

MENTOR GRAPHICS CORPORATION COMPENSATION COMMITTEE CHARTER

Committee Membership

The Board of Directors (the “Board”) of Mentor Graphics Corporation (the “Company”) will appoint from among its members a Compensation Committee (the “Committee”). The Committee will consist of at least three members of the Board, each of whom must be determined by the Board to be independent under Nasdaq rules. In addition, a person may serve on the Compensation Committee only if the Board determines that he or she is (a) a “Non-Employee Director” as defined in Rule 16b-3 under the Securities Exchange Act of 1934 and (b) an “outside director” as defined in regulations under Section 162(m) of the Internal Revenue Code.

Purposes

The primary purposes of the Committee are to:

1. Assist the Board in fulfilling its responsibilities relating to the design, administration and oversight of employee compensation programs and benefit plans.
2. Discharge the Board’s duties relating to compensation of executive officers.
3. Recommend for the Board’s approval matters relating to director compensation.

Duties and Responsibilities

The Committee shall:

1. Determine annual base and incentive compensation, equity incentives, benefit plans, perquisites and all other compensation for the chief executive officer and the other executive officers. The chief executive officer may not be present during voting or deliberations regarding his or her compensation.
2. Make recommendations to the Board regarding fees and other compensation for directors.
3. Review the design, administration and effectiveness of the Company’s compensation programs and benefit plans for employees, and recommend to the Board the adoption and/or amendment of employee compensation programs and benefit plans.
4. Exercise all authority delegated by the Board to the Compensation Committee under the Company’s compensation plans, including the authority to approve periodic stock option grants and other equity awards.
5. Obtain advice and assistance from internal and external legal, accounting, and other advisors or consultants as necessary or advisable to assist in the evaluation of compensation and benefit plans.

6. Retain a consulting firm to assist in the evaluation of officer and director compensation if the Committee in its discretion determines that the firm's services are advisable and on terms and conditions the Committee determines.

7. Review and approve the Compensation Committee Report for the Company's proxy statement.

8. Review and discuss with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K (the "CD&A") and based on the review and discussion determine whether to recommend to the Board that the CD&A be included in the Company's annual report on Form 10-K or proxy statement.

9. Perform such other functions as may be assigned by the Board from time to time.

Committee Structure and Operations

The Board shall designate one member of the Committee as its chairperson. The Committee shall meet at least two times a year, with further meetings to occur, or actions to be taken by unanimous written consent, when deemed necessary or desirable by the Committee or its chairperson. Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other.

Last Updated: April, 2007