

**CHARTER OF THE COMPENSATION COMMITTEE  
OF THE BOARD OF DIRECTORS OF  
VARONIS SYSTEMS, INC.**

Effective as of February 17, 2014

---

**I. PURPOSE OF THE COMMITTEE**

The purposes of the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Varonis Systems, Inc., a Delaware corporation (the "Corporation"), shall be to oversee the Corporation's compensation and employee benefit plans, programs and practices, including its executive compensation plans, and its incentive-compensation and equity-based plans; to review and discuss with management the Corporation's compensation discussion and analysis ("CD&A") to be included in the Corporation's annual proxy statement or annual report on Form 10-K filed with the Securities and Exchange Commission ("SEC"); to prepare the Compensation Committee Report as required by the rules of the SEC; and to perform such further functions as may be consistent with this Charter or assigned by applicable law, the Corporation's certificate of incorporation, bylaws or charters or the Board.

**II. COMPOSITION OF THE COMMITTEE**

The Committee shall consist of two or more directors as determined from time to time by the Board. Each member of the Committee shall be qualified to serve on the Committee pursuant to the requirements of the NASDAQ Stock Market, Inc. ("NASDAQ"), SEC rules and regulations and any additional requirements that the Board deems appropriate.

Each member of the Committee must meet the following criteria (as well as any criteria required by NASDAQ or the SEC or any additional requirement that the Board deems appropriate):

(a) be an "independent director" as defined under the applicable NASDAQ rules, regulations and listing requirements, except as may otherwise be permitted by the NASDAQ rules;

(b) satisfy the independence requirements and additional independence criteria under Rule 10C-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act");

(c) be a "non-employee director," as defined in Rule 16b-3 under Section 16 of the Exchange Act;

(d) be an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code");

(e) be free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a Committee member; and

(f) meet any other requirements imposed by applicable law, regulations or rules, subject to any applicable exemptions and transition provisions, as well as any additional requirements that the Board may deem appropriate.

Members of the Committee may have advantage of the phase-in schedules in compliance with the Committee composition requirements for initial public offerings pursuant to NASDAQ and SEC rules and regulations.

The chairperson of the Committee shall be designated by the Board, *provided* that if the Board does not so designate a chairperson, the members of the Committee, by a majority vote, may designate a chairperson.

Any vacancy on the Committee shall be filled by majority vote of the Board. No member of the Committee shall be removed except by majority vote of the Board.

### **III. MEETINGS AND PROCEDURES OF THE COMMITTEE**

The Committee shall meet as often as it determines necessary to carry out its duties and responsibilities, but no less than twice annually. The Committee may establish its own meeting schedule, which it shall provide to the Board. The Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary, *provided*, that the Chief Executive Officer of the Corporation may not be present during any portion of a Committee meeting in which deliberation or any vote regarding his or her compensation occurs.

A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum.

The Committee shall maintain minutes of its meetings and records relating to those meetings and shall report regularly to the Board on its activities, as appropriate.

### **IV. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE**

#### **A. *Executive Compensation***

The Committee shall have the following duties and responsibilities with respect to the Corporation's executive compensation plans:

(a) To review at least annually the goals and objectives of the Corporation's executive compensation plans and amend, or recommend that the Board amend, these goals and objectives if the Committee deems it appropriate.

(b) To review at least annually the Corporation's executive compensation plans in light of the Corporation's goals and objectives with respect to such plans and, if

the Committee deems it appropriate, adopt, or recommend to the Board the adoption of, new, or the amendment of existing, executive compensation plans.

(c) To evaluate annually the performance of the Chief Executive Officer in light of the goals and objectives of the Corporation's executive compensation plans, and, review and make recommendations to the Board with respect to the Chief Executive Officer's compensation level based on this evaluation. In determining the long-term incentive component of the Chief Executive Officer's compensation, the Committee shall consider factors as it determines relevant, which may include, for example, the Corporation's performance and relative stockholder return, the value of similar awards to chief executive officers of comparable companies, and the awards given to the Chief Executive Officer in past years. The Committee may discuss the Chief Executive Officer's compensation with the Board if it chooses to do so.

(d) To evaluate annually the performance of the other executive officers of the Corporation in light of the goals and objectives of the Corporation's executive compensation plans and review and approve with respect to the compensation of such other executive officers. To the extent that long-term incentive compensation is a component of such executive officer's compensation, the Committee shall consider all relevant factors in determining the appropriate level of such compensation, including the factors applicable with respect to the Chief Executive Officer.

(e) To evaluate annually the appropriate level of compensation for Board and Committee service by non-employee directors.

(f) To review and approve any severance or termination arrangements to be made with any executive officer of the Corporation.

(g) To perform such duties and responsibilities as may be assigned to the Board or the Committee under the terms of any executive compensation plan.

(h) To review perquisites or other personal benefits to the Corporation's executive officers and directors and recommend any changes to the Board.

(i) To consider the results of the most recent stockholder advisory vote on executive compensation as required by Section 14A of the Exchange Act and, to the extent the Committee determines it appropriate to do so, take such results into consideration in connection with the review and approval of executive officer compensation.

(j) To review and discuss with management the Corporation's CD&A and other compensation disclosure prepared in response to the requirements of SEC rules, and based on that review and discussion, to recommend to the Board that the CD&A and other compensation disclosure be included in the Corporation's annual proxy statement, annual report on Form 10-K or any information statement, registration statement or similar document.

(k) To review compensation arrangements for the Corporation's employees to evaluate whether incentive and other forms of pay encourage unnecessary or excessive

risk taking, and review and discuss, at least annually, the relationship between risk management policies and practices, corporate strategy and the Company's compensation arrangements.

