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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**Form 20-F**

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2020  
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report.

Commission File Number 001-35464



**CAESARSTONE LTD.**

(Exact Name of Registrant as specified in its charter)

**ISRAEL**

(Jurisdiction of incorporation or organization)

**Kibbutz Sdot-Yam  
MP Menashe, 3780400  
Israel**

(Address of principal executive offices)

**Yuval Dagim  
Chief Executive Officer  
Caesarstone Ltd.  
MP Menashe, 3780400  
Israel**

**Telephone: +972 (4) 636-4555  
Facsimile: +972 (4) 636-4400**

(Name, telephone, email and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Securities Act of 1933:

Title of each class	Trading Symbol	Name of each exchange on which registered
Ordinary Shares, par value NIS 0.04 per share	CSTE	The Nasdaq Stock Market LLC

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2020: **34,437,296 ordinary shares**

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In the U.S., we supply our products in part to sellers who in turn re-sell them to fabricators, contractors, developers and builders. Certain actions by such third parties may also materially harm our brand and reputation.

The termination of arrangements with distributors and re-sellers may lead to litigation, resulting in significant legal fees for us and detracting our management's effort, time and resources. In addition, our distributors and re-sellers generally disclose to us sales volumes and other information on a monthly or quarterly basis. Inaccurate sales forecasts, on which we have already relied on in our production planning or our failure to understand correctly the information in a sales report could cause significant, unexpected volatility in our sales and may impact our ability to make plans regarding our supply chain. Any of these events could materially and adversely affect or cause unexpected fluctuations in our results of operations.

#### **Legal, Regulatory, Safety and Security Risks**

*Silicosis and other bodily injury claims may have a material adverse effect on our business, operating results and financial condition.*

Silicosis is a potentially fatal progressive occupational lung disease and is characterized by scarring of the lungs and damage to the breathing function. Inhalation of dust containing fine silica particles (respirable crystalline silica, or RCS) may occur while performing certain tasks, including among others, processing materials that contain crystalline silica (with quartz having a relatively high crystalline silica content) if safety measures are not implemented, which in turn can cause silicosis and other health issues.

Since 2008, we have been named, either directly or as a third party defendant, in numerous lawsuits alleging damages caused by exposure to RCS related to our products filed by individuals (including fabricators and their employees, and our former employees), their successors, employers and the State of Israel, and in subrogation claims by the National Insurance Institute of Israel (the "NII"), WorkerCover Queensland, Australia, and others. As of December 31, 2020, we were subject to pending lawsuits with respect to 169 injured persons globally (of which 138 were in Israel, 30 in Australia and one in the United States) and had received pre-litigation demand letters with respect to additional 13 persons, in each case relating to silicosis claims. One of the injured persons filed against us a lawsuit in the Central District Court in Israel with a motion for its recognition as a class action; though we reached a settlement agreement with the lead-plaintiff with respect to this claim, it has not yet received court approval, which may on various grounds demand changes to such proposed settlement. Most of the claims asserted against us do not specify a total amount of damages sought and the plaintiffs' future damages, if any, is intended to be determined at trial or settlement discussions.

Although we intend to vigorously contest the pending claims, we cannot provide any assurance that we will be successful. As of December 31, 2020, we estimated based on the current legal condition in Israel that our total exposure with respect to all then-pending lawsuits in Israel related to 138 injured persons and the un-asserted NII claims was approximately \$42.3 million (which we made a provision for on our balance sheet), however, the actual outcome of such lawsuits may vary from our estimate. We believe that we have \$8.0 million of coverage under our product liability insurance and, accordingly, our net exposure with respect to such pending claims is estimated to be \$34.4 million. The number of injured persons takes into account the claim filed with a motion for its recognition as a class action and does not include pre-litigation demand letters and settled claims for which the settled amount has not been paid yet. It is too early to estimate the probability of the claims filed against us in Australia, which we intend to vigorously defend. However, as there is still no precedent in Australia as to the liability of manufacturers and suppliers in silicosis claims, if we fail to defend ourselves in such claims, a negative precedent may be set, which may adversely affect our position in other claims, and accordingly our financial results.

Any pending or future litigation is subject to significant uncertainty. Our estimated total net exposure with respect to pending claims is subject to change for a variety of reasons, including an unpredictable adverse development in the pending cases. We cannot estimate the number of potential claimants that may file claims against us, the jurisdictions in which such claims may be filed, who the claimants are or the nature of the claims. Consistent with the experience of other companies involved in silica-related litigation, there may be an increase in the number of asserted claims against us. In addition, punitive damages may be awarded in certain jurisdictions, even though they are rare in Israel. We may be also subject to putative class action lawsuits in the future in Israel and abroad and we cannot be certain whether such claims will succeed in being certified or on their merits. An actual outcome which is higher than our estimate could have a material adverse effect on our financial results and cash flow.

