



**PRENTISS  
SMITH & CO**

Socially Responsible Investment Report for:

# VARONIS SYSTEMS

New York, NY

Ticker: VRNS US Equity

Website: [www.varonis.com](http://www.varonis.com)

Last Updated: 12-28-2020

# I. Exclusionary Screening

---

Does VARONIS SYSTEMS appear on any of the following lists? In our exclusionary screening, a single appearance disqualifies an investment.

## Fossil Fuels & Precious Metals Mining

---

- BICS - Oil, Gas & Coal
- BICS - Precious Metals Mining
- Carbon Underground 200

## Agrochemicals & Animal Cruelty

---

- BICS - Crop Chemicals & Fertilizers
- Cruelty Free Investing 10 Worst

## Pornography, Gambling & Tobacco

---

- BICS - Casinos
- BICS - Tobacco
- Pornography

## Defense & Retail Gun Sales

---

- BICS - Defense Primes
- SIPRI Top 100
- Gun Retailer
- NRA Top Industry Allies

## Private Prisons

---

- BICS - Security Services

---

BICS = Bloomberg Industry Classification Systems

SIPRI = Stockholm International Peace Research Institute  
NRA = National Rifle Association

## II. Research Narrative

---

What else has our research process told us about how VARONIS SYSTEMS conducts business, in terms of its products and services, its environmental impact, and its approach to governance?

### Summary

---

Varonis Systems, a smaller cybersecurity company with a focus on data security, serves a varied, global base of institutional customers with its 25+ automated solutions. The company uses machine learning and deep analytics of metadata to automate many cybersecurity functions that might have traditionally required highly trained network administrators. Varonis runs a notable volunteer program where employees commit significant time to train and mentor groups of local students and young adults, teaching and providing support in Life Skills, Financial Skills, Excel Skills and more. Involvement includes company leadership, and Varonis says regular follow-up with alumni is part of the program.

As a younger, smaller company, Varonis' sustainability information is extremely limited. Varonis does not publish an annual Corporate Responsibility Report (CSR), nor does it make any significant disclosures as to its environmental footprint or emissions, its workforce diversity, pay equity, etc. The company's leadership is somewhat more white and male than recent estimates for the rest of the tech industry. As Varonis continues to grow, we would like to see the company rapidly adopt best practices for transparency around its environmental, social and governance performance.

### Products & Services

---

Varonis Systems is a cybersecurity company started in 2005 that focuses specifically on securing data in a range of digital forms. The company's licensed products have grown from 1 in 2005, to 10 when it went public in 2014, to more than 25 today.<sup>1</sup> Many of these products use machine learning and deep analytics to automate processes such as identifying sensitive data, monitoring how users access data to identify trends and potential issues, detecting malware and insider threats,

---

<sup>1</sup> [https://sec.report/Document/0001628280-21-001677/#i1b156df3f5c94798abc951c1c4606a76\\_16](https://sec.report/Document/0001628280-21-001677/#i1b156df3f5c94798abc951c1c4606a76_16)

and supporting data audits. Machine learning automation represents a shift in the traditional approach to data security, with much decision-making around identifying and escalating threats handled by algorithms that analyze metadata, rather than by network administrators. Varonis also claims its products can help customers save money by automating data clean-up projects and protection routines.

Varonis believes it is unique in offering a single, integrated solution for the range of data security functions its products cover.<sup>2</sup> The company uses a channel sales approach, meaning most of its sales take place through resellers and distributors. Its more than 7,000 end customers are in over 85 countries, and “span numerous industries and vary greatly in size, ranging from small and medium businesses to large multinational enterprises and government agencies.”<sup>3 4</sup> In 2019, Varonis began to shift all its products to a subscription model, a process that was largely complete by the end of 2020. The company has over 1,700 employees.<sup>5</sup>

## Environment

---

Our research was unable to identify any environmental disclosure provided by Varonis Systems, or any news related to its environmental efforts. The company does not publish a comprehensive CSR report.

