

CAESARSTONE SDOT-YAM LTD. (THE “COMPANY”)

AUDIT COMMITTEE CHARTER

The Board of Directors (the “**Board**”) of the Company has constituted and established an Audit Committee (the “**Committee**”) with the authority, responsibility and specific duties as described in this Audit Committee Charter (this “**Charter**”).

I. Purpose

The purpose of the Committee is to:

(a) oversee the accounting and financial reporting process of the Company and the audits of the financial statements of the Company; (b) assist the Board in its oversight of (i) the integrity of the Company’s financial statements, (ii) the Company’s compliance with legal and regulatory requirements, (iii) the selection, retention and termination, subject to shareholder approval, of the Company’s independent auditor, review its scope of audit and recommend the Board on its compensation; (iv) risk assessment and risk management; and (v) the Company’s internal accounting and financial controls; and provide the Company’s Board with the results of its monitoring and recommendations derived therefrom (c) pre-approve of all audit, audit-related and all permitted non-audit services, if any, by the Company’s independent auditor, and the compensation therefor]; (d) make such determinations as to the approval of certain engagements or transactions to the extent required under the Israeli Companies Law, 5759-1999 (the “**Companies Law**”); (e) determine, as required under the Companies Law, how to approve certain engagements or transactions with a Controlling Shareholder (as defined in the Companies Law) that the Committee deems as insignificant; such determination may be subject to principles and guidelines predetermined on an annual basis; and (f) fulfill any other duties of the Committee as shall be required under the Companies Law.

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.

The Committee relies on the expertise and knowledge of management and the independent auditor in carrying out its oversight responsibilities. Management of the Company is responsible for determining that the Company’s financial statements are complete, accurate and in accordance with generally accepted accounting principles. The independent auditor is responsible for auditing the Company’s financial statements. It is not the duty of the Committee to plan or conduct audits, determine that the financial statements are complete and accurate and in accordance with generally accepted accounting principles, conduct investigations, or assure compliance with laws and regulations or the Company’s standards of business conduct, codes of ethics, internal policies, procedures and controls.

II. Membership

The membership of the Committee shall consist of three or more members of the Board. The members of the Committee are to be independent as determined in accordance with applicable law, including the Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC promulgated thereunder, the rules of the Nasdaq Stock Market, except as otherwise permitted under applicable law, and the Companies Law.

In addition, the majority of the members of the audit committee will be required to be independent as defined under the Companies Law, meaning, an external director or a director who meets the following conditions and who is appointed or classified as such according to the Companies Law: (1) The qualifying conditions for appointed as an external director (as set forth in the Companies Law) are satisfied and the Committee approved it; (2) He does not serve as a director at the company for over nine consecutive years, and for that matter any interruption of up to two years in his service will not stop the continuity of his service.

All “external directors” of the Company appointed under the Companies Law (the “External Directors”) shall be members of the Committee.

In accordance with the Companies Law, the following shall be disqualified from serving as members of the Committee: the Chairperson of the Board, any director who is employed by the Company or by its controlling shareholder or by an entity controlled by the controlling shareholder, any director who renders services to the Company on a regular basis or to its controlling shareholder or to an entity controlled by the controlling shareholder, any director who derives most of its income from the controlling shareholder, and any controlling shareholder and his relatives.

No member of the Committee may have participated in the preparation of the financial statements of the Company or any of the Company’s current subsidiaries during the preceding three years.

In addition, in accordance with the rules of the Nasdaq Stock Market, each member of the Committee must be able to read and understand fundamental financial statements (including a company’s balance sheet, income statement and cash flow statement), and at least one member must have past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background, such as a current or past position as a chief executive officer or chief financial officer or other senior officer with financial oversight responsibilities, that results in the member’s financial sophistication. At least one member of the Committee shall be an “audit committee financial expert” (as such term is defined by SEC rules).

The Committee’s members shall be appointed by the independent members of the Board (as defined under the rules of the Nasdaq Stock Market). Members shall serve until their successors are duly designated and qualified. The Committee’s Chairperson shall be designated by the Board and he is required to be an External Director. 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, provided

that the presence of at least one External Director shall be required at a meeting of the Committee in which the approval of a Related Party Transaction (as defined below) is considered.

III. Meetings

The Committee shall meet at least once every fiscal quarter, or more frequently as circumstances require. The Committee may ask members of management or others to attend the meetings and provide pertinent information, as necessary, provided, however, that no person may attend meetings or any portion thereof to the extent prohibited by the Companies Law. In addition, the Committee shall, at such times as it deems appropriate, meet separately with management, the internal auditor, representatives of the internal auditing department, if any, and the independent auditor to discuss any matters that the Committee or any of these persons or firms believe should be discussed privately. The Committee shall act to maintain free and open communication between the Committee, the independent auditor, the internal auditor and management of the Company.

