

Compensation Committee Charter

This Compensation Committee Charter (the “**Charter**”) has been adopted by the Board of Directors (the “**Board**”) of Tower Semiconductor Ltd. (the “**Company**”). The Compensation Committee shall review and reassess this Charter annually and recommend any proposed changes to the Board for approval, all in accordance with the requirements and provisions of the Israeli Companies Law, 1999 (the “**Companies Law**”) as well as any other applicable laws or regulations.

1. Purpose

The purpose of this Charter is to clearly define the Compensation Committee’s responsibilities and authority, as applicable to the Company by Israeli, US and any other applicable laws and regulations, and as determined by the Board.

2. Composition, Participation and Procedures

2.1. Committee Composition:

2.1.1. The Compensation Committee must have at least 3 members.

2.1.2. The chairman must be an External Director, as such term is defined in the Companies Law.

2.1.3. The Compensation Committee must include all External Directors, and they must constitute a majority of its members.

2.1.4. All remaining members must be directors who (i) are only paid in accordance with the regulations enacted pursuant to the Companies Law governing the compensation of External Directors and (ii) are not ineligible to serve as members of the Compensation Committee pursuant to the Companies Law. The following individuals are ineligible to serve on the Compensation Committee:

- The chairman of the board of directors,
- Any director who is also a Company employee
- Any director who is also a Company service provider, or otherwise providing services to the controlling shareholder or entity under such controlling shareholder's control
- A controlling shareholder and any relative of a controlling shareholder.

2.1.5. Each director who is a member of the Compensation Committee will be subject to reappointment as a director by the shareholders at the end of his/her term, and, other than the External Directors, may be removed by the Board from the Compensation Committee at any time.

2.2. Committee Participation:

- 2.2.1. One who is not permitted to serve on the Compensation Committee may not be present at the committee meetings, unless the chairman of the committee established that he/she is required to present a particular topic however even with such consent, such person may not be present during the deliberations and at the time a decision is reached.
- 2.2.2. Notwithstanding the foregoing, (i) an employee of the Company who is not the controlling shareholder or his relative may be present at the meeting, so long as such person is not present at the time a decision is reached and (ii) the general counsel and the company's secretary, who are not the controlling shareholder or his/her relatives, may be present during the discussion and resolution in the committee, at the committee's request.
- 2.3. The Compensation Committee will meet as often as it deems necessary or appropriate, in its judgment, either in person or by teleconference, and at such times and places as the Compensation Committee shall determine.
- 2.4. The majority of the members of the Compensation Committee constitutes a quorum for the purposes of holding a meeting, and the Compensation Committee may act by vote of a majority of its members present at such meeting.
- 2.5. Subject to general restrictions of the Companies Law, and its particular restrictions in connection with any matters which are required to be deliberated by the Compensation Committee at a meeting, the Compensation Committee may act by unanimous written consent in lieu of a meeting.
- 2.6. The Compensation Committee's actions and recommendations shall be reported to the Board on an ongoing basis. Such actions 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 matters at the meeting of the Board.
- 2.7. The Compensation Committee shall maintain written minutes, which minutes shall be maintained with the books and records of the Company.

3. Responsibilities

The Compensation Committee shall advise the Board with respect to the compensation of senior Company employees and shall determine certain compensation awards for employees. Specifically, the Compensation Committee will:

- 3.1. Recommend to the Board the corporate compensation policy for directors and officers, in accordance with the requirements of the Companies Law, and

- recommend to the Board once every 3 years regarding extension of the compensation policy that has been approved for a period of more than 3 years;
- 3.2. Recommend to the Board regarding the update of the compensation policy from time to time and examine its implementation;
 - 3.3. Decide whether to approve the terms of office and employment of directors and officers that require approval of the Compensation Committee;
 - 3.4. Decide in certain circumstances whether to exempt the approval of terms of office and employment of a newly appointed candidate for CEO who has no affiliation with a controlling shareholder and whose proposed terms are consistent with the compensation policy which was adopted by the company, from the requirements of shareholders' approval;
 - 3.5. Review and approve, in accordance with Annex 1 attached to the Charter, share options grants to employees under the Company's Share Incentive Plan and other plans as approved by the Board;
 - 3.6. Review and approve other benefit plans pertaining to officers of the Company;
 - 3.7. Subject to Board approval, approve the amendment or modification of any compensation or benefit plan pertaining to officers of the Company, that does not require shareholder approval;
 - 3.8. Determine that certain changes to ongoing transactions with non-director officers of the Company with respect to their terms of office and employment are non material changes to the existing terms of office and employment;
 - 3.9. Make reports and recommendations to the Board within the scope of its functions;
and
 - 3.10. Review the adequacy of the Charter from time to time and recommend any changes thereto to the Board.

4. Advisers.

The directors on the Compensation Committee may consult with external advisers and consultants, in accordance with the provisions set forth in the Companies Law governing the retention of external consultants by directors for the purposes of fulfilling their roles and responsibilities as directors, including with respect to preparation of the Compensation Policy and its update, as well as for purposes of supervision of implementation of the Compensation Policy.

The Compensation Committee shall have broad authority to engage Advisers and shall have appropriate funding, as determined by the Compensation Committee, for the payment of

reasonable compensation to any Adviser. Before selecting or receiving advice from an Adviser, the Compensation Committee is required to consider the following independence factors:

- the provision of other services to the Company by the person that employs the Adviser;
- the amount of fees received from the Company by the person that employs the Adviser, as a percentage of the total revenue of such employer;
- the policies and procedures of the person that employs the Adviser that are designed to prevent conflicts of interest;
- any business or personal relationship of the Adviser with a member of the Compensation Committee;
- any stock of the Company owned by the Adviser; and
- any business or personal relationship of the Adviser or the person employing the Adviser with an executive officer of the Company.

The Compensation Committee is not required to obtain the advice of an Adviser and is not prohibited from receiving advice from an Adviser that is not independent. However, if the Committee chooses to obtain the advice of an Adviser, the independence factors above must be considered before the Committee retains or receives advice from any Adviser. The Compensation Committee is not required to implement or act consistently with the advice or recommendations of an Adviser and the Committee may exercise its own judgment in fulfilling its duties.

Notwithstanding the above, the Compensation Committee is not required to assess the independence of an Adviser whose services are limited to (i) consulting on any broad-based, nondiscriminatory plan that is generally available to all salaried employees or (ii) providing information that either is not customized for the Company or is customized based on parameters that are not developed by the Adviser, and about which the Adviser does not provide advice.

In addition, the requirement to assess the independence of Advisers applies to outside legal counsel that provides advice to the Compensation Committee, but not in-house counsel.

Annex 1

Procedure for the Approval of Options Grants to Employees

All employee options grants (except for CEO and other officers) shall be approved by the Compensation Committee as follows:

1. Corporate Secretary sends an email to the Compensation Committee members with the relevant details including name of grantee, position at the Company, date of start of employment, number of options to be granted, range for similarly ranked position, relevant work experience and education.
2. Compensation Committee members comment and/or decide to approve via email.
3. Once approved by the Compensation Committee, the Corporate Secretary shall effect the grant as of the date of the email of the last Compensation Committee member noting approval of the grant.