate-Related Financial Disclosures (TFCD) framework to align with practices of global companies at our scale and to prepare for any risks (or opportunities) posed by the changing climate in our various locations.

ENERGY

ENERGY-SAVING SOLUTION

As a provider of a sustainable solution to an otherwise extremely pollutant process, one of our main goals is environmental efficiency.

Our recent assessment shows that: **Our unique printing solution consumes up to 94.78% less energy than analog printing.**[20]

ENERGY-SAVING MANUFACTURING

In addition to our goals around the environmental efficiency of our solutions, we strive to decrease our energy consumption and use more renewable energy. To that end, we're installing solar panels on our factory rooftop in Israel and pursuing other global initiatives to increase our renewable energy sources.

When it comes to our manufacturing processes, our energy consumption at Kornit is solely reliant on electricity usage purchased from local electricity corporations.[21] Some processes in our R&D phase require mild heating for drying purposes, for which we use propane gas (Liquefied Petroleum Gas). We also consume a small amount of diesel in our Israeli operation, as a fuel for generators used as back-up systems.

In 2020, our total global energy consumption was 15,775 Gigajouls.[22] For electricity specifically, our total global consumption was 12,881 Gigajouls, as summarized below:

Electricity Consumed, in kWh
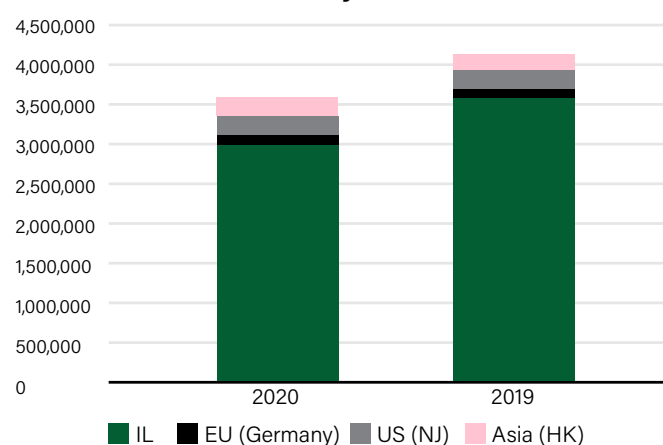
Decrease of electricity consumed in 2020 vs. 2019 is due to the COVID-19 pandemic, when offices were closed for a substantial period and manufacturing was slowed down from time to time.

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[20] Based on our Life Cycle Assessment report with respect to our Presto S system. Analysis compares performances of digital and analog printing on a similar fabric composition, print size and complexity.

[21] Per our Israeli site, electricity is provided via 'Dorad energy', that relies on natural gas to produce cleaner electricity; in our Asia/Pasific and North America operating sites, some of the electricity is produced with natural gas as well.

[22] Calculated with DEFRA conversion values, link.

DECREASE OF ELECTRICITY

Type of Energy Source	Amount Consumed in 2020	Units
Purchased Electricity	3,577,970	kWh
Propane Gas	9,020	kg
Diesel	3,750	Liters
Transportation Petrol and Diesel	20,340	Liters
Natural Gas	15,749	Therms

In total, our energy intensity ratio globally was 1.2 Gj/SQM in 2020.

ENERGY: FUTURE OUTLOOK

Moving forward, we're taking action to substantially decrease our global intensity ratio, thanks to future investments in renewable energy in our Israeli factory and gradually moving to electricity production using renewable sources.

ELECTRICITY EFFICIENCY: KPIs

Moving forward, we've defined the following KPIs for future action:

Topic	Goals	KPIs	Target Year
Electricity Consumption	Reduce electricity consumption generated from fossil fuels by using solar energy	Determine KPI on January 1, 2023, once we'll have data on electricity consumption of the new ink plant* * We're currently in the process of evaluating usage and installation of solar panels in our new ink plant	2023

> " Our unequivocal commitment to sustainability means that we're part of a much wider remedy to the global epidemic of excessive consumption."
>
> **Nitsan Deutsch,** *General Counsel and ESG Director*

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>>> PRODUCT
AND SERVICE

Technological advancement and operational excellence are pillars of our identity as one of the leading companies in the sector. Our upgrade strategy is directed at our existing base of installed systems. Our goal is to maintain their support and extend their lifespan as much as possible.

