

Odysight.ai Inc.
(the “Company”)

AUDIT AND NON-AUDIT SERVICES PRE-APPROVAL POLICY

The Audit Committee of the Board of Directors of the Company is responsible for the appointment, compensation and oversight of the work of the independent auditor, subject to any approvals under applicable law. As part of this responsibility, the Audit Committee is required to pre-approve the audit and non-audit services performed by the independent auditor in order to assure that they do not impair the auditor’s independence from the Company. Accordingly, this Audit and Non-Audit Services Pre-Approval Policy (this “Policy”) of the Audit Committee has been adopted by the Audit Committee and ratified by the Board of Directors of the Company (the “Board”) in accordance with the requirements set forth in the Sarbanes-Oxley Act of 2002 (the “Act”) and the rules of the Securities and Exchange Commission (or the “SEC”) regarding auditor independence.

This Policy is designed to (i) detail the particular services to be provided by the independent auditor, (ii) to ensure that the Audit Committee is informed of each service provided by the independent auditor and (iii) to ensure that the policies and procedures set forth in this Policy do not include delegation to management of the Audit Committee’s responsibilities under the federal securities laws.

This Policy is not purported to derogate from the requirements of any applicable law with respect to the subject matter hereof and should not be understood as such.

I. STATEMENT OF PRINCIPLES

1. The Audit Committee shall approve the appointment and compensation of the independent auditor, such approval which shall be submitted to the Board and/or the shareholders of the Company for approval, as required under applicable law. For purposes of this Policy, “independent auditor” is the audit firm that issues an opinion on the Company’s consolidated financial statements.
2. The Audit Committee is required to pre-approve the audit and permitted non-audit services performed by the independent auditor in order to assure that they do not impair the auditor’s independence from the Company, all in accordance with the procedures and the conditions set forth in this Policy and subject to the Act and any other applicable law. Principles of independence with respect to services provided by auditors are predicated on certain principles, violations of which would impair the auditor’s independence, including, without limitation, the following principles: (i) an auditor cannot function in the role of management, (ii) an auditor cannot audit his or her own work and (iii) an auditor cannot serve in an advocacy role for his or her client.
3. Proposed audit and permitted non-audit services may either be (i) pre-approved by the Audit Committee without consideration of specific case-by-case services (“general pre-approval”), or (ii) shall require the specific pre-approval of the Audit Committee (“specific pre-approval”). Unless a service to be provided by the independent auditor has received general pre-approval, it will require specific approval. Any proposed services exceeding pre-approved budgeted amounts will also require specific pre-approval by the Audit Committee.

4. For both types of pre-approval, the Audit Committee will consider:
- (i) whether the proposed services are consistent with the applicable rules on auditor independence and whether the provision of such services by the independent auditor would impair the independent auditor's independence;
 - (ii) whether the independent auditor is best positioned to provide the most effective and efficient service to the Company, for reasons such as its familiarity with the Company's business, employees, culture, accounting systems, risk profile and other factors, and whether the service might enhance the Company's ability to manage or control risk or improve audit quality; and
 - (iii) the relationship between fees for audit and non-audit services. The Audit Committee may choose to determine, for a particular calendar year, the appropriate ratio between the total amount of fees for audit, audit-related and tax services and the total amount of fees for certain permissible non-audit services classified as all other services.
- All of the above said factors will be considered as a whole, and no one factor should necessarily be determinative.
5. The term of any general pre-approval is twelve (12) months from the date of pre-approval, unless the Audit Committee considers a different period and states otherwise. The Audit Committee will annually review and pre-approve the services that may be provided by the independent auditor without obtaining specific pre-approval from the Audit Committee. The Audit Committee may add to or deduct from the list of general pre-approved services from time to time, based on subsequent determinations.

II. PRE-APPROVAL POLICIES

1. Audit Services

(a) *Annual Audit Services.*

The annual audit services engagement terms and fees require specific pre-approval of the Audit Committee no later than its review of the independent auditor's audit plan (subject to any other approvals required by applicable law). For this purpose, "audit services" may include (i) the annual financial statement audit (including required quarterly reviews), subsidiary audits and other procedures required to be performed by the independent auditor to be able to form an opinion on the company's consolidated financial statements. Such "other procedures" include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations related to the audit or quarterly reviews; and (ii) the attestation engagement for the independent auditor's report on management's report on internal controls for financial reporting (if required).

The Audit Committee will monitor the audit services engagement on a quarterly basis and will also approve (subject to any other approvals required by applicable law), if necessary, any changes in terms, conditions and fees of such audit services engagement resulting from changes in audit scope, company structure or other items.