## Management Integrity and Ethics

---

Varonis is led by CEO Yaki Faitelson, who, along with co-founder Ohad Korkus, is credited with conceptualizing and architecting the company’s “MetaData Framework” technology. The technology is central to the ability of Varonis’ Data Security Platform to more rapidly index data and identify threats. Faitelson’s prior leadership roles were in professional services and systems integration.

Varonis’ 16-member management team has 3 women and no people of color, slightly lagging the tech industry overall.<sup>6 7</sup> The company’s 9-member board has 2 women and likewise no people of color. Along with Faitelson, co-founder Korkus is a second company insider on the Board. Varonis

---

<sup>2</sup> [https://sec.report/Document/0001628280-21-001677/#i1b156df3f5c94798abc951c1c4606a76\\_16](https://sec.report/Document/0001628280-21-001677/#i1b156df3f5c94798abc951c1c4606a76_16)

<sup>3</sup> <https://www.varonis.com/company/>

<sup>4</sup> [https://sec.report/Document/0001628280-21-001677/#i1b156df3f5c94798abc951c1c4606a76\\_16](https://sec.report/Document/0001628280-21-001677/#i1b156df3f5c94798abc951c1c4606a76_16)

<sup>5</sup> <https://www.varonis.com/company/>

<sup>6</sup> <https://www.cio.com/article/3516012/women-in-tech-statistics-the-hard-truths-of-an-uphill-battle.html>

<sup>7</sup> <https://www.computerworld.com/article/3574917/the-state-of-ethnic-minorities-in-us-tech-2020.html>

has made multiple “Best Places to Work” lists, including Crain’s 100 Best Place to Work in New York City for 2018, and the Triangle Business Journal’s 50 Best Places to Work in North Carolina for 2019. Varonis receives an overall 4.1 rating on the employee review site Glassdoor.<sup>8</sup>

Varonis runs a voluntary employee program to provide hands-on skills training and support to high school and college students and young adults from local communities. The program is notable for the time commitment made by the employees involved: most programs run as intensives for several weeks, with involvement from leaders including Varonis’ CFO/COO, Guy Melamed. Programs include Life Skills, Financial Skills, Excel Skills, SAT Prep, after-school tutoring, internships, and regular follow-up and gatherings with alumni of the programs.

Our research did not identify any significant legal proceedings involving Varonis Systems.

---

<sup>8</sup> [https://www.glassdoor.com/Overview/Working-at-Varonis-Systems-EI\\_IE300225.11.26.htm](https://www.glassdoor.com/Overview/Working-at-Varonis-Systems-EI_IE300225.11.26.htm)

## Legal Notice

---

The material contained in this report is provided for informational purposes only and should not be considered an individualized recommendation of any particular security, strategy or investment product. This report is not intended to be used as a general guide to investing, or as a substitute for personalized investment advice, and it makes no implied or express recommendations concerning the manner in which any specific client account should be handled. If you have questions regarding the applicability of any issue discussed on this report to your own situation, you are encouraged to consult with a professional advisor of your choosing. Prentiss Smith & Co is neither a law firm nor a certified public accounting firm, and no portion of this report should be construed as legal or tax advice.

No guarantee is made as to the accuracy, completeness or timeliness of any information, projections or opinions contained in this report or upon which any such projections or opinions have been based. The information contained in this report is compiled for the convenience of site visitors and is accepted by the reader on the condition that errors or omissions shall not be made the basis for any claim, demand or cause of action. Due to factors that may include changing market conditions or applicable laws, some content on this report may no longer be reflective of our current positions or opinions. Some information on this report has also been obtained from published sources and/or prepared by unaffiliated third parties. While such sources are believed to be reliable, neither Prentiss Smith & Co nor its respective employees or representatives assumes any responsibility for the accuracy or completeness of such information. References and hyperlinks to other websites are not an endorsement, approval or certification of information, projections or opinions located at such web sites.

Investing in securities involves risk, including the loss of all principal invested. Other types of investments involve varying degrees of risk. There can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Prentiss Smith & Co), will be profitable or suitable for your portfolio or individual situation.