



**ALLOT LTD.**

**AUDIT COMMITTEE CHARTER**

May, 2017

## A. PURPOSE

The purpose of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Allot Ltd., an Israeli company listed on the Nasdaq Stock Market and the Tel Aviv Stock Exchange (the “**Company**”), is to:

- to oversee the Company’s accounting and financial reporting processes, the Company’s relationship with its outside auditor and the audits of the Company’s financial statements; and
- to oversee, review and/or monitor other matters as set forth herein, as directed by the Board from time to time, or as otherwise required by applicable law, regulations and the applicable Nasdaq Listing Rules, including the applicable provisions of the Israeli Companies Law, 5759-1999 (as amended from time to time, the “**Companies Law**”).

## B. STRUCTURE & MEMBERSHIP

1. Number. The Committee shall be comprised of at least three members of the Board, including all of the Outside Directors (as such term is defined in the Companies Law). The number of members of the Committee shall be determined from time to time by the Board.

2. Independence. Except as otherwise permitted by applicable law or the Nasdaq Listing Rules, each member of the Committee shall (as affirmatively determined by the Board):

- meet the qualifications for audit committee membership set forth in the Nasdaq Listing Rules and the Companies Law;
- be an “independent director” (as such term is defined in the Nasdaq Listing Rules, as amended from time to time); without derogating from the foregoing, at least a majority of the members must qualify as “independent directors” under the Companies Law;
- not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years;
- meet the independence criteria set forth in Rule 10A-3(b)(1) (subject to the exemptions provided in Rule 10A-3(c)) promulgated under the Securities Exchange Act of 1934, as amended (including the rules thereunder, the “**Exchange Act**”); and
- not be the Chairman of the Board, nor an employee or service provider of the Company or its “controlling shareholder” or an entity controlled by such controlling shareholder, nor a “controlling shareholder” or “relative” thereof, nor anyone whose primary income is dependent on the controlling shareholder, all as more fully set forth in Section 115 of the Companies Law (and the applicable definitions therein).

3. Financial Literacy. Each member of the Committee shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement, at the time of his or her appointment to the Committee. In addition, at least one member of the Committee shall possess the financial sophistication required by the Nasdaq Listing Rules, as amended from time to time, and qualify as an "audit committee financial expert" (as defined in Item 16A of Form 20-F, as amended from time to time), as determined by the Board.

4. Appointment and Removal; Chairman. Subject to applicable law, the members of the Committee shall be appointed and removed (with or without cause) by the Board. The members of the Committee who are also Outside Directors shall serve for the duration of their respective terms and may only be removed in accordance with the provisions of the Companies Law. Unless the Board elects a Chairman of the Committee, the members of the Committee shall appoint a Chairman by majority vote. The Chairman must be an Outside Director.

### **C. PROCEDURES & ADMINISTRATION**

1. Meetings. The Committee will meet as often as the Committee or its Chairman deem necessary in order to carry out its duties, but in any event at least once during each fiscal quarter, either in person, via teleconference or similar means of communication. Without derogating from the foregoing, the Committee shall meet at the request of (i) the Chairman or any two members of the Committee or (ii) the Company's internal auditor if the Chairman believes that there is cause for a meeting on the matter specified in the internal auditor's request. In accordance with the Companies Law, the Committee shall notify (i) the Company's internal auditor of all the Committee's meetings and (ii) the Company's outside auditor of all the Committee's meetings in which a matter relating to the audit of the Company's financial statements is to be discussed, and allow such auditors to participate in such meetings, as applicable, subject to a determination by the Committee to exclude them from any part of the meeting to the extent permitted under applicable law. The Committee shall, at such times as it deems appropriate, meet separately with management, the internal auditor and/or the outside auditor to discuss any matters that the Committee or any of these persons or firms believe should be discussed privately.

2. Independent Advisors. The Committee is empowered, without Board approval, to engage independent counsel, accountants or other experts and advisors, as it deems necessary to carry out its duties.

3. Investigations. In carrying out its duties, the Committee is empowered to investigate any matter within the scope of its responsibilities with full access to all books, records, facilities and personnel of the Company, including the authority to request any director, officer, employee or advisor of the Company to meet with the Committee and/or with any advisors engaged by the Committee.