Any uninsured damages to which we are subject in existing or future potential litigation, the cost of defending any uninsured claims, compliance costs, and the loss of business from fabricators who no longer find it practical to fabricate our products, may have a material adverse impact on our revenues and profits. Moreover, even if we are found only partially liable to a plaintiff's damages, in some jurisdictions the plaintiff may seek to collect all his damages from us, requiring us to collect separately from our co-defendants their allocated portion of the damages and there can be no assurance that we will succeed in such collection.

As of December 31, 2020, 22 of our employees, out of which 12 were employed in our plants in Israel as of such date, were banned by occupational physicians from working in a workplace with dust due to diagnose or suspected diagnose of silicosis or other lung diseases, and any expenses not covered by the National Insurance Institute of Israel which we may incur in this respect are not covered by our employer liability insurance. However, so far, we managed to receive contribution in settlements also from insurers of fabricators, although insurers (such as ours) alleged that there is no insurance coverage for silicosis in employer liability insurance. In addition, as of December 31, 2020 there were two outstanding lawsuits that had been filed against us by former employees.

We currently have limited product liability insurance policies, which apply to us and our subsidiaries and cover claims related to bodily injuries though in most cases these policies exclude damages caused by exposure to hazardous dust. In recent years, we have been able to obtain such insurance only on less favorable terms than previously. If we are unable to renew our product liability insurances at all or in part, if we cannot obtain insurance on as favorable terms as previously, or if our insurance is terminated early, decreased, provides inadequate coverage or if we are subject to silicosis-related claims excluded by our product liability insurance policy or by our employer liability insurance policy, we may incur significant legal expenses and become liable for damages, in each case, that are not covered by insurance. For example, as of April 2020 our Australian product liability insurance ceased coverage of newly diagnosed silicosis related claims. Such events might have a material adverse effect on our business and results of operations. As of December 31, 2020, our insurance receivables for silicosis-related claims totaled \$8.0 million. Although we believe that it is probable that such receivables will be paid to us when such payments are due, if our insurers become insolvent in the future or for other reason do not pay such amounts in full or on a timely basis, such failure could have a material adverse effect on our financial results and cash flow.

In addition, media coverage regarding the hazards associated with exposure to RCS in the engineered quartz surfaces, which intensified significantly primarily in Australia during 2020, may adversely affect consumer preferences toward our products, damage our brand and reputation and lead to loss of sales and a material adverse effect to our revenues and financial results. Increased awareness of this issue, and media focus may also trigger greater governmental and regulatory scrutiny and action, which may increase our costs of compliance therewith, lead to greater propensity for litigation against us or ultimately even result in a ban of quartz-based products.

Any of the risks described above relating to claims regarding silicosis and other bodily injury claims may have a material adverse effect on our business, operating results and financial condition. For more information, see "ITEM 8.A: Financial Information—Legal Proceedings—Claims related to alleged silicosis and other injuries." See also Note 10 to the financial statements included elsewhere in this report.

## **ITEM 8: Financial Information**

### **A. Consolidated Financial Statements and Other Financial Information**

#### **Consolidated Financial Statements**

For our audited consolidated financial statements for the year ended December 31, 2020, please see pages F-4 to F-5 of this report.

#### **Legal Proceedings**

##### *Claim by former South African distributor*

In December 2007, we terminated our agency agreement with our former South African agent, WOMAG, on the basis that it had breached the agreement. In the same month, we filed a claim for NIS 1.0 million (\$0.3 million) in the Israeli District Court in Haifa based on such breach. WOMAG contested jurisdiction of the Israeli District Court, but subsequent appellate courts have dismissed WOMAG's contest. In January 2008, WOMAG filed suit in South Africa seeking €15.7 million (\$17.1 million).

Following certain proceedings in Israel, the parties commenced an arbitration in South Africa. In February 2019 the arbitrator delivered his award on the merits (the quantum is still to be decided). The arbitrator's award was in WOMAG's favor as it relates to the claim that remained outstanding (WOMAG has conceded, abandoned and seemingly withdrawn all their claims save for the one mentioned above) and imposed the costs relating to the arbitration on us.

In July 2019, we appealed the award and in August 2019 hearings were held. In November 2019, the appeal panel delivered its award on the merits (the quantum is still to be decided), partially accepting the appeal and imposing 80% of the cost of arbitration and appeal on us.