(l) To the extent it deems necessary, review and approve the terms of any compensation "clawback" or similar policy or agreement between the Corporation and the Corporation's executive officers or other employees subject to Section 16 of the Exchange Act.

(m) To prepare the Compensation Committee Report in accordance with the rules and regulations of the SEC for inclusion in the Corporation's annual proxy statement or annual report on Form 10-K.

Notwithstanding anything to the contrary in the foregoing, the Committee shall have sole discretion and authority with respect to any action regarding compensation payable to the Chief Executive Officer or other executive officers of the Corporation that the Committee intends to constitute "qualified performance-based compensation" for purposes of section 162(m) of the Code and the Treasury Regulations promulgated thereunder.

***B. General Compensation and Employee Benefit Plans***

The Committee shall have the following duties and responsibilities with respect to the Corporation's general compensation and employee benefit plans, including incentive-compensation and equity-based plans:

(a) To review at least annually the goals and objectives of the Corporation's general compensation policies, plans, programs and other employee benefit plans, including incentive-compensation and equity-based plans, and amend, or recommend that the Board amend, these goals and objectives if the Committee deems it appropriate.

(b) To review at least annually the Corporation's general compensation policies, plans, programs and other employee benefit plans, including incentive-compensation and equity-based plans, in light of the goals and objectives of these plans, and recommend that the Board amend these plans if the Committee deems it appropriate.

(c) To review all equity-compensation plans to be submitted for stockholder approval under the NASDAQ listing standards, and to review and, in the Committee's sole discretion, approve all equity-compensation plans that are exempt from such stockholder approval requirement.

(d) To perform such duties and responsibilities as may be assigned to the Board or the Committee under the terms of any compensation or other employee benefit plan, including any incentive-compensation or equity-based plan.

**C. *Miscellaneous***

(a) To exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein or as may from time to time be delegated to the Committee.

(b) To perform such other functions as assigned by applicable law, the Corporation's certificate of incorporation, bylaws or charters or the NASDAQ and SEC rules and regulations, and take such other actions and perform and carry out any other responsibilities and duties delegated to it by the Board or as the Committee deems necessary or appropriate consistent with its purpose.

**V. *ROLE OF CHIEF EXECUTIVE OFFICER***

The Chief Executive Officer may make, and the Committee may consider, recommendations to the Committee regarding the Corporation's compensation and employee benefit plans and practices, including its executive compensation plans, its incentive-compensation and equity-based plans with respect to executive officers other than the Chief Executive Officer and the Corporation's director compensation arrangements.

**VI. *EVALUATION OF THE COMMITTEE***

The Committee shall, no less frequently than annually, evaluate its performance. In conducting this review, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope and shall recommend such changes as it deems necessary or appropriate. The Committee shall address all matters that the Committee considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, the manner in which they were discussed or debated, and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner.

The Committee shall deliver to the Board a report, which may be oral, setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Corporation's or the Board's policies or procedures.

**VII. *INVESTIGATIONS AND STUDIES; OUTSIDE ADVISERS***

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and may, in its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel or other adviser. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel or other adviser retained by the Committee, the expense of which shall be borne by the Corporation. The Committee may select a compensation consultant, legal counsel or other adviser to the Committee

only after taking into consideration all factors relevant to that person's independence from management, including the following:

- (a) The provision of other services to the Corporation by the person that employs the compensation consultant, legal counsel or other adviser;
- (b) The amount of fees received from the Corporation by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
- (c) The policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
- (d) Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the Committee;
- (e) Any stock of the Corporation owned by the compensation consultant, legal counsel or other adviser; and
- (f) Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Corporation.

The Committee shall conduct the independence assessment with respect to any compensation consultant, legal counsel or other adviser that provides advice to the Committee, other than: (i) in-house legal counsel; and (ii) any compensation consultant, legal counsel or other adviser whose role is limited to the following activities for which no disclosure would be required under Item 407(e)(3)(iii) of Regulation S-K: consulting on any broad-based plan that does not discriminate in scope, terms or operation, in favor of executive officers or directors of the Corporation, and that is available generally to all salaried employees; or providing information that either is not customized for the Corporation or that is customized based on parameters that are not developed by the compensation consultant, and about which the compensation consultant does not provide advice.

Nothing herein requires a compensation consultant, legal counsel or other compensation adviser to be independent, only that the Committee considers the enumerated independence factors before selecting or receiving advice from a compensation consultant, legal counsel or other compensation adviser. The Committee may select or receive advice from any compensation consultant, legal counsel or other compensation adviser it prefers, including ones that are not independent, after considering the six independence factors outlined above.

Nothing herein shall be construed: (1) to require the Committee to implement or act consistently with the advice or recommendations of the compensation consultant, legal counsel or other adviser to the Committee; or (2) to affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties.

The Corporation will provide for appropriate funding, as determined by the Committee, for: (i) payment of compensation to any compensation consultant or legal counsel retained by the Committee; (ii) ordinary administrative expenses of the Committee that are necessary and appropriate in carrying out its functions; and (iii) the commission of any necessary studies or surveys concerning the levels of executive compensation payable in the industry in which the Corporation is engaged and in other related industries or obtaining recommendations from outside/independent consultants concerning comparable compensation programs.

## **VIII. COMPENSATION**

Members of the Committee will receive such fees or other compensation, if any, for their service as Committee members as may be determined by the Board, which may include additional compensation for the chairperson. Such fees may include retainers or per meeting fees and will be paid in such form of consideration as is determined by the Board in accordance with applicable law and NASDAQ and SEC rules and regulations.

\* \* \*

While the members of the Committee have the duties and responsibilities set forth in this Charter, nothing contained in this Charter is intended to create, or should be construed as creating, any responsibility or liability of members of the Committee, except to the extent otherwise provided under applicable federal or state law.