

# COMPENSATION COMMITTEE CHARTER

*Note: This charter was adopted as of October 21, 2004 and will take effect on, and not before, the effective date of the Corporation's registration statement on Form S-1.*

## 1. STATUS

The Compensation Committee (the "**Committee**") is a committee of the Board of Directors (the "**Board**") of Ormat Technologies, Inc. (the "**Corporation**").

## 2. PURPOSE

The purpose of the Committee is to:

- determine and approve the compensation of the Corporation's senior executive officers (defined as the Chief Executive Officer (the "**CEO**") and all other executive officers of the Corporation) and to make recommendations to the Board regarding non-CEO compensation, incentive-compensation plans and equity-based plans; and
- prepare an annual report on executive compensation required by the rules and regulations of the Securities and Exchange Commission (the "**SEC**") for inclusion in the Corporation's proxy statement or, (or in such other periodic report or filing required by the SEC) in accordance with applicable rules and regulations.

## 3. MEMBERSHIP

The Committee shall be appointed by the Board based on recommendations of the Nominating and Corporate Governance Committee, and shall be comprised of three or more Directors (as determined from time to time by the Board). For so long as the Corporation is a controlled corporation and therefore exempt from the compensation committee independence rules of the New York Stock Exchange, Inc. (the "**NYSE**") at least two of the Committee members shall be "independent" as that term is defined in the Corporation's Corporate Governance Guidelines and under the NYSE rules. Should the Corporation cease to be a controlled corporation or otherwise lose the benefit of the exemption from the NYSE compensation committee independence requirements, then all Committee members shall be "independent" as aforesaid. Additionally, there shall be at least two members who are both (1) a "Non-employee director" as that term is defined for

purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and (2) an "outside director" as that term is defined for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended. No member of the Committee may (except in his or her capacity as a member of the Committee, the Board or any other Board committee) receive, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation, other than fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service to the Corporation (provided that such compensation is not contingent in any way on continued service).

#### **4. APPOINTMENT AND REMOVAL**

The members of the Committee shall be elected by the Board based on the recommendations of the Nominating and Corporate Governance Committee and shall serve until the first meeting of the Board following the Annual Meeting of Shareholders and until their successors are elected or until their earlier death, resignation or removal, with or without cause, in the discretion of the Board. In the event of a vacancy on the Committee for any reason, the Board shall elect another director to replace the departed Director for the remainder of the unexpired term. Unless a Chair is elected by the Board, the members of the Committee shall elect a Chair by majority vote of the full Committee membership.

#### **5. DUTIES AND RESPONSIBILITIES**

The Committee shall have the following duties and responsibilities:

- in consultation with senior management, to make recommendations to the Board as to the Corporation's general compensation philosophy and to oversee the development and implementation of compensation programs;
- to review and approve corporate goals and objectives relevant to the compensation for the CEO, to evaluate the performance of the CEO in light of those goals and objectives, and to determine and approve the compensation level of the CEO based on this evaluation;
- to review and approve the annual compensation of the CEO and any of the Corporation's five other most highly compensated executive officers who receive total compensation in excess of \$1 million per annum (including the granting of options, restricted stock, stock appreciation rights and other equity-based grants to such officers), and any new compensation programs applicable to such executives;
- to review periodically proposed changes to the benefits and perquisites provided to the Corporation's executives and employment agreements, severance arrangements and change in control agreements and provisions relating to the Corporation's executives;

- in determining the long-term incentive component of executive compensation, the Committee shall consider the Corporation's performance and relative shareholder return, the value of similar incentive awards to executive officers in comparable positions at comparable companies, and awards given to the executive officers of the Corporation in past years;
- to review the Corporation's policies on the tax deductibility of compensation paid to "covered employees" (as defined by Section 162(m)), and, as and when required to administer plans, establish performance goals and certify that performance goals have been attained for purposes of Section 162(m);
- to make recommendations to the Board with respect to the adoption, amendment, termination or replacement of the incentive-compensation plans and equity-based plans and revenue sharing plans established or maintained by the Corporation from time to time (each, a "**Plan**");
- to discuss with management periodically, as it deems appropriate, reports from management regarding the Corporation's regulatory compliance with respect to compensation matters; and
- to recommend to the Board the compensation for Board members, such as retainers, committee chair fees, stock options and other similar items as appropriate, and pursuant to the Corporation's Corporate Governance Guidelines.

## 6. **POWERS AND AUTHORITY**

The Board delegates to the Committee all powers and authority that are necessary or appropriate to fulfill its duties and obligations hereunder, including, without limitation:

- to interpret the provisions of the Plans;
- to establish such rules as it finds necessary or appropriate for implementing or conducting the Plans;
- to make all other decisions and determinations, if any, required of the Committee by the terms of the Plans or as the Committee considers appropriate for the operation of the Plans and the distribution of benefits thereunder; and
- to establish subcommittees for the purpose of evaluating special or unique matters.

## **7. COMMITTEE STRUCTURE AND OPERATIONS**

- The Board, taking into account the views of the Chair of the Board, shall designate one member of the Committee as its chairperson.
- The Committee shall meet at least once annually, with further meetings to occur, or actions to be taken by unanimous written consent, when deemed necessary or desirable by the Committee or the Chair of the Committee. A majority of the Committee members shall constitute a quorum and a majority of the members present shall decide any question brought before the Committee.
- The Committee may delegate its authority to a subcommittee or subcommittees.
- The Committee shall promptly inform the Board of the actions taken or issues discussed at its meetings. This will generally take place at the Board meeting following a Committee meeting.

## **8. PROCEDURES**

The Chair of the Committee shall establish such rules as may from time to time be necessary or appropriate for the conduct of the business of the Committee, including without limitation rules for the operation of the Committee intended to preserve the tax deductibility of compensation paid to "covered employees" as defined by Section 162(m). The Chair shall appoint as secretary a person who may, but need not, be a member of the Committee or be eligible for benefits under one or more of the Plans. A certificate of the secretary of the Committee setting forth the names of the members of the Committee or actions taken by the Committee shall be sufficient evidence at all times as to the persons constituting the Committee or such actions taken.

## **9. PERFORMANCE REVIEW**

The Committee shall conduct an annual performance evaluation of itself, including a review of the compliance of the Committee with this Charter. The Committee shall annually review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval. The Committee shall also produce an Annual Report of the Compensation Committee on Executive Compensation for inclusion in the Corporation's annual proxy statement (or in such other periodic report or filing required by the SEC) in accordance with applicable SEC rules and regulations.