(b) ***Other Audit Services.***

The Audit Committee may grant general pre-approval to other audit services (subject to any other approvals required by applicable law). For this purpose, “other audit services” are those services that only the independent auditor can reasonably provide and may include, among others, statutory audits or financial audits for subsidiaries or affiliates of the Company and services associated with registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings.

2. Audit-Related Services

The Audit Committee believes that the provision of audit-related services does not impair the independence of the auditor in accordance with independence requirements required by applicable laws, rules and regulations. Therefore, the Audit Committee may grant general pre-approval to audit-related services (subject to any other approvals required by applicable law).

For this purpose, “audit-related services” are assurance and related services that are reasonably related to the performance of the audit or review of the Company’s financial statements or that are traditionally performed by the independent auditor and include, among others, due diligence services pertaining to potential business acquisitions/dispositions; accounting consultations related to accounting, financial reporting or disclosure matters not classified as “audit services”; assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; financial audits of employee benefit plans; agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters; and assistance with internal control reporting requirements.

3. Tax Services

The Audit Committee believes that the independent auditor can provide tax services to the Company, such as tax compliance, representation in audits by taxing authorities, tax planning and advice, without impairing the auditor’s independence in accordance with independence requirements required by applicable laws, rules and regulations. Therefore, the Audit Committee may grant general pre-approval (subject to any other approvals required by applicable law) to those tax services that have historically been provided by the auditor and that the Audit Committee believes would not impair the independence of the auditor. The Audit Committee will not pre-approve the retention of the independent auditor in connection with a transaction initially recommended by the independent auditor, the purpose of which may be tax avoidance and the tax treatment of which may not be supported in the Internal Revenue Code and related regulations.

4. Other Services

The Audit Committee believes that, in addition to the services discussed above, the independent auditor may provide certain other permissible non-audit services that it believes are routine and recurring services without impairing the independent auditor's independence in accordance with independence requirements required by applicable laws, rules and regulations. Any permissible non-audit services to be provided to the Company by the independent auditor require specific pre-approval by the Audit Committee (subject to any other approvals required by applicable law).

5. De-Minimis Exception for Non-Audit Services

The pre-approval requirements relating to non-audit services under sub-sections 2, 3 and 4 is waived with respect to the provision of non-audit services, if:

- (i) the aggregate amount of all such non-audit services constitutes not more than 5% of the total amount of revenues paid by the Company to the independent auditor during the fiscal year in which the non-audit services are provided;
- (ii) such services were not recognized by the Company at the time of the engagement to be non-audit services; and
- (iii) such services are promptly brought to the attention of the Audit Committee and approved prior to the completion of the audit by the Audit Committee.

V. PROHIBITED NON-AUDIT SERVICES

The following services may not be provided by the Company's independent auditor:

- Bookkeeping or other services related to the accounting records or financial statements;
- Financial information systems design and implementation;
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports;
- Actuarial services;
- Internal audit outsourcing services;
- Management functions;
- Human resource;
- Broker-dealer, investment advisor or investment banking services;
- Legal services; and
- Expert services unrelated to the audit.

VII. PRE-APPROVAL FEE LEVELS

Pre-approval fee levels for all services to be provided by the independent auditor shall be reviewed and approved annually by the Audit Committee, subject to any other approvals required by applicable law. Any proposed services exceeding these levels or amounts shall require specific pre-approval by the Audit Committee.

VIII. PROCEDURES

All invoices, letters of engagement, and proposals for services provided by the independent auditor for services that do not require specific pre-approval will be submitted to the Company's Chief Financial Officer and must include a detailed description of the services to be rendered and an estimated cost of such services. The Company's Chief Financial Officer will determine whether such services are included within the types of services that have received the general pre-approval of the Audit Committee, and in the event of doubt, the Company's Chief Financial Officer will consult with the Audit Committee which shall resolve such inquiry.

Requests or applications to provide services that require specific approval by the Audit Committee will be submitted by the Company's Chief Financial Officer to the Audit Committee.

The Audit Committee will be informed on a quarterly basis of any services rendered by the independent auditor and fees by category in comparison with the pre-approved fee levels.

IX. ADDITIONAL REQUIREMENTS

The Audit Committee will take additional measures on an annual basis to meet its responsibility of overseeing the work of the independent auditor and to assure the auditor's independence from the company, such as reviewing a formal written statement from the independent auditor delineating all relationships between the independent auditor and the company, consistent with applicable laws, rules and regulations, and discussing with the independent auditor its methods and procedures for ensuring independence.

EFFECTIVE DATE

This Pre-approval policy, is adopted by the Committee during its meeting on August 10, 2022.