

## COMPENSATION COMMITTEE CHARTER

The board of directors (the “Board”) of the Nova Measuring Instruments Ltd. (the “Company”) has constituted and established a compensation committee (the “Committee”) with the authority, responsibility and specific duties as described in this Compensation Committee Charter (this “Charter”).

This Charter does not derogate from nor supersede, and instead will be read in conjunction with, the terms set forth in the Compensation Policy (the “Compensation Policy”) which was adopted on August 2, 2016, in accordance with the requirements set forth under the Israeli Companies Law, 5759-1999 and the regulations promulgated thereunder (the “Companies Law”), as it may be amended from time to time. If any term of this Charter contradicts the requirements under the Companies Law relating to the Compensation Policy, or the Compensation Policy itself, then the terms of the Companies Law and the Compensation Policy, as applicable, will prevail.

### **I. General Statement of Purpose**

The purpose of the Committee is to:

- Assist the Board in discharging its responsibilities relating to (i) the compensation of the Company’s directors, chief executive officer and other executive officers, and (ii) the overall Company’s compensation programs.
- Recommend to the Board for its approval the Compensation Policy, in accordance with the requirements of the Companies Law and any other compensation policies, incentive-based compensation plans and equity-based plans (collectively, the “Compensation Plans and Policies”).
- Oversee the development and implementation of the Compensation Plans and Policies that are appropriate for the Company in light of all relevant circumstances and recommend to the Board any amendments or modifications to the Compensation Plans and Policies that the Committee deems appropriate, including the extension of Compensation Plans and Policies as required by the Companies Law.
- Determine whether to approve transactions concerning the terms of engagement and employment of the Company’s chief executive officer, other executive officers and directors that require Committee approval under the Companies Law or the Compensation Plans and Policies.
- Take any further actions as the Committee is required or allowed to under the Companies Law or the Compensation Plans and Policies.
- Review and approve, or if required by law, approve and recommend for approval by the Board, grants and awards under the Company’s equity incentive plans.
- Review the adequacy of this Charter on an annual basis, and recommend to the Board any amendments or modifications to the Charter that the Committee deems appropriate.

## **II. Committee Composition**

The number of individuals serving on the Committee shall be fixed by the Board from time to time but shall consist of no fewer than three (3) members, each of whom shall satisfy the independence standards established pursuant to Listing Rule 5605(a)(2) of The NASDAQ Stock Market Rules (also taking into consideration the tests set forth in Listing Rule 5605(d)(2)(A) of The NASDAQ Stock Market Rules). All of the Company's external directors appointed to the Board under the Companies Law shall be appointed to the Committee and shall constitute a majority of its members.

In determining whether a person is eligible to serve on the Committee, the Board shall consider, among others, whether such person is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company to determine whether such affiliation would impair such person's judgment as a member of the Committee. Without derogating from the generality of the preceding sentence, a person shall not serve on the Committee if such person does not qualify to serve as a member of the Committee under the Companies Law.

The members of the Committee shall be appointed by the Board and may be replaced or removed, other than the external directors, by the Board at any time with or without cause. Resignation or removal of a director from the Board, for whatever reason, shall automatically constitute resignation or removal, as applicable, from this Committee. Vacancies occurring, for whatever reason, may be filled by the Board. The Board shall designate one member of the Committee to serve as Chairperson of the Committee who must be an external director which has not served in such capacity for a period of over nine years. All rights available to members of the Committee in their capacities as directors of the Company shall be fully applicable with respect to their service on the Committee or any subcommittee thereof.

## **III. Compensation**

A member of the Committee may not receive directly or indirectly from the Company any compensatory fee except as provided in the regulations promulgated under the Companies Law pertaining to external directors' compensation.

## **IV. Meetings**

The Committee shall meet as necessary in person or by teleconference (using telephone or other communications equipment) by means of which all persons participating in the meeting can hear each other. A majority of the members of the Committee shall constitute a quorum for purposes of holding a meeting and the Committee may act by a vote of a majority of members present at such meeting. Subject to the restrictions of the Compensation Plans and Policies, the Committee may act by unanimous written consent in lieu of a meeting. The Committee shall maintain written minutes, which minutes shall be maintained with the books and records of the Company.

Committee's actions shall be reported to the Board with such conclusions or recommendations on an ongoing basis. Such conclusions or recommendations which are subject to the approval of the Board will be brought to the attention of the directors a reasonable period of time prior to the discussion of such conclusions at the meeting of the

Board.

A person who is not eligible to be appointed as a member of the Committee shall not attend meetings, unless the Chairperson of the Committee deems such person is required in order to present a certain issue, however (i) an employee of the Company who is not the controlling shareholder or his relative may be present at the meeting, so long as a decision is made without his presence, *provided, however*, that the chief executive officer of the Company shall not be present during voting or deliberation on his or her compensation; and (ii) the Company's general counsel and corporate secretary which are not a controlling shareholder or his relative may be present during meeting and the decision making, if so requested by the Committee.

## **V. Advisers**

The Committee may, in its sole discretion, retain or obtain the advice of compensation consultants, legal counsels (other than the Company's in-house legal counsel, if any) and other advisers (collectively, "Advisers"). The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any Adviser retained by it, and the Company shall provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to any Adviser retained by the Committee.

In determining whether to retain any person to serve as an Adviser, the Committee shall take into consideration the following factors: (i) the provision of other services to the Company by the person that employs the Adviser; (ii) the amount of fees received from the Company by the person that employs the Adviser, as a percentage of the total revenue of the person that employs the Adviser; (iii) the policies and procedures of the person that employs the Adviser that are designed to prevent conflicts of interest; (iv) any business or personal relationship of the Adviser with a member of the Committee; (v) any share capital of the Company owned by the Adviser; and (vi) any business or personal relationship of the Adviser or the person employing the Adviser with officers, directors or executives of the Company.

Nothing in this Article V shall be construed to require the Committee to implement or act consistently with the advice or recommendations of the Advisers, or to affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties.

The Committee shall conduct the independence assessment outlined in this Article V with respect to any Adviser. However, after considering the six independence factors outlined above, the Committee may select, or receive advice from, any Adviser, including ones that are not independent.

In addition, notwithstanding the above, the Committee shall not be required to take into considerations the independence factors set forth above prior to retaining Advisors that act in a role limited to the following activities: (i) consulting on any broad-based plan that does not discriminate in scope, terms, or operation, in favor of officers, executives or directors of the Company, and that is available generally to all salaried employees; and/or (ii) providing information that either is not customized for the Company or that is customized based on parameters that are not developed by the Adviser, and about which

the Adviser does not provide advice.

**VI. General**

In carrying out its responsibilities, the Committee shall be entitled to rely upon advice and information that it receives in its discussions and communications with management and any Advisers with whom the Committee may consult. The Committee shall have the authority to request that any officer or employee of the Company, the Company's outside legal counsel, the Company's independent auditor or any other professional retained by the Company to render advice to the Company, attend a meeting of the Committee or meet with any members of, or Advisers to, the Committee.

The Committee may perform such other functions as may be requested by the Board from time to time.

AS AMENDED: May 8, 2017