



## ALLOT COMMUNICATIONS LTD.

### COMPENSATION AND NOMINATING COMMITTEE CHARTER

The Board of Directors (the "**Board**") of the Company has constituted and established a Compensation and Nominating Committee (the "**Committee**") with the authority, responsibility and specific duties as described in this Compensation and Nominating Committee Charter (this "**Charter**").

#### **I. Purpose**

The purpose of the Committee is (i) to assist the Board in fulfilling its responsibilities relating to compensation of the Company's directors, Chief Executive Officer (the "**CEO**") and other executive officers and office holders, and to approve or recommend a compensation policy for such individuals, (ii) to produce an annual report on executive compensation for public disclosure in the Company's proxy statement or otherwise, to the extent required by applicable securities laws and the rules and regulations promulgated thereunder, and (iii) to support and advise the Board in selecting the individuals who are best able to fulfill the responsibilities of a director or executive officer of the Company.

The purposes and provisions specified in this Charter are meant to serve as guidelines, and the Committee is delegated the authority to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities. Unless otherwise prescribed in this Charter, the rules and procedures applicable to the operation of the Board shall apply to the operation of the Committee with any necessary changes. Nothing herein is intended to expand applicable standards of liability under Israeli or U.S. federal law for directors of a corporation.

#### **II. Membership**

The members of the Committee shall consist of three or more members of the Board, who shall meet the following requirements:

- Each member of the Committee shall qualify as an "independent director" (or be subject to an exception) under the Israeli Companies Law, 5759-1999 (the "**Companies Law**") and applicable rules of the Nasdaq Stock Market (the "**Nasdaq Rules**");
- All of the "outside directors" of the Company appointed under the Companies Law shall be members of the Committee, the "outside directors" of the Company shall, except as permitted by the Companies Law, constitute a majority of the members of the Committee, and an "outside director" of the Company shall be chairperson of the Committee;
- None of the following may be members of the Committee: the Chairperson of the Board, an employee or service provider (on an ongoing basis) of the Company or its "controlling shareholder" or an entity controlled by such controlling shareholder, a "controlling shareholder" or "relative" thereof, or anyone whose primary income is dependent on the controlling shareholder, all as more fully set forth in Sections 115 and 118A of the Companies Law;
- Each member of the Committee shall, in the judgment of the Board, (i) have experience that would be helpful in addressing the matters delegated to the Committee, and (ii) not have an affiliation with the Company, a subsidiary thereof or an affiliate of a subsidiary that would impair the director's judgment as a member of the Committee; and

- The terms of service of each member of the Committee who is not an Outside Director shall meet the requirements of Section 244 of the Companies Law.

The Committee's members shall be appointed by and serve at the discretion of the Board. Members shall serve until their successors are duly designated and qualified. Any member of the Committee may be removed at any time, with or without cause, by a resolution of the Board. Subject to applicable law, any vacancy in the Committee occurring for any cause whatsoever may be filled by a resolution of the Board.

The Committee's chairperson shall be designated by the Committee, unless decided otherwise by the Board. A majority of the members of the Committee shall constitute a quorum for the transaction of business and the act of a majority of those present at any meeting at which there is a quorum shall be the act of the Committee.

### **III. Meetings and Authority**

The Committee shall meet at least two times annually or more frequently as circumstances require. The chairperson of the Committee will preside at each meeting of the Committee and, in consultation with the other member(s) of the Committee then present, shall determine the frequency and length of each meeting and the agenda of items to be addressed at each meeting. The Committee may ask members of management or others to attend meetings and provide pertinent information, as necessary.

The Committee may, at its discretion, include in its meetings members of the Company's management, or any other person whose presence the Committee believes to be desirable and appropriate, except that the Company's Chief Executive Officer ("CEO") shall not be present during deliberation and voting regarding his or her own compensation. Notwithstanding the foregoing, persons who cannot qualify as members of the Committee may not attend the Committee's meetings unless the Committee's chairperson determines, to the extent permitted by applicable law, that such person is required in order to present a certain matter.<sup>1</sup>

The Committee shall have the power to retain, without Board approval and at the Company's expense, and terminate, as it deems appropriate, outside counsel, compensation consultants, and other experts and advisors to assist the Committee in connection with its responsibilities, and shall have the sole authority to approve such firms' fees and other retention terms. The Committee shall be directly responsible for the appointment and oversight of the work of any such retained advisors.

Except as permitted under the Nasdaq Rules,<sup>2</sup> the Committee may select, or receive advice from, a compensation consultant, legal counsel or other advisor to the Committee, other than in-house legal

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<sup>1</sup> Section 115(e) of the Companies Laws provides that (i) a company employee who is not the "controlling shareholder" or his "relative" may attend the Committee's meeting during the Committee's discussions (but not during the Committee's decisions), and (ii) a company's in-house legal advisor and corporate secretary, who are not the controlling shareholder or his relative, may attend during the discussion and the decisions, if the Committee so requests.

