

Sarine Technologies Ltd
(Incorporated in Israel)
(Israel Registration No. 51 1332207)

**RESPONSES TO THE QUERIES FROM SINGAPORE EXCHANGE
SECURITIES TRADING LIMITED ON ANNUAL REPORT FOR THE
FINANCIAL YEAR ENDED 31 DECEMBER 2020**

Sarine Technologies Ltd (the “Company”) wishes to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 16 April 2021, with reference to the Company’s annual report for the financial year ended 31 December 2020 (the “Annual Report”), as follows:

SGX's Query:

Provision 9.2 of the Code of corporate governance 2018 (the “Code”) states that, “The Board requires and discloses in the company’s annual report that it has received assurance from: (a) the CEO and the Chief Financial Officer (“CFO”) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.”

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 9.2 of the Code with regard to the receipt of assurance from (a) the CEO and the Chief Financial Officer (“CFO”) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.

Please disclose whether and how the recommendations of provision 9.2 have been complied with.

Company's response:

Such statement appears, verbatim, in page 42 of the Company’s Annual Report for the year 2020:

“The Board has received assurance from the Company's CEO and CFO:

1. that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finance; and
2. regarding the effectiveness of the company's risk management and internal control systems.”

Please note also the following statements:

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The Board of Directors of the Company with the concurrence of the Audit Committee is of the opinion that the current internal controls and risk management system are adequate and effective in addressing the financial, operational, compliance and IT risks, while noting that no system of internal control can provide absolute assurance against the occurrence of errors, cyber-attacks, fraud or other irregularities.

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indeed, the Audit Committee and Board are of the opinion, upon consultation with the Company's External Auditors and the Internal Auditor of the Company (who conducted a follow up review, based on previous findings) and based on ongoing discussions with the Management, that the Internal Control procedures of the Group are adequate.

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The Audit Committee and Board are of the opinion, upon consultation with the Company's CEO, the Company's CFO, the Company's External Auditors and the Internal Auditor of the Company, that:

- (a) the Company's financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) the Internal Control procedures and risk management of the Group are adequate.

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The Directors are of the opinion, in concurrence with and based on Audit Committee review that the internal control procedures addressing financial, operational and compliance risks of the Group are adequate.

SGX's Query:

Provision 2.4 of the Code states that, "The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report."

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.4 of the Code as you have not disclosed your board diversity policy and progress made towards implementing the board diversity policy, including objectives, and there were no explanations were provided for in your FY2020 annual report on how it is consistent with the intent of Principle 2 of the Code. Please state if

the Company has a formal board diversity policy and clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

Company's response:

We believe that such subject has been adequately discussed and disclosed in the Company's Annual Report for the year 2020. The Company discussed and disclosed the general criteria formed by the Company's Nominating Committee in January 2020, and the actual composition of the Board (as elected in June 2020, based on such criteria). The Company also noted, that as the current members of the Board were elected in 2020 for a three-year term, the Board composition and diversity matters shall be revisited later on – prior to the re-election/replacement of the current Board members.

See, for example, the following statement:

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“The Nominating Committee of the Board, in its meeting of 5 January 2020, opined that the following general criteria should be applied to the Board of Directors composition:

- The Board should comprise 7 to 9 directors. The current structure (7 directors) is sufficient and effective. The Board may consider adding additional directors, on a case by case basis, giving proper weight to the potential contribution of the additional member/s vis-à-vis the effects on the effectiveness of the Board.
- The majority of the Board should be comprised of independent directors.
- The Board should be comprised of directors having appropriate expertise and experience in areas related to the operations of the Group. Specifically, if 7 directors, preferably three from the diamond industry, preferably from the various segments thereof (upstream production (mining), midstream polishing and wholesale trade, and downstream retail trade), preferably two with relevant technological background, at least one with accounting / financial review and reporting expertise and at least one with corporate governance expertise. If 9 directors, an additional one from the diamond industry and an additional one with relevant technological background.
- The Board should be gender diversified.

As noted below (under the discussion re Principle 4), according to the Articles, each director shall serve, unless the Annual General Meeting appointing him or her provides otherwise, until the third Annual General Meeting following the Annual General Meeting at which such director was appointed, or his or her earlier resignation or removal pursuant to the provisions of the Articles. The current directors were elected in 2020 and are expected to serve until 2023. Therefore, the Nominating Committee has resolved that succession and Board diversity matters shall be discussed in 2021-2022, prior to the retirement of the current members of the Board.

The Board draws from a broad spectrum of backgrounds, ages, genders, competencies and disciplines: from the diamond and gemstones industry (including “upstream”, “midstream” and “downstream” segments of the industry) the high-tech industry, the business community, legal practice and management. As noted above, the Company is also considering seeking additional directors who will enrich and diversify the Board.”

SGX's Query:

Provision 8.2 of the Code states that, “The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.2 of the Code with regard to the disclosure of names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a substantial shareholder of the company and whose remuneration exceeded S\$100,000 during the year. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Company's response:

Please note that during 2020 the Company had no employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year.

SGX's Query:

Listing Rule 1207(19) states that the annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including a statement whether and how the issuer has complied with the following best practices on dealings in securities:—

- (a) A listed issuer should devise and adopt its own internal compliance code to provide guidance to its officers with regard to dealing by the listed issuer and its officer in its securities;
- (b) An officer should not deal in his company's securities on short-term considerations; and
- (c) A listed issuer and its officers should not deal in the listed issuer's securities during the period commencing two weeks before the announcement of the company financial

statements for each of the first three quarters of its financial year and one month before the announcement of the company's full year financial statements (if the issuer announces its quarterly financial statements, whether required by the Exchange or otherwise), or one month before the announcement of the company's half year and full year financial statements (if the issuer does not announce its quarterly financial statements).

Please disclose whether and how Listing Rule 1207(19) has been complied with.

Company's response:

The following statement was erroneously omitted from the Company's Annual Report. We hereby confirm as follows:

DEALINGS IN SECURITIES

The Company has complied with the following best practices on dealings in securities:

- (a) The Company has adopted its own internal compliance code to provide guidance to its officers with regard to dealing by the Company and its officers in its securities;
- (b) According to such code an officer of the Company should not deal in the Company's securities on short-term considerations; and
- (c) According to such code the Company and its officers and employees do not deal in the Company's securities during the period commencing one month before the announcement of the Company's half year and full year financial statements.

By order of the Board

Amir Zolty

Company Secretary