Our products for printer development and ink solutions are the core of our quality service and on-demand, direct-to-garment and direct-to-fabric availability. Our products consistently produce high-quality textiles using eco-friendly ink, are easy to use, durable and reduce floor production costs. Our R&D organization is determined to maintain our remarkable technology as exceptional as it can be in the field.

OPERATIONAL EXCELLENCE

Kornit Digital's products meet various sustainability standards with minimal wastewater and a low carbon footprint, enabling on-demand printing that fits today's consumer culture. In addition, we offer our customers the opportunity to manage their production remotely via our web platform, available with all smart devices. The analysis presented in the platform's dashboard provides a holistic view of the production lines and performance data.

Our products are characterized by unique, easy-to-use and quick solutions for flexibility in design and fabric types or color (in terms of light and dark), durability and consistency in high-level performances, consuming small amounts of ink.

Our wide variety of printers listed below are available for review on *our website:*

- Kornit Digital Atlas MAX
- Kornit Digital Atlas
- Kornit Digital Avalanche Poly Pro
- Kornit Digital Avalanche HD6
- Kornit Storm HD6
- Kornit Digital Vulcan Plus
- Kornit Digital Presto S

We introduced the NeoPigment™ Eco-Rapid Ink Set to our line of products in 2019. In December 2020, we won an excellence award for its performance.

For more information on the award, please visit *Of Special Note: Highlights chapter.*

PRODUCT: KPIs

Moving forward, we've defined the following KPIs for future action:

Topic	Goals	KPIs	Target Year
Ink Containers	A new, more sustainable business model and/or design for Kornit Digital's ink containers	- Use 20% of recycled content in ink bottles * We're currently in the process of an engineering evaluation of the redesign of our ink containers and assume that this goal will be achievable.	- 2025
LCA	Demonstrate advantages of Kornit's printing solution versus analog printing, in terms of environmental impact assessment	- Perform a methodologic LCA for Kornit's printing solutions, with at least two printing systems	According to product roadmap

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PRODUCT LIFE CYCLE ASSESSMENT

In addition to enabling eco-friendly production processes with technology and consumables that use less water, reduce waste and minimize the carbon footprint, Kornit enables sustainable proximity production on demand, which eliminates overproduction of apparel and other textile goods. To understand how much of a savings we offer with our products, in 2021 we ran a Life Cycle Assessment (LCA) of two of our systems: the Presto S and Atlas MAX (including dryer).

The assessment demonstrated outstanding results, mainly driven by fewer processes, reduced waste, water and chemical usage and lower energy needs. The results are shown below:

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*Kornit **Atlas MAX printing** system digtal printing*

VS.

screen-printing
of a single t-shirt

Up to **93.8% less**
water consumption

Up to **66.57% less**
energy consumed

Up to **82.3% less**
GHG emissions

---

*Kornit **Presto S printing** system digtal printing*

VS.

rotary screen-printing
per sqm

Up to **95.63% less**
water consumption

Up to **94.78% less**
energy consumed

Up to **83% less**
GHG emissions

"Kornit Digital is constantly developing and improving its technology for every one of our solutions, including reducing water waste and pollution, preventing toxic runoff and conserving energy."

***Kobi Mann**, Chief Technology Officer*

TECHNOLOGICAL INNOVATION

As key players in a highly pollutive industry, our journey to create products that demand less energy, less harmful materials, waste less and consume less never stops given our continuous innovation to improve our solutions.

>>> WE CREATE FORWARD-THINKING TEXTILE TECHNOLOGY FOR THE FASHION OF TOMORROW.