Following negotiations held during 2020 between the parties, on January 15, 2021, we paid WOMAG an amount of €7.2 million (\$8.9 million) as part of the settlement for the majority of WOMAG's claim for breach of contract. The remaining disputed amounts relating to the said breach, as well as WOMAG's claim for loss of profits shall be the subject of a further hearing scheduled for August 2021.

##### *Claims related to alleged silicosis and other injuries*

###### *Overview*

We are subject to numerous claims by former employees, fabricators, their employees or the National Insurance Institute ("NII") in Israel, alleging that workers contracted illnesses, including silicosis, through exposure to silica particles during cutting, polishing, sawing, grinding, breaking, crushing, drilling, sanding or sculpting our products. Engineered stones, including our products, are typically comprised of approximately (on average) 85% silica, and smaller concentrations of silica are present in natural stones. Therefore, in some of the lawsuits it is claimed that fabrication of engineered stones creates higher exposure to crystalline silica dust, and, accordingly, creates a higher risk of silicosis.

Since 2008, we have been named, either directly or as a third party defendant, in numerous lawsuits alleging damages caused by exposure to RCS related to our products filed by individuals (including fabricators and their employees, and our former employees), their successors, employers and the State of Israel, and in subrogation claims by the NII, WorkerCover Queensland, Australia, and others.

As of December 31, 2020, we were subject to pending lawsuits with respect to 169 injured persons globally (of which 138 were in Israel, 30 in Australia and one in the United States) and had received pre-litigation demand letters with respect to additional 13 persons, in each case relating to silicosis claims.

Since 2008 and through December 31, 2020, lawsuits with respect to 109 injured persons that were filed against us were settled or dismissed.

With respect to claims filed in Israel, a judgment was entered by the District Court during 2013, pursuant to which we were found to be comparatively liable for 33% of the plaintiff's total damages. The remaining liability was imposed on the plaintiff at 40%, as contributory negligence, and on the State of Israel at 27%. Following an appeal to the Israeli Supreme Court, the parties entered into a settlement agreement and the District Court's ruling was cancelled, although it remains a non-binding guideline.

In November 2015 and in May 2017, we entered into agreements with the State of Israel and with our main distributors in Israel, respectively, with the consent of our insurance carriers, under which we agreed with the State and each of our main distributors to cooperate, subject to certain terms, with respect to the management of the individual claims that have been filed and claims that may be submitted during a certain time period (NII claims are excluded from our agreement with the State) and on the apportionments between us of the total liability of us, the State, and the distributors, if found, in such claims. During January 2020, the State of Israel approved an additional 5 years extension to this agreement.

With respect to claims filed in Australia, which we intend to vigorously defend, the probability of a ruling against the Company is estimated as "remote" or "only reasonable possible". However, as there is still no precedent in Australia as to the liability of manufacturers and suppliers in silicosis claims, if we fail to defend ourselves in such claims, a negative precedent may be set, which may adversely affect our position in other claims.

#### *Class Action Claim in Israel*

A lawsuit by a single plaintiff and a motion for its class certification were filed against us in April 2014 in the Central District Court in Israel mainly claiming we did not provide adequate warnings with respect to our products and that by our conduct we violated the plaintiff's autonomy.

The plaintiff alleged that, if the lawsuit is recognized as a class action, the claim against us is estimated to be NIS 216 million (approximately \$56 million), calculated by claiming damages of NIS 18,000 (\$4,668) for each individual who worked in fabrication workshops in Israel in fabrication or administrative roles and who have been exposed to dust generated by the fabrication of our products. The plaintiff claimed that there are 12,000 such individuals who worked at 400 fabrication workshops in Israel, each of which employed 10 fabricators and five administrative persons, with one rotation during the relevant period. In addition, such claim includes an unstated sum in compensation for special and general damages, such as medical disability, functional disability, pain and suffering, medical expenses, medical and nursing assistance, which will require proof and quantification for each injured person in the purported class action. The plaintiff was seeking, among other things, to compel us to notify the alleged group (and potential members of the group) and each individual about the risks, recommending that they undertake a medical examination and assert their rights.

On January 4, 2018, we and the plaintiff submitted to the Israeli District Court a settlement agreement. If the settlement agreement is approved by the Court, the claim will be dismissed and we will make payments on a one-time basis, without any admission of liability, in an aggregate amount of approximately NIS 9.0 million (approximately \$2.8 million) to fund certain safety related expenses at fabrication facilities in Israel, as well as plaintiff's compensation and legal expenses. As of the date of this report, the settlement agreement remains subject to the approval of the Court. The Israeli State Attorney General had notified the Court of its objection to the proposed settlement. We expect the Court will issue its ruling during the first half of 2021.