Whoever is disqualified from serving as member of the Committee, as set forth above, may not be present at the Committee's meetings, unless the chairperson of the Committee determined that such person is required to be present at the meeting or if such person applies one of the exemptions in the Companies Law.

The internal auditor shall be provided with notices of all meetings of the Committee, and shall be entitled to participate in such meetings, subject to a determination by the Committee to exclude the internal auditor from all or any part of the meeting to the extent permitted under applicable law. The internal auditor may request the Chairperson of the Committee to call a meeting in order to discuss a matter detailed by the internal auditor's request, and the Chairperson shall call the meeting within a reasonable time, if the Chairperson deems fit.

The Committee shall have the power, without Board approval and at the Company's expense, to retain and terminate outside counsel, and other experts and consultants to assist the Committee in connection with its responsibilities, and shall have the sole authority to approve such firms' fees and other retention terms.

Subject to applicable law, the Committee may delegate its authority to subcommittees established from time to time by the Committee. Such subcommittees shall consist of one or more members of the Committee or the Board and shall report to the Committee.

IV. Responsibilities

The Committee's specific responsibilities in carrying out its oversight role are delineated in the Committee Responsibilities Calendar. As the compendium of Committee responsibilities, the most recently updated Responsibilities Calendar will be considered to be an addendum to this Charter. The Committee will review and reassess the adequacy of this Charter annually to reflect changes in regulatory requirements, authoritative guidance and evolving oversight practices and recommend any proposed changes to the Board.

CAESARSTONE SDOT-YAM LTD.
AUDIT COMMITTEE RESPONSIBILITIES CALENDAR

Key: X When Performed at Audit Committee Meetings

<u>Independent Auditor:</u>	Q1	Q2	Q3	Q4	As Required
1. Retain and terminate the independent auditor subject to approval of the Board and the shareholders. In making its determination regarding the retention or termination of the independent auditor and otherwise as it deems necessary from time to time, the Committee shall:					
a. (i) at least annually obtain and review a written report by the independent auditor describing (a) the firm's internal quality-control procedures and (b) any material issues raised by the most recent Public Company Accounting Oversight Board 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; and (ii) review the independent auditor's work throughout the year, including obtaining the opinions of management;				X	X
b. receive written statements from the independent auditor delineating all relationships between the independent auditor and the Company, discuss with the independent auditor any disclosed relationships or services that may impact the objectivity and independence of the independent auditor and recommend any appropriate actions to be taken; and				X	X
c. review the independent auditor's written submission to the Company of annual fees billed.				X	
d. meet periodically in separate executive sessions with the Company's independent auditor.					

<p>2. Pre-approve all audit, audit-related and all permitted non-audit services, and related fees and terms, to be provided to the Company by the independent auditor under applicable law and regulations. The Committee may, in accordance with applicable law, establish pre-approval policies and procedures for the engagement of independent auditor to render services to the Company, including a delegation of authority to its Chairperson. The pre-approval of auditing and non-auditing services can be carried out with input from, but no delegation of authority to, management.</p>	X	X	X	X	X
<p>3. Discuss with management the timing and process for the rotation of the lead audit partner and the reviewing partner as required by applicable law and rules.</p>					X
<p>4. Establish policies for hiring employees or former employees of the independent auditor in accordance with applicable law and regulations.</p>	X				
<u>Internal Accounting and Financial Controls:</u>					
<p>1. Review on a continuing basis the adequacy and effectiveness of the Company's system of internal control over financial reporting.</p>	X	X	X	X	X
<p>2. Evaluate whether management is effectively communicating to employees and other persons retained by the Company the importance of internal accounting and financial control effectiveness.</p>				X	X
<p>3. Determine whether internal accounting and financial control improvement recommendations made by the internal auditor and the independent auditor have been appropriately implemented in a timely manner by management.</p>				X	X

4. Review with management, the internal auditors and the independent auditor (i) the Company’s major financial risk exposures and the steps management has taken to monitor and control such exposures, and (ii) the processes followed for assessment of internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002, the disclosure regarding such assessment and any attestation by the independent auditor thereon.	X	X	X	X	
<u>Financial Reporting:</u>					
1. Review with management and the independent auditor the annual and quarterly financial statements of the Company prior to publication and/or filing (or submission, as the case maybe) with the SEC.	X	X	X	X	
2. Discuss with management, and review prior to submission, any responses to SEC comment regarding the Company’s financial statements or financial reporting.					X
3. Discuss with management generally the types of financial information (including earnings guidance) to be disclosed in earnings press releases and earnings calls, as well as to analysts and rating agencies.	X	X	X	X	
4. Receive periodic reports from the independent auditor regarding:					
a. critical accounting policies and practices;	X	X	X	X	
b. all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the issuer, ramifications of the use of alternative disclosures and treatments and the treatment preferred by the independent auditor; and	X	X	X	X	
c. other material written communications between the independent auditor and management, including any management letter or schedule of adjusted differences.	X	X	X	X	