Innovation by the **numbers**

29
ISSUED PATENTS IN
THE UNITED STATES

21
PATENTS ISSUED IN
NON-U.S. JURISDICTIONS

20
PROVISIONAL OR PENDING
U.S. PATENT APPLICATIONS

41
PENDING NON-U.S.
PATENT APPLICATIONS

>>> PEOPLE

Our employees drive our Company's success and contribute to the cultural and social connection forged at Kornit Digital. True to our values, we have taken active measures to ensure a caring, positive and inclusive workplace.

Our Chief People Officer, Ms. Ayelet Oryan Godard, brings to Kornit Digital vast professional experience in human resources and a people-first approach that perfectly aligns with our "Bonding Matters" dictum.

As 2020 progressed, we decided to approach it not as a challenge, but as an opportunity to act and further promote our vision and values while preserving the organization as a whole, the management, our employees and the human fabric that is so unique and specific to Kornit Digital. As much as possible, we tried to avoid any direct change to the employment terms of our employees during the pandemic. For employees whose working hours were reduced to part-time, although salaries were not affected, we encouraged them to volunteer in their free time.

To alleviate employees' concerns, maintain trust and a sense of connection to the organization, we've built an orderly internal communication plan based on honest, frequent and transparent communication. The purpose of the communication plan was to ensure the preservation of transparency and the characteristics of our unique organizational culture.

People by the **numbers**

APPROXIMATELY 1.3M
HOURS WORKED BY EMPLOYEES
IN ALL GLOBAL LOCATIONS

98.1%
OF OUR EMPLOYEES ARE PERMANENT AND EMPLOYED
FULL-TIME ON A PERSONAL CONTRACT

672
EMPLOYEES AS OF
DECEMBER 31, 2020

" By improving our technology and eliminating waste and pollution, we create a better work environment for thousands of workers in the fashion industry."

Ayelet Oryan Godard, *Chief People Officer*

GENDER BREAKDOWN

	2019			2020		
	Male	Female	Total	Male	Female	Total
Europe	46	20	**66**	91	36	**127**
Asia Pacific	29	15	**44**	31	13	**44**
Americas	79	18	**97**	104	21	**125**
Israel	235	105	**340**	260	116	**376**
Total	**389**	**158**	**547**	**486**	**186**	**672**

AGE-GROUP BREAKDOWN

	2019				2020			
	X<30	30<X<50	50<X	Total	X<30	30<X<50	50<X	Total
Europe	13	36	17	**66**	25	77	25	**127**
Asia Pacific	2	35	7	**44**	2	32	10	**44**
Americas	6	45	46	**97**	8	61	56	**125**
Israel	41	234	65	**340**	37	265	74	**376**
Total	62	350	135	**547**	72	435	165	**672**
Percentage	**11%**	**65%**	**24%**	**100%**	**11%**	**64%**	**25%**	**100%**

NEW EMPLOYEES

	2020		
	Male	Female	Total
Europe	51	15	**66**
Asia Pacific	7	3	**10**
Americas	34	10	**44**
Israel	49	18	**67**
Total	141	46	**187**
Percentage	**74%**	**26%**	**100%**

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TURNOVER 2020

	2020		
	Male	**Female**	**Total**
Europe	9	7	**16**
Asia Pacific	3	1	**4**
Americas	5	5	**10**
Israel	24	8	**32**
Total	41	21	**62**
Percentage	**66%**	**34%**	**100%**

Our 2020 turnover rate was 10.2%:
Voluntary: 4.6%
Involuntary: 5.6%

MANAGERIAL LEVEL BY GENDER

	2020		
	Male	**Female**	**Total**
Executive Management	12	2	**14**
Senior Management	40	19	**59**
Management	92	39	**131**
Employees	342	126	**468**
Total	486	186	**672**
Percentage	**72%**	**28%**	**100%**

EMPLOYEE WELFARE AND WELLBEING

Our organizational culture is the key to our success and the foundation of our business accomplishments.