4. Funding. The Committee is empowered, without further action by the Board, to cause the Company to pay:

- compensation to any registered public accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, including, but not limited

to, the payment of all audit and non-audit engagement fees and expenses of the Company's outside auditor;

- the reasonable fees and expenses of the advisors engaged by the Committee under Article C-2 above; and
- ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

5. Reports; Minutes. The Committee shall report regularly to the Board with respect to its meetings, decisions and recommendations. Decisions or recommendations that require approval of the Board shall be brought to the knowledge of directors a reasonable time before the discussion thereof at the Board meeting. The Committee shall maintain minutes of its meetings and provide to the Board copies of such minutes and any resolutions adopted in writing pursuant to applicable law and the Company's Articles of Association.

6. Charter. The Committee shall review and reassess the adequacy of this Charter on an annual basis and recommend any proposed changes to the Board for approval.

7. Quorum. A quorum at a meeting of the Committee shall be constituted by the presence, in person or by any other means of communication by which the members may hear each other simultaneously, of at least a majority of the members of the Committee then in office; provided that a majority of the members present are independent directors (as defined in the Companies Law), including at least one of the Outside Directors. The approval of a majority of the members present and voting shall be the act of the Committee.

8. Non-member Participation. Except as permitted by the Companies Law, persons who would not qualify as members of the Committee may not attend the Committee's meetings, unless the Chairman determines that such person is required in order to present a certain matter. Notwithstanding the foregoing, if requested by the Committee, (i) an employee of the Company who is not a "controlling shareholder" or "relative" thereof may be present during the deliberations of the Committee but not during voting and (ii) without derogating from Article 8(i), the Company's legal counsel and secretary, if such person is not a "controlling shareholder" or "relative" thereof, may be present during the deliberations and voting of the Committee.

#### **D. AUTHORITIES & RESPONSIBILITIES**

1. General. The Committee shall take such actions as it deems advisable in order to fulfill its purposes and carry out its duties. Specifically, the Committee shall:

##### ***Management Flaws***

- examine flaws in the management of the Company's business, including in consultation with the Company's internal auditor and/or the Company's outside auditor, and to recommend remedial measures to the Board. If a material flaw is found, the Committee shall conduct at least one meeting with respect thereto, with the Company's internal auditor or outside auditor, as applicable, and without the presence of office holders who are not members of the Committee, except that an

office holder may attend in order to present his position on a matter within his responsibility if requested by the Committee.

### ***Outside Auditor***

- recommend the accounting firm that should be appointed by the Company's shareholders as the Company's outside auditor. The Committee shall be directly responsible for overseeing the work of the outside auditor (including resolution of disagreements between management and the outside auditor regarding financial reporting) engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.
- consider the independence of the outside auditor. Specifically, the Committee shall request from the outside auditor annually a formal written statement delineating all relationships between the auditor and the Company. The Committee shall actively engage in a dialogue with the outside auditor with respect to any such disclosed relationships or services that may impact the objectivity and independence of the outside auditor and take, or recommend that the Board take, appropriate action to ensure the independence of the outside auditor. In doing so, the Committee shall review with the outside auditor the issues of (i) rotating audit partners (which rotation shall occur at least as frequently as required by the auditor pursuant to Section 10A(j) of the Exchange Act) and (ii) hiring by the Company of former employees of the outside auditor (as to which the Company's policy shall be at least as strict as the provisions of Section 10A(l) of the Exchange Act).
- obtain and review annually a written report by the outside auditor describing (i) the firm's internal quality-control procedures; and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting any independent audit carried out by the firm, and any steps taken to deal with any such issues;
- recommend that the engagement of the Company's outside auditor be terminated or not renewed, if the Committee believes that action to be necessary or appropriate after giving the outside auditor a reasonable opportunity to be heard.
- pre-approve all auditing and permissible non-auditing services of the outside auditor, except as otherwise permitted by applicable law. The Committee may establish policies and procedures to pre-approve such services between meetings of the Committee, subject to the ratification of the Committee, provided that the policies and procedures are detailed as to the particular services and the Committee is informed of each service so approved at the next meeting of the Committee. The Committee may consult with management in the decision making process but may not delegate this authority to management.

