

## **CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF CYMER, INC.**

### **PURPOSE:**

The purpose of the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Cymer, Inc. ("Cymer"), established pursuant to this charter, is to aid the Board of Directors in meeting its responsibilities with regard to oversight and determination of executive compensation. Among other things, the Committee reviews, evaluates, recommends and approves salaries, and all other forms of compensation to be provided to Cymer's executive officers, including stock compensation, and bonuses, and administers Cymer's stock option and employee stock purchase plans (including reviewing, recommending and approving stock option grants to executive officers).

The Compensation Committee has the authority to undertake the specific duties and responsibilities listed below and will have the authority to undertake such other specific duties as the Board of Directors from time to time prescribes.

### **COMPENSATION PHILOSOPHY:**

The goals of Cymer's compensation policy are to attract, retain and reward executive officers and key managers and employees who contribute to Cymer's overall success by offering compensation that is competitive in the industry, to motivate executives and key managers and employees to achieve Cymer's business objectives and to align the interests of officers with the long-term interests of stockholders. Cymer uses salary, incentive plans, stock options and various benefit plans to achieve these goals. Salaries, incentive plans and stock options are tied to achieving company and/or specific individual objectives for meeting business expectations.

### **MEMBERSHIP:**

The Compensation Committee shall consist of a minimum of two (2) independent directors of Cymer as determined by the Board of Directors, and as defined in Rule 4200 of the Nasdaq Marketplace Rules. One Committee member shall be the chair, who will be chosen by the Nominating and Corporate Governance Committee. The members of the Compensation Committee are appointed by and serve at the discretion of the Board of Directors upon recommendation of the Nominating and Corporate Governance Committee of the Board, and may be removed by the Board at any time. If any one of the appointed Committee members ceases to be an independent director, the Board will promptly select another independent director to serve in his or her place on the Committee.

## RESPONSIBILITIES:

The Compensation Committee seeks to provide that the Chief Executive Officer, other officers, and key Cymer management are compensated and motivated effectively in a manner consistent with Cymer's business objectives, competitive practices/trends, the requirements of appropriate regulatory bodies, Cymer's compensation philosophy, and fiduciary and corporate responsibilities, including internal equity considerations. The Committee shall be charged with the following functions:

1. To meet in executive session to review and approve on an annual basis Cymer's corporate goals and objectives with respect to compensation for the Chief Executive Officer. The Committee shall determine the amount, form, and terms of such compensation, including salary, bonus, incentive and equity compensation, after reviewing the annual performance evaluation of the CEO conducted by the Board of Directors in light of these corporate goals and objectives. Additionally, the Committee shall consider other information relevant to CEO compensation, including competitive market data pertaining to CEO compensation at comparable companies, and such other factors as it shall deem relevant, and shall be guided by, and seek to promote, the best interests of Cymer and its stockholders.
2. To determine salaries, bonuses, and other matters relating to compensation of Cymer's executive officers. In determining the amount, form, and terms of such compensation, the Committee shall consider the officer's performance in light of corporate goals and objectives relevant to executive compensation, competitive market data pertaining to executive compensation at comparable companies, and such other factors as it shall deem relevant, and shall be guided by, and seek to promote, the best long-term interests of Cymer and its stockholders. The Committee shall have the power to establish "acquire and hold" policies for Cymer officers with respect to Cymer's equity compensation plans. Cymer's CEO may be present at meetings during which such compensation is under review and consideration, but may not vote.
3. To review, evaluate and approve all compensation-related agreements with executive officers, such as employment agreements, if any, severance agreements and change of control agreements, and all forms of compensation to be provided to Cymer's executive officers, including benefit plans and programs;
4. To review and establish insurance coverage for executive officers, such as directors and officers or key manager coverage, as deemed necessary and appropriate.

5. To review and make recommendations to the Board of Directors regarding the compensation policy for Cymer's executive officers, and other such Cymer officers as the Board directs.
6. To review, evaluate and make recommendations to the Board with respect to stockholder proposals related to compensation matters.
7. To review, evaluate and make recommendations and/or determinations to the Board of Directors regarding general compensation goals, guidelines, and plans for Cymer's employees, the criteria by which employees' bonuses are determined, and benefit plans and programs generally, including Cymer's 401k plan, health coverage, and dental coverage plans, to each of which Cymer makes regular contributions.
8. To review and amend, as necessary, the provisions of Cymer's stock option or other equity incentive plans, to the extent authorized by the Board, and make recommendations to the Board with respect to incentive compensation and equity-based plans.
9. To approve for submission to Cymer's stockholders stock option or other equity incentive plans or amendments thereto.
10. To act as Administrator (as defined therein) of Cymer's 1996 Stock Option Plan, 2000 Equity Incentive Plan, and 1996 Employee Stock Purchase Plan. In its administration of the plans, the Compensation Committee may, pursuant to authority delegated by the Board of Directors (a) grant stock options or stock purchase rights to individuals eligible for such grants; and (b) amend such stock options or stock purchase rights, within the limits and parameters of the plan documents. The Compensation Committee shall also make recommendations to the Board of Directors with respect to amendments to the plans and changes in the number of shares reserved for issuance thereunder;
11. To review and make recommendations to the Board of Directors regarding other plans that are proposed for adoption or adopted by Cymer for the provision of compensation to employees of, and consultants to Cymer;
12. To prepare a report (to be included in Cymer's proxy statement) which describes: (a) the criteria on which compensation paid to the Chief Executive Officer for the last completed fiscal year is based; (b) the Compensation Committee's executive compensation policies applicable to executive officers.
13. To oversee and approve the management succession and continuity planning process. Review and evaluate the succession plans relating to the CEO and other executive officer positions, and make recommendations to the Board regarding the selection of individuals to occupy these positions.

14. In fulfilling its responsibilities, as set forth in this charter, the Compensation Committee shall have authority to delegate its authority to subcommittees, including subcommittees consisting solely of one or more Cymer employees, in each case to the extent permitted by applicable law, and subject to such reporting to or ratification by the Committee as the Committee shall direct.
15. To perform such other functions and have such other powers as may be necessary or convenient in the efficient and lawful discharge of the foregoing.
16. To report to the Board of Directors from time to time or whenever it shall be called upon to do so.
17. Annually discuss and evaluate the performance of the Compensation Committee as a whole, and review and reassess the adequacy of its charter and recommend any changes to the full Board.

#### MEETINGS:

The Compensation Committee will meet at least once each quarter and hold additional meetings as the Compensation Committee deems appropriate, including by written consent. However, the Compensation Committee may establish its own schedule, which it will provide to the Board of Directors in advance. At a minimum of one meeting annually, the Committee will consider stock plans, performance goals and incentive awards, and the overall coverage and composition of the compensation package. When necessary, the Committee shall meet in executive session outside of the presence of any of Cymer's senior executive officers. The Chair of the Compensation Committee shall report on activities of the Committee to the full Board.

#### MINUTES:

The Compensation Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board of Directors, and will be prepared and distributed to each Cymer director after each meeting.

#### ACCESS TO NECESSARY RESOURCES

In fulfilling its responsibilities, the Compensation Committee shall have the authority to contact and utilize the services and expertise of Cymer employees and management and outside consultants, and shall be afforded resources sufficient, to engage independent compensation consultants or legal advisers when determined by the Committee to be necessary or appropriate. The Compensation Committee shall have sole authority to retain and terminate any such consultant or legal adviser, including sole authority to approve the fees and other retention terms.