COVID-19

With the onset of COVID-19, we adopted alternative ways to maintain productivity, while ensuring employees still felt connected to the Company. We promoted the notion that everyone is a part of our success, seeing COVID-19 as an opportunity and a positive inflection point. Taking an active approach to preserving employee connection with the organizational culture and values made Kornit a trusted anchor in the eyes of our employees.

During COVID-19, we also initiated an internal program to adjust and respond to the new circumstances and seize opportunities to leverage business, optimize operations and connect teams. We established three teams of employee volunteers who were led by internal directors globally.

**BONDING MATTERS!
NOW, MORE THAN EVER**

#staysafe

Kornit Digital
bonding matters

The teams devised plans in response to the pandemic, while preparing for the days after with a proactive, collaborative and optimistic approach. With directors in the lead, the program empowered the teams to identify new opportunities.

The teams focused on various topics: new pricing programs, customer training for self-handling of defaults, work-from-home policies, supply of protective equipment for employees and action for the community. We converted our machines to produce face masks, enabling our customers to manufacture protective equipment for commercial use and donations to medical staff and those in need.

Ever true to our slogan, **Bonding Matters,** we remained committed to our employees through the pandemic, putting extra effort into building a strategy to avoid layoffs, furloughs or other unpaid leave.

FAIR EMPLOYMENT

We are commited to fair employment. We do not employ individuals under the age of 18 and provide fair and equal conditions in all of our sites.

As active players in the fashion and textile industry, we place human rights at the forefront of our actions. We believe our technology for on-demand manufacturing solutions reduces risks of violating human rights as it shortens the supply chain. We provide the technology to enable safe labor by making it possible to inexpensively create business without compromising working conditions.

PEOPLE-BONDING EVENTS

We didn't let 2020 break the bond we've thoughtfully created. Despite the challenges, it was essential for us to continue holding social events, provide support to employees, offer guidance to managers overseeing such a complex situation and extend help to employees' families, customers and the community.

We offered employees support and tools to deal with the new crisis in the best way possible. Our HR created a global hotline that offers 24/7 emotional and psychological support and regular sessions with therapists to employees and families.

NO CHILD'S PLAY: KEEPING KIDS ACTIVE DURING COVID-19

A common challenge in 2020 was providing entertainment for children in times of quarantines and lockdowns so we offered activities for children during their parents' working hours. The activities provided the child with a glimpse into the workings of Kornit Digital, connecting them to their parents' professional life. For example:

- We held a competition on our Facebook page inviting staff's children to design their T-shirts
- We produced a creative children's playbook to keep kids busy with quizzes and riddles
- We planned a lineup of activities, especially for Israel's Independence Day
- We invited kids to a happy-hour toast celebrating the High Holidays season
- We're currently creating a parent-child area for interactive games on our internal web portal.

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VIRTUAL EVENTS: STAYING CONNECTED THROUGH SOCIAL DISTANCING

Mindful of COVID-19 safety regulations, we held cultural events via webcast:

- Birthdays, new hire introductions and CEO announcements during regular online happy hours
- Ceremonies to mark Holocaust Day and Remembrance Day, visited by guests who shared their personal stories
- Kornit-themed Zoom backgrounds for calls and events to help maintain the sense of bonding even when apart
- Videos produced with some of our employees to raise morale and strengthen the connection.

CREATIVE GIVING

Using our innovative printing technology, we offered employees a quick tutorial to create personalized face masks. We sent a fun kit that included colorful Kornit Digital-printed fabrics with an instruction manual for our employees' use, comfort and joy. We provided extra kits to our employees in Asia Pacific who were facing a shortage.

EMPLOYEES TRAINING

COVID-19-INSPIRED ONLINE SESSIONS

COVID-19 created opportunities to redefine our organizational training and education culture and accelerate the integration of advanced learning methods. We increased our offerings on continued personal and professional growth and provided employees with operational tools and practices.

Thanks to online courses, we more than doubled the number of quarterly classes taken and substantially increased the number of employees' interests and applications. Given the high satisfaction rating of the online courses, we decided to continue with the format going forward.