<sup>2</sup> Under the Nasdaq Rules, the Committee is not required to conduct an independence assessment for a compensation advisor who acts in a role limited to the following activities for which no disclosure is required under Item 407(e)(3)(iii) of Regulation S-K: (a) consulting on any broad-based plan that does not discriminate in scope, terms, or operation, in favor of executive officers or directors of the Company, and that is available generally to all salaried employees; and/or (b) providing information that either is not customized for a particular issuer or that is customized based on parameters that are not developed by the advisor, and about which the advisor does not provide advice.

counsel, only after taking into consideration the following factors: (i) the provision of other services to the Company by the person that employs such advisor; (ii) the amount of fees received from the Company by the person that employs such advisor, as a percentage of such person's total revenues; (iii) the policies and procedures of the person that employs such advisor that are designed to prevent conflicts of interest; (iv) any business or personal relationship of such advisor with a member of the Committee; (v) any stock of the Company owned by such advisor; and (vi) any business or personal relationship of such advisor, or the person employing the advisor, with an executive officer of the Company.

Nothing herein shall be construed: (i) to require the Committee to implement or act consistently with the advice or recommendations of the compensation consultant, legal counsel or other advisor to the Committee; or (ii) to affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties. Except as permitted under the Nasdaq Rules, the Committee is required to conduct the independence assessment outlined above with respect to any compensation consultant, legal counsel or other advisor that provides advice to the Committee, other than in-house legal counsel. However, nothing herein requires such advisors to be independent, only that the Committee consider the enumerated independence factors before selecting, or receiving advice from, a compensation advisor. The Committee may select, or receive advice from, any compensation advisor it prefers, including those who are not independent, after considering the six independence factors outlined above.

The Committee may delegate its authority to subcommittees established from time to time by the Committee, which subcommittees shall consist of one or more members of the Committee or the Board of Directors, and shall report to the Committee.

#### **IV. Duties and Responsibilities**

The Committee shall have the power and authority of the Board to perform the following duties and to fulfill the responsibilities detailed below. The Committee's approval of any matter below shall not derogate from the requirements of the Companies Law pursuant to which approval of the Board, the Company's audit committee or shareholders is required for certain transactions, and under such circumstances the Committee's approval shall constitute a recommendation to any such body:

##### Compensation

1. Recommend and review from time to time the overall compensation policy of the Company, including, in particular, policies applicable to the Company's executive officers and "office holders" (within the meaning of the Companies Law).
2. Approve (or recommend, where applicable), if appropriate, the terms of compensation of all executive officers and "office holders" (within the meaning of the Companies Law), including salary, bonuses and related benefits and awards.
3. Review, approve and at least annually evaluate the Company's incentive compensation and equity-based plans and programs for the Company's executive officers and "office holders" (within the meaning of the Companies Law). Review and approve any amendments and modifications to any such incentive compensation and equity-based plans or programs requiring approval of the Board, subject to applicable shareholder approval requirements.
4. Approve, if appropriate, certain related party actions and transactions relating to compensation of office holders in accordance with the Companies Law, including granting of relief from shareholder approval where permissible under the Companies Law.

5. Review and approve the granting of options, restricted stock, stock appreciation rights and other equity-based grants (each, an "**Award**") consistent with the Company's incentive compensation plans (collectively, the "**Plans**") and compensation strategy, provided that: in accordance with applicable law, (a) with respect to grantees who are not employees of the Company or its subsidiaries, the Committee shall recommend to the Board the grant of Awards, but may not to authorize such grants, and (b) with respect to the grant of Awards to grantees who are employees of the Company or its subsidiaries, the Awards shall be made by the Committee only with respect to the Ordinary Shares of the Company reserved under the Plans by the Board.
6. Establish rules and regulations and perform all other administrative or management duties required of the Board or the Committee by the provisions of any compensation or benefit plan maintained by the Company, including the review and approval (or recommendation, where applicable) of changes to such plans or the adoption of new plans.
7. Oversee compliance with the compensation reporting requirements of the Securities and Exchange Commission.
8. Review, periodically evaluate and make recommendations to the Board regarding the compensation and benefits for the Company's non-employee directors.

#### Nomination of Directors

1. Develop and make recommendations to the Board regarding criteria for selecting new directors.
2. Conduct the appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates for director.
3. Review and recommend to the Board nominees for election as directors of the Company, including nominees recommended by shareholders of the Company, and consider the performance of incumbent directors whose terms are expiring in determining whether to nominate them to stand for reelection at the next annual meeting of the shareholders.
4. Recommend to the Board nominees who shall be appointed to serve on the committees of the Board subject to applicable law.

#### General

1. Establish procedures for, and administer annual performance evaluations of the Board, and its Committees by their members, which will also include an annual performance review of this Committee by its members.
2. Periodically reviewing and reassessing the adequacy of this Charter and recommend any proposed changes to the Board for consideration and approval. Conduct an annual self-performance evaluation of the Committee.
3. Perform any other activities consistent with this Charter, the Company's Articles of Association, as amended from time to time, and applicable law as the Committee or the Board may deem appropriate.

## **V. Reporting**

The Committee will apprise the Board regularly of significant developments in the course of performing the above responsibilities and duties.

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Last amended: \_26 March 2014