

**ENERGY CONVERSION DEVICES, INC.**  
**COMPENSATION COMMITTEE CHARTER**

**PURPOSE**

The Compensation Committee (the "Committee") shall: (A) assist the Board of Directors of Energy Conversion Devices, Inc. in overseeing the Company's management compensation policies and practices, including (i) determining and approving the compensation of the Company's Chief Executive Officer and other executive officers, (ii) reviewing, approving and, where appropriate, exercising discretion in the administration of management incentive compensation policies and programs, and (iii) reviewing and approving equity compensation programs for employees, and exercising discretion in the administration of such programs; (B) annually review the nonemployee directors' overall compensation program and recommend changes as appropriate to the Board; and (C) prepare the report of the Committee required by the rules of the Securities and Exchange Commission.

**COMPOSITION AND TERM**

The Committee shall be composed entirely of "independent directors," as required by Nasdaq Stock Market, Inc. listing standards and any other legal requirement as shall be in effect. The Board shall, in the exercise of its business judgment, determine the independence of directors for this purpose. Members of the Committee shall also qualify as "non-employee directors," within the meaning of Rule 16b-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, and "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.

The Committee shall consist of at least three directors appointed by the Board upon the recommendation of the Corporate Governance and Nominating Committee at the annual meeting of the Board following the annual meeting of stockholders, and shall serve until their successors shall be duly elected and qualified or their earlier resignation or removal. In appointing members to the Committee, the Board shall consider attributes such as the following:

- (1) Whether an individual has sufficient time to commit to service on the Committee.
- (2) Whether an individual has experience with setting compensation policies, procedures, and programs and in the review and administration of executive and director compensation programs.
- (3) Whether an individual has a strong understanding of financial performance measurements.

- (4) Whether an individual brings skills and abilities not otherwise possessed by other Committee members that would aid the Committee in the execution of its duties and responsibilities.

The Chairman of the Committee shall be appointed from among the Committee members by the Board, shall preside at meetings of the Committee and shall have authority to convene meetings, oversee agendas for meetings, and determine the Committee's information needs, except as otherwise provided by action of the Committee. In the absence of the Chairman at a duly convened meeting, the Committee shall select a temporary substitute from among its members to serve as chair of the meeting.

### **COMMITTEE MEETINGS**

The Committee shall meet on a regularly-scheduled basis at least four times per year, or more frequently as it deems to be necessary or appropriate, either in person or telephonically, and at such times and places as the Committee shall determine. Meetings may be called by the Chair of the Committee and/or the Chairman of the Board and/or the Chief Executive Officer of the Company. The Committee may take action by written consent. The Company's Chief Human Resources Officer will be the management liaison to the Committee and the Company's Corporate Secretary will act as the Committee Secretary. The management of the Company will prepare a preliminary agenda for the regularly-scheduled meetings for review and approval by the Committee Chairman. The Committee shall meet in executive session without the presence of any members of management as often as it deems appropriate.

### **KEY RESPONSIBILITIES**

The Committee shall:

- (1) Establish and review the Company's overall management compensation philosophy and policy.
- (2) Assure that the Company's annual incentive plan and the long-term incentive plan are administered in a manner consistent with the Company's compensation philosophy and policy as to participation, target annual incentive awards and the Company's performance goals.
- (3) Review the Company's benefit programs and recommend material changes for consideration by the Board as appropriate.
- (4) Review the list of peer companies to which the Company shall compare itself for compensation purposes.
- (5) Review and approve corporate goals and objectives relevant to the compensation of the Company's executive officers, including annual and long-term performance goals and objectives.

- (6) Review and authorize any employment, compensation, benefit or severance agreement with any executive officer.
- (7) Review and approve annually the corporate goals and objectives with respect to compensation for the chief executive officer. The Committee shall evaluate once a year the chief executive officer's performance in light of these established goals and objectives and based upon these evaluations shall make recommendations to the Board the annual compensation, including salary, bonus and equity and non-equity incentive compensation, of the chief executive officer.
- (8) Review and approve annually the evaluation process and compensation structure for the Company's senior executive officers. The Committee shall evaluate the performance of the Company's senior executive officers and shall approve the annual compensation, including salary, bonus and equity and non-equity incentive compensation, for such senior executive officers based on recommendations by the CEO.
- (9) Assist the board in evaluating potential candidates for executive positions, including the chief executive officer, and to oversee the development of executive succession plans.
- (10) Review and recommend for consideration by the stockholders and/or the Board of Directors, as appropriate, all new equity-related incentive plans and changes to existing plans. The Committee shall have and shall exercise all the authority of the Board of Directors with respect to the administration of such plans.
- (11) Periodically review changes to the rules and regulations that may impact the design and delivery of executive compensation, including tax, accounting and securities laws requirements.
- (12) Conduct a comparison and review of the Company's performance vs. officer compensation to evaluate and assure appropriate pay-for-performance alignment.
- (13) Review the form and amount of all nonemployee director compensation (including compensation of the Non-Executive Chairman and all Board Committee chairs) annually and make recommendations thereon to the Board.
- (14) Review and discuss with management the Company's Compensation Discussion and Analysis (CD&A) to recommend to the board that the CD&A be included in the Company's proxy statement.
- (15) Review and discuss management's risk assessment with respect to all employee compensation policies and practices and report to Board if such

policies and practices create risks that are reasonably likely to have a material adverse effect on the Company and are to be disclosed in the proxy.

- (16) Establish annual goals and objectives for the Committee. The Committee shall evaluate once a year its performance in light of these goals and objectives and annually report its performance to the Board.
- (17) Conduct an annual self-evaluation of the performance of the Committee, including its effectiveness and compliance with this Charter.
- (18) Review and reassess the adequacy of this Charter annually, and recommend to the Board amendments to the Charter as the Committee deems appropriate.
- (19) Report regularly to the Board on Committee findings and recommendations and any other matters the Committee deems appropriate or the Board requests, and maintain minutes or other records of Committee meetings and activities.

#### **OTHER MATTERS**

The Committee shall have the authority to retain any legal counsel, compensation consultants or other advisors to assist it in carrying out its activities. The Company shall provide adequate resources to support the Committee's activities, including the compensation of the Committee's counsel, consultants and other advisors. The Committee shall have the sole authority to retain, compensate, direct, oversee and terminate counsel, compensation consultants and other advisors hired to assist the Committee.

The Committee has full authority to form, and delegate specific responsibilities to, ad hoc subcommittees, as deemed appropriate, it being that the Committee shall retain primary responsibility therefore.