We partnered with Jolt, offering a variety of professional courses for professional and personal growth. We adjusted topics and materials to the new reality, providing managers and employees with coping tools, such as effective time management in a work-from-home routine. With short, easily digestible online sessions, we offered a friendly, focused and effective learning experience.

GENERAL TRAINING REQUIREMENTS

Our mandatory training includes common base skills and policies training for all employees, with an average of 2.5 training hours per employee yearly. In 2020, 100% of employees underwent Kornit Digital's policies training.

DIVERSITY AND EQUAL OPPORTUNITY

Equality, inclusivity and diversity are core pillars. We hire employees strictly based on their professional competence. We're impartial and never discriminate against employees on the grounds of religion, race, gender or other factors.

In 2020, we received two complaints about misconduct. Both cases were thoroughly reviewed by our HR and legal departments and detailed reports summarizing the claims were written. We found no wrong-doing and the grievances were handled in accordance with our internal policy.

PARENTAL LEAVE

We offer parental leave to all employees with all locations. In 2020, 15 female employees and eight male employees took parental leave, after which 12 female employees and all eight male employees returned to work. Upon return, we take a flexible approach, responding to personal needs and making adjustments accordingly.

Our retention rates of employees that took parental leave was 90% for women and 100% for men, with 11 female and eight male employees still employed 12 months after their return.

EMPLOYEES SATISFACTION SURVEY

94% of our employees have a positive view of the company

In May 2019, we conducted our first annual employee satisfaction survey. The survey, conducted twice during COVID-19, allowed us to identify areas for improvement and development, while also allowing us to celebrate. our successes.

Our numbers indicate a significant increase in connection between our employees and our brand and we're proud of that bond.

Going forward, we'll conduct our employee satisfaction survey annually.

HEALTH AND SAFETY

We take safety seriously, and safety principles and procedures are critical to our work. A wide network of professionals are responsible for safety across the company.

The Health & Safety group is under the responsibility of the EVP Operations, Mr. Ilan Givon. It is composed of our Safety Officer, Head of Security, Department managers, Safety trustees, Emergency team and a toxins expert. A safety meeting convenes quarterly or as needed, and violations of safety principles are investigated and discussed in the safety committee.

The law requirements apply to 100% of employees and contractors. Hence, all employees and contractors must undergo sufficient training and comply with the Kornit Digital safety program and policies. The Ministry of Industry and Trade regularly audits and inspects the safety aspects of our work.

All employees are eligible for healthcare insurance, however it is not required.

Our environment health and safety (EHS) program consists of best practices, standard procedures, role definitions and protocols. To identify environmental, health and safety hazards, we conduct risk assessments for all processes, equipment and operations. All risk assessments are reviewed at least once a year and whenever a change is made.

Our safety policies include:

- General safety protocols
- New employees safety basics training
- Use of personal protective gear and equipment
- Working in heights
- Chemical management
- Electricity safety practices
- Laboratory safety practices
- Contractors safety guidelines and protocols.

We also initiated procedures for event reporting, response and investigation.

Employees are trained yearly on fire safety, laboratory safety procedures and general safety practices. The contractors' safety training is conducted throughout the engagement period and in accordance with the work required. In addition, contractors undergo training on general safety practices and work-related risks. Contractors work is subject to a work permit, and all necessary licenses are submitted for review.

During 2020, Kornit had zero cases of non-compliance with safety regulatory requirements which resulted in a fine, penalty or a warning. We're continuing efforts to comply with safety requirements and voluntary codes in all areas of our activities, with the help of training and adherence to procedures, for maintaining the safety of customers and employees.

COMMUNITY ENGAGEMENT

We have a close collaboration with the local community in aspects of society, economy and environment.

In 2020
258 EMPLOYEES VOLUNTEERED   **1,379** HOURS OF VOLUNTEERING

The global COVID-19 pandemic created a greater need than ever for assistance and contribution to our local communities. At the height of the pandemic, we launched a global volunteering program where we offered employees volunteering opportunities during working hours.