5. Review with the Company's general counsel legal and regulatory matters that could have a material impact on the financial statements.	X	X	X	X	X
6. Review with the independent auditor: (i) the scope and results of the audit and quarterly limited review; (ii) any problems or difficulties that the auditor encountered in the course of the audit work, and management's response; and (iii) any questions, comments or suggestions the auditor may have relating to the internal controls and accounting practices and procedures of the Company.	X			X	
7. Review and discuss with the independent auditor the independent auditor's judgments as to the quality, not just the acceptability, of the Company's accounting principles.	X				
8. Discuss with the independent auditor matters relating to the conduct of the audit, including any difficulties encountered in the course of the audit effort, restrictions on the scope of procedures or access to requested information and any significant disagreements with management.	X				
9. Periodically review and discuss with management and the independent auditor significant accounting and reporting issues, including financial reporting pronouncements and proposals, and understand their impact on the Company's financial statements.					X
10. Establish procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters, and review any complaints or concerns received pursuant to such procedures.	X				X

11. Review with management and the independent auditor risks of material misstatements due to fraud, and the process and controls implemented by the Company to manage the risks.	X				X
12. Meet periodically in separate executive sessions with the Company's Chief Financial Officer and Chief Executive Officer.					
<u>Internal Auditor:</u>					
1. Recommend to the Board the retention and termination of the internal auditor, and the internal auditor's engagement fees and terms, in accordance with the Companies Law.	X				
2. Approve the yearly or periodic work plan proposed by the internal auditor.				X	X
3. Review and discuss the work of the internal auditor on a quarterly basis.	X	X	X	X	X
4. Review whether the Company should implement an internal audit function consisting of employees of the Company and, if so, review the internal audit function, including its independence, effectiveness, proposed control review plans and resources for the coming year (determining whether the internal auditor has sufficient resources and tools to dispose of its responsibilities, taking into consideration the Company's special needs and size), and the coordination of such plans with the independent public accountant.				X	
<u>Legal Compliance:</u>					
1. Review and monitor with the Company's general counsel or external legal counsel, as appropriate any legal matters that could have a significant impact on the Company's financial statements.	X	X	X	X	X

<p>2. Receive reports of suspected business irregularities and legal compliance issues through periodic and, when appropriate, immediate reporting by members of the Company’s management, legal counsel, the independent or internal auditors or pursuant to any “whistleblower policy” adopted the Committee. Establish procedures for handling complaints by the Company's employees with respect to deficiencies in its business operations, including the protection to be granted to such complaining employees. In the event that the Committee is informed of any irregularities, it will suggest to the Board remedial courses of action. The Committee shall be fully entitled to rely on reports that it receives and shall be under no obligation to conduct any independent investigation or verification.</p>	X	X	X	X	X
<p>3. Oversee the Company’s policies and procedures regarding compliance with: (i) the law (including the Foreign Corrupt Practices Act); (ii) with significant corporate policies and (iii) applicable financial and accounting related standards, rules and regulations and make recommendations to the Board concerning these matters.</p>	X	X	X	X	
<u>Other Responsibilities:</u>					
<p>1. Review and consider the approval of related party transactions in accordance with the NASDAQ Rules, the Companies Law or as referred by the Board (each, a “Related Party Transaction”).</p>					X
<p>2. Apply criteria for classification of transactions and actions as extraordinary transactions and material actions and classify certain transactions or actions accordingly, and, if required by the Companies Law, review and consider their approval, including whether a competitive bidding process or other procedures are required with respect to certain Related Party Transactions (based on the type of transaction).</p>					

3. Determine standards and policies for determining whether a transaction with a Controlling Shareholder or a transaction in which a Controlling Shareholder has a personal interest is deemed insignificant or not and the approval requirements (including, potentially, the approval of the Committee) for transactions that are not insignificant including the types of transactions that are not insignificant.					
4. Discuss Company policies with respect to risk assessment and risk management, and review contingent liabilities and risks that may be material to the Company and relevant major legislative and regulatory developments that could materially impact the Company's contingent liabilities and risks.					
5. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities.					X
6. Any other responsibility set forth in the Companies Law, as may be from time to time.					X
7. Annually review and assess the adequacy of this charter (including the structure, processes and membership requirements of the Committee) and recommend any proposed changes to the Board for approval.				X	
8. Conduct an annual self-performance evaluation of the Committee.				X	
9. Perform such other duties as may be requested by the Board.					X

V. Reporting

The Committee will apprise the Board regularly of its decisions and recommendations and of significant developments in the course of performing the above responsibilities and duties. Without derogating from the aforesaid, the Committee shall submit any recommendation or resolution which is subject to Board approval a reasonable time prior to the contemplated Board meeting.

VI. Minutes

The Committee will maintain written minutes of its meetings.

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