### ***Financial Reporting***

- review with management and the outside auditor the annual and quarterly financial statements of the Company, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations", any material changes in accounting principles or practices used in preparing the financial statements prior to the filing of a report on Form 20-F with the SEC, and the items required by Statement of Auditing Standards No. 114 and Statement of Auditing Standards No. 100, as applicable, and any other item required to be communicated under applicable rules, including without limitation, any difficulties the outside auditor encountered in performing the audit and any disagreements with the Company's management.
- obtain, review and discuss reports from the outside auditor, and take appropriate actions in connection therewith, regarding: (i) all critical accounting policies and practices to be used; (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the Company, ramifications of the use of these alternative disclosures and treatments, and the treatment preferred by the outside auditor and the reasons for favoring that treatment; and (iii) other material written communications between the independent auditor and Company management, such as any management letter or schedule of unadjusted differences.
- discuss with management generally the types of financial information (including earnings guidance and "non-GAAP" financial information) to be disclosed in earnings press releases and earnings calls, as well as to analysts and rating agencies.
- review with the Company's general counsel legal and regulatory matters that could have a material impact on the financial statements.
- review with management, the internal auditor and the outside auditor the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- review reports, if any, of the outside auditor relating to illegal acts that have or may have occurred, pursuant to Section 10A(b) of the Exchange Act, determine and consider the possible effect of the legal act on the Company financial statements and take appropriate actions in connection therewith.

***Internal Auditor***

- recommend to the Board a candidate to serve as the Company's internal auditor for appointment by the Board, subject to independence requirements required by applicable laws, rules and regulations.
- examine the Company's internal audit function, and ensure that the internal auditor has been provided with the resources and tools necessary to perform his duties properly, in light of the particular nature of the Company and its size.

- oversee and supervise the performance of the internal auditor and approve his annual, periodic and ad hoc work plans. the Chairman of the Committee is authorized to order the internal auditor to perform a specific internal audit on an ad hoc basis with respect to matters that require an urgent review.
- recommend that the engagement of Company's internal auditor be suspended or terminated by the Board, after granting the internal auditor a reasonable opportunity to be heard before the Committee.

### ***Internal Controls***

- review with the Company's outside auditor and management the adequacy of the Company's system of internal control over financial reporting, including information systems controls and security, as well as any related significant findings and recommendations of the outside auditor, internal auditor and/or management, and take, or recommend that the Board shall take, appropriate actions in connection therewith.
- receive, review and discuss reports, if any, of the Company's CEO and CFO relating to the Company's internal controls over financial reporting referred in the certifications filed with the Company's Form 20-F, and take appropriate actions in connection therewith.

### ***Related-Party Transactions***

- ensure that the Company conducts, on an ongoing basis, an appropriate review of all related-party transactions for potential conflict of interest situations. Pursuant to the Nasdaq Listing Rules, as amended from time to time, any transaction that is required to be disclosed pursuant to Item 7.B of Form 20-F, must be approved by the Committee. Pursuant to Sections 255 and 268 through 275 of the Companies Law, certain transactions must be approved by the Committee and, in some cases, by the Board as well, and in some cases, by the Company's shareholders as well. In addition, the Committee shall determine whether an action of an office holder is "material" (for purposes of considering how and whether to approve a conflict of interests pursuant to Section 255 of the Companies Law) and whether a related party transactions is an "extraordinary transaction" (for purposes of considering how and whether to approve it pursuant to Sections 268 to 275 of the Companies Law), and may establish, in advance once a year, guidelines for the Company's management to determine the same with respect to types of actions and transactions.

The foregoing functions are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate under the circumstances, including, but not limited to, performing additional activities as required by the Board, applicable law or applicable Nasdaq Listing Rules or as the Committee deems appropriate to achieve its purposes.

2. Whistleblower Procedures and Protection. The Committee shall establish policies and procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, and auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, (ii) the confidential, anonymous submission by employees of concerns or complaints regarding questionable accounting or auditing matters or other irregularities or flaws in the management of the Company's business and (iii) the protection of employees who submit the aforementioned complaints or concerns.

3. Scope of Duties. The Committee has the authorities and responsibilities delineated in this Charter, but nothing herein is intended to expand the applicable standards of liability under Israeli or U.S. federal law for directors of a company. It is not the Committee's duty to prepare the Company's financial statements, to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with GAAP. These are the responsibilities of management and the outside auditor, as applicable. Nothing herein shall derogate from Section 171(c) of the Companies Law, which requires that the Company's financial statements be approved by the Board and signed on its behalf. Accordingly, the Committee shall carry out the applicable duties set forth herein with respect to financial statements before such financial statements are presented to the Board for approval.

**E. AMENDMENT**

The Board may make, repeal, alter, amend or rescind any or all of the provisions of this Charter.

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Last amended: May, 2017.