VOLUNTEERING

The program reflects our organizational values: advocating partnership and collaboration and taking action for the community and the environment.

We appointed a community leader to launch and manage the program in each location. The community leader secured various volunteer opportunities, both online and in person. Through this program, we took part in a variety of unique projects around the world, including:

- Writing letters from employees' families to medical teams
- Recording books for the visually impaired in the United States
- Assisting in nursing homes in Hong Kong
- Working with children in Germany
- Collecting food donations in Israel
- Assisting employees' family members and friends who lost their jobs in the wake of COVID-19 with CV editing, interview preparations, networking and connections to help them find new jobs.

The Global Volunteer Program is one of the projects that we've decided to continue going forward.

In 2020, we partnered with Helpi, an organization in Israel that connects nonprofits and social causes with volunteer options by personally matching employees with volunteer opportunities based on their personal preference.

DONATIONS

The significant challenges that small businesses and communities have experienced led us to adjust our corporate habits. In 2020, we decided to resume the work of our donation committee that makes yearly decisions on budget, requests and selected causes for donations. Donation decisions are made by the committee members: Chief People Officer, CSR Director, ESG Director and employee representatives. All requests are channeled through our CSR Director and the local representatives, then reviewed against a set of criteria.

In 2020, we launched a small business promotion list in Israel, designed to support local organizations and promote them among our employees and their families.

In addition, we made donations in Israel and Europe to support social and environmental causes such as donating printed jerseys to local youth sports teams and a pre-military college in Israel.

Other organizations we supported include:

- Women's Spirit (Ruach Nashit) – a nonprofit dedicated to eliminating violence against women
- Good Energy Initiative – a nonprofit voluntary carbon offset provider in Israel
- SOS Children's Villages – A relief organization for children in need active in 124 countries
- Ocean Care – a nonprofit that protects the oceans and their inhabitants
- WWF Germany – a global conservation organization for endangered species and the protection of biodiversity
- Bocca Negra – community kitchens in Peru that provide local people with hot meals.

PEOPLE: KPIs

Moving forward, we've defined the following KPIs for future action:

Topic	Goals	KPIs	Target Year
Employee Growth and Development	Increase employees' professional skills, training opportunities and engagement	- 40% increase in investment in employee training and professional development programs - 10% increase in training hours per employee (average)	- 2021 – versus 2020
Employee Diversity	Increase employee diversity and inclusion	- 50% increase of women in management positions (team leader and up) - 3% of employees from under-employed populations	- 2025
Community Giving and Volunteering	Increase community investment and partnerships	- Increase community empowerment by providing support to at least two local community organizations - 15% increase in global participation in community activities - 20% increase in investment in community services activities and funding	- 2023 – versus 2020

≫ SUPPLIER ESG
ENGAGEMENT

> " Sustainability is in our DNA. Since Kornit is part of the supply chain and value chain of some of the world's largest textile manufacturers, we work continuously to improve our performance and to lead the relevant regulation worldwide."
>
> **Zach Teplitzki** , *Global Product Regulation and Sustainability Manager*

We're committed to embedding ESG in all of our operations, throughout our supply chain partners. We are currently streamlining our existing supplier selection process in accordance with our ESG strategy.

We are manufacturing our systems utilizing full turn-key manufacturing methodology, provided by three contracted manufacturers located in southern and northern geographical periphery of Israel.

By thus we are increasing employment opportunities in peripheral locations surrounding us.

SUPPLIER REQUIREMENTS

Our suppliers are requested to uphold certain preconditions before engaging with Kornit, including:

- All of the parts and raw materials used in our products must be produced and handled according to chemical and hazardous materials protocols management. According to our standard terms and conditions, our suppliers are required to comply with our *Conflict Minerals Policy.*
- Chemicals and materials suppliers are required to comply with ISO 14000 environmental management standards and the REACH and RoHS[23] legislation and guidelines for chemical and hazardous substances management
- To ensure our systems' turn-key suppliers adhere to our requirements, our Quality Suppliers Department conducts quality control inspections, inventory receipt reviews, periodical audits and on-site visits.