#### *Our Probable Risks Related to Outstanding Claims*

We intend to contest the pending claims against us, although there can be no assurance that we will succeed in these claims and it is probable that we will be liable for damages in connection with such lawsuits. As of December 31, 2020, we estimated that our total exposure with respect to all then-pending lawsuits in Israel related to 138 injured persons and the un-asserted NII claims was approximately \$42.3 million, although the actual outcome of such lawsuits may vary significantly from such estimate. The number of injured persons takes into account the claim filed with a motion for its recognition as a class action and does not include pre-litigation demand letters and settled claims for which the settled amount has not been paid yet. It is too early to estimate the probability of the actual exposure in the claims filed against us in Australia, which we intend to vigorously defend. However, as there is still no precedent in Australia as to the liability of manufacturers and suppliers in silicosis claims, if we fail to defend ourselves in such claims, a negative precedent may be set, which may adversely affect our position in other claims.

## *Insurance*

We currently have global product liability insurance, which applies, subject to certain terms and limitations, to claims that may be submitted against us worldwide during the insurance policy term. This policy covers claims that are beyond \$20 million per claim and per aggregate during the policy term from October 1, 2020 to April 1, 2022, up to an amount of \$35 million per claim and per year. Our global product liability insurance policy is effective until April 2022. The policy covers only illnesses diagnosed after February 2010. Although we will seek to renew our product liability insurance to cover silicosis related claims, there is no assurance that we will be successful in its renewal, specifically as currently Israeli and Australian policies do not cover newly diagnosed silicosis related claims. In addition to the global product liability policy, we have regional product liability insurance policies in the United States and Canada, each with a coverage of up to \$20 million per claim or per year, each in its relevant local currency, subject to certain terms and limitations, with relatively low deductibles. In India, we have a regional product liability policy in the amount of INR 40 million (\$0.6 million) effective until April 23, 2021.

We believe that our current insurance covers the pending individual product liability claims. In October 2019, we signed a settlement agreement with our insurer at the time the class action claim was filed for a certain coverage of the damages sought with respect to the putative class action claim. The amount claimed in the class action exceeds our insurance coverage by a material amount. There is no certainty whether the amount the insurer agreed to pay will cover any payment we will be forced to pay under the class action. Our employer liability insurance excludes silicosis damages and, therefore, in case that we are found liable for any of our employees' illness with silicosis, we will have to bear compensation for such damages, after the deduction of payments made by the NII to an employee of ours, which might have an adverse effect on our business and results of operations. We are not subject to subrogation claims by the NII with regard to our employees.

## *General*

From time to time, we are involved in other legal proceedings and claims in the ordinary course of business related to a range of matters, including environmental, contract, employment claims, product liability and warranty claims, and claims related to modification and adjustment or replacement of product surfaces sold. While the outcome of these other claims cannot be predicted with certainty, we do not believe that any such claims will have a materially adverse effect on us, either individually or in the aggregate. See Note 11 of the notes to the financial statements included elsewhere in this annual report.

## *Dividends*

In February 2018, we declared the distribution of special cash dividend in the amount of \$0.29 per share, paid on March 14, 2018, subject to withholding tax of 20%. We also adopted a dividend policy pursuant to which we intend to pay a quarterly cash dividend in the range of \$0.10-\$0.15 per share up to the lesser of 50% of the reported net income attributable to controlling interest (i) on a quarterly basis or (ii) on a year-to-date basis, subject in each case to the approval of our board of directors. In the third quarter of 2019, we distributed a cash dividend in the amount of \$0.15 per share subject to withholding tax of 20%. In February 2020, we revised our dividend policy to provide for a quarterly cash dividend of up to 50% of reported net income attributable to controlling interest on a year-to-date basis, less any amount already paid as dividend for the respective period (the "calculated dividend"), subject in each case to approval by the Company's board of directors. In the event that the calculated dividend is less than \$0.10 per share, no dividend shall be paid. We expect that payments of dividends pursuant to the dividend policy will be paid subject to our board of directors' approval, after taking into account legal limitations, the benefit of the Company and its obligations, growth plans and other factors that our board of directors may deem relevant. Since January 1, 2020 and until March 18, 2021, we distributed dividends in the total amount of \$0.14 (or 14 cents) per share (subject to 20% withholding tax).