

**Charter of the Compensation Committee  
of the Board of Directors of  
Cambridge Display Technology, Inc.**

As Adopted by the Board of Directors  
7 October 2004

As Amended by the Board of Directors  
30 March 2006

This Charter sets forth, among other things, the purpose, membership and duties and responsibilities of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Cambridge Display Technology, Inc. (the “Corporation”).

**1. Purpose**

The purpose of the Committee is: (a) to discharge the Board’s responsibilities relating to compensation of the Corporation’s executives; and (b) to prepare any report on executive compensation required by the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) for inclusion in the Corporation’s annual proxy statement.

**2. Membership**

The Committee shall consist of at least three members. The members of the Committee shall be appointed by the Board on the recommendation of a majority of the independent directors, who shall recommend for Committee membership such directors as they believe are qualified. Members of the Committee shall serve at the pleasure of the Board for such term or terms as the Board may determine.

In accordance with the rules of the Nasdaq National Market, Inc., in conjunction with the initial public offering and listing of the common stock of the Corporation, the Committee shall have one independent member at the time of listing, a majority of independent members within 90 days of listing and all independent members within one year of listing. Each such independent member of the Committee shall satisfy the director independence requirements of the Nasdaq National Market, Inc. Each Committee member shall be a “Non-Employee Director” for the purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as in effect from time to time, and an “outside director” for the purposes of Section 162(m) of the Internal Revenue Code, as in effect from time to time.

**3. Structure and Operations**

The Board shall designate one member of the Committee as its chairperson. The affirmative vote of a majority of the members of the Committee is necessary for the adoption of any resolution. The Committee may create one or more subcommittees and may delegate, in its discretion, all or a portion of its duties and responsibilities to such subcommittees.

The Committee shall have at least three regularly scheduled meetings per year, at such times and places as shall be determined by the Committee chairperson, and may have such additional meetings as the Committee chairperson or a majority of the Committee's members deem necessary or desirable. Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communications arrangements by means of which all persons participating in the meeting can hear each other. The Committee may invite such members of management to its meetings as it may deem desirable or appropriate, consistent with the maintenance of the confidentiality of compensation discussions; provided, however, that the Committee shall meet in executive session when it considers the compensation of the Chief Executive Officer (the "CEO").

#### **4. Duties and Responsibilities**

The Committee's duties and responsibilities shall include each of the items enumerated in this Section 4 and such other matters as may from time to time be delegated to the Committee by the Board.

- (a) The Committee shall establish the Corporation's general compensation philosophy, and, in consultation with senior management, oversee the development and implementation of compensation programs.
- (b) The Committee shall, at least annually, (i) review and approve corporate goals and objectives relevant to the compensation of the Corporation's CEO, (ii) evaluate the performance of the CEO in light of those goals and objectives, (iii) report the results of such evaluation to the Board and (iv) have the authority, either as a committee or together with the other independent directors (as directed by the Board), to determine the CEO's compensation level based on this evaluation.
- (c) The Committee shall, at least annually, review and approve all compensation arrangements with the CEO and the other executive officers of the Corporation, including, without limitation: (i) the annual base salary level; (ii) the annual incentive opportunity level; (iii) the long-term incentive opportunity level; (iv) employment agreements, severance arrangements and change-in-control agreements/provisions, in each case as, when and if appropriate; and (v) any special or supplemental benefits or management perquisites.
- (d) The Committee shall review and make recommendations to the Board with respect to the Corporation's non-CEO compensation, incentive-compensation plans and equity-based plans and oversee the administration of these plans and discharge any responsibilities imposed on the Committee by any of these plans.
- (e) The Committee shall periodically review the compensation of the Corporation's directors and make recommendations to the Board with respect thereto.
- (f) The Committee shall annually review the Corporation's plans for the succession of key executives following their retirement or other departure from the employment of the Corporation.

(g) The Committee shall oversee the Corporation's regulatory compliance with respect to compensation matters, including the Corporation's policies on structuring compensation programs to preserve tax deductibility, and, as and when required, establishing performance goals and certifying that performance goals have been obtained for purposes of Section 162(m) of the Internal Revenue Code.

(h) The Committee shall report to the Board periodically on all matters for which the Committee has responsibility.

(i) The Committee shall prepare an annual report regarding executive compensation for inclusion in the Corporation's annual proxy statement in accordance with applicable SEC rules and regulations.

(j) The Committee shall undertake and review with the Board an annual performance evaluation of the Committee, which shall compare the performance of the Committee with the requirements of this Charter and set forth the goals and objectives of the Committee for the upcoming year. The Committee shall conduct such performance evaluation in such manner as the Committee deems appropriate, and may report the results of its performance evaluation through an oral report by the chairperson of the Committee or any other member of the Committee designated by the Committee to make this report.

(k) The Committee shall annually review and reassess the adequacy of this Charter and recommend to the Board for approval such changes as the Committee believes are appropriate.

(l) The Committee shall exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board.

## **5. Authority and Resources**

The Committee may, without further approval by the Board, obtain such advice and assistance from outside accounting, legal or other advisors as the Committee determines to be necessary or advisable in connection with the discharge of its duties and responsibilities hereunder. Any accounting, legal or other advisor retained by the Committee may, but need not, be in the case of an outside accountant, the same accounting firm employed by the Corporation for the purpose of rendering or issuing an audit report on the Corporation's annual financial statements, or in the case of outside counsel or other advisor, otherwise engaged by the Corporation for any other purpose.

The Corporation shall pay to any compensation consultant or outside accounting, legal or other advisor retained by the Committee pursuant to the preceding paragraph such compensation, including, without limitation, usual and customary expenses and charges, as shall be determined by the Committee.