COLLABORATION WITH WESOURCE

In 2021, we partnered with WeSource, a platform that promotes integration and matching between companies and suppliers in Israel. WeSource sets the measures taken to ensure the supplier meets our social criteria and is inclusive, diverse and has social and economic roots in local communities. By partnering with WeSource, we can increase our local activities in a way that complements our values, increases local prosperity, and strengthens surrounding communities, while sustaining the high level of service our consumers expect.

SUPPLY CHAIN ESG: KPIs

Moving forward, we've defined the following KPIs for future action:

Topic	Goals	KPIs	Target Year
Supplier ESG Engagement	Improve the ESG engagement, performance and control activities within the supply chain	- Creating a Code of Conduct for suppliers - 100% of new suppliers sign a written commitment regarding the Code of Ethics	- 2021 - 2022

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[23] European Parliament and Council Regulation (EC) No 1907/2006 (Corrigendum 29 May 2007) and Directive 2006/121/EC (Corrigendum 29 May 2007), and Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment Text with EEA relevance.

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FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements with respect to Kornit Digital's sustainability goals and its plans, intentions, expectations, assumptions, goals and beliefs regarding its business. These statements include all matters that are not historical fact and may be identified by the use of words such as "believes", "expects", "anticipates", "intends", "estimates", "should", "will", "shall", "may", "is likely to", "plans", "targets," "goals," "outlook", "target", "KPI" or similar expressions, including variations and the negatives thereof or comparable terminology. These forward-looking statements include, among other things, statements about expectations in connection with the Company's environmental, social and governance ("ESG") initiatives, including the targets and goals set forth in this report.

Kornit Digital (the "Company") cautions that its forward-looking statements are subject to risks and uncertainties that could cause actual results to differ from those expressed in, or implied or projected by, the forward-looking information and statements in this report. Important factors that could cause actual results to differ from those anticipated in these forward-looking statements include, among other things: the extent of the Company's ability to meet its ESG goals and targets and the specified KPIs set forth in this report, including with respect to the reduction of apparel overproduction, reduction in water usage, management of GHG emissions and electricity consumption; the extent of the Company's ability to meet the Company's waste and water management targets; the extent of the Company's ability to maintain a healthy and safe environment for the Company's employees; natural disasters, national security circumstances and public health pandemics or epidemics (such as COVID-19); competition in the industries in which Kornit operates; the degree of the Company's success in developing, introducing and selling new or improved products, technologies and product enhancements; the extent of the Company's ability to continue to increase sales of its systems, ink and consumables; the extent of the Company's ability to leverage its global infrastructure build-out; the development of the market for digital textile printing; the availability of alternative ink; competition; sales concentration; changes to its relationships with suppliers; the extent of the Company's success in marketing; and those additional factors referred to under "Risk Factors" in Item 3.D of the Company's Annual Report on Form 20-F for the year ended December 31, 2020, filed with the U.S. Securities and Exchange Commission, or the SEC, on March 25, 2021, as supplemented from time to time. In light of these and other risks, uncertainties and assumptions, the forward-looking events described in this report may not occur. The forward-looking statements speak only as of the date of this report. The Company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this report.

Except where noted, the information covered in this report highlights the Company's ESG performance and initiatives for fiscal year 2020. The inclusion of information in this report should not be construed as a characterization regarding the materiality or financial impact of that information. Moreover, this report may use certain terms, including those that GRI or others may refer to as "material," to reflect the issues or priorities of Kornit, its subsidiaries and its stakeholders. Used in this context, however, these terms are distinct from, and should not be confused with, the terms "material" and "materiality" as defined by or construed in accordance with securities, or other, laws or as used in the context of financial statements and reporting. This report may contain links to or information from other Internet sites. Such links and information are not endorsements of any products or services in such sites, and no information in such site has been endorsed or approved by Kornit.

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and welcome any input and insights

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