



AUDIT COMMITTEE CHARTER

1. MEMBERSHIP REQUIREMENTS

The Audit Committee (the “*Committee*”) of Cadence Design Systems, Inc. (the “*Company*”) shall consist of at least three members, subject to any available exception, all of whom shall have been determined by the Board of Directors of the Company (the “*Board*”) to:

- (i) satisfy the applicable independence standards for audit committee service imposed by Rule 10A-3 of the Securities Exchange Act of 1934, as amended (together with the rules and regulations promulgated thereunder, the “*Exchange Act*”);
- (ii) be “independent directors” within the meaning of the listing standards of the Nasdaq Stock Market (“*Nasdaq*”); and
- (iii) be “independent” within the meaning of the additional Nasdaq independence standards applicable to members of the audit committee.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement and cash flow statement. At least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a public company CEO, CFO or other senior officer with financial oversight responsibilities, in each case as determined by the Board.

Each year, prior to filing the Company’s Annual Report on Form 10-K, the Board shall determine whether one or more members of the Committee is an “audit committee financial expert” within the meaning of Item 407(d) of Regulation S-K promulgated under the Securities Act of 1933, as amended. It is the intention of the Committee to have at least one “audit committee financial expert” on the Committee. In addition, no member of the Committee shall have participated in preparing the financial statements of the Company or any of its current subsidiaries in the last three years.

The Board shall appoint the members and the Chair of the Committee in accordance with the Corporate Governance Guidelines of the Board and the Company’s bylaws, upon recommendation by the Corporate Governance and Nominating Committee of the Board. The members of the Committee shall serve for such terms as the Board may determine, or until their earlier resignation, death or removal, and may be removed by the Board in its discretion.

2. PURPOSE

The primary purpose of the Committee is to assist the Board in overseeing:

- (i) the Company's accounting and financial reporting processes, the audits of the Company's financial statements and the quality and integrity of the Company's financial statements;
- (ii) the Company's compliance with legal and regulatory requirements;
- (iii) the independent auditor's qualifications, independence and performance;
- (iv) the performance of the Company's internal audit function and independent auditors;
- (v) the Company's system of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established;
- (vi) the effectiveness of the Company's risk management processes, particularly with respect to financial risk exposure; and
- (vii) the Company's preparation and furnishing of the report that the U.S. Securities and Exchange Commission rules require be included in the Company's annual proxy statement.

The Committee's responsibilities are limited to oversight. The Company's management is responsible for establishing and maintaining accounting policies and procedures in accordance with generally accepted accounting principles ("GAAP") and other applicable reporting and disclosure standards and for preparing the Company's financial statements. The Company's independent auditors are responsible for auditing and reviewing those financial statements.

3. DUTIES AND RESPONSIBILITIES

The Committee shall:

A. Independent Auditors

- (i) Be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (subject, if applicable, to stockholder ratification). Each such accounting firm shall report directly to the Committee and the Committee shall have the sole authority to approve the hiring and discharging of the independent auditors, all audit engagement fees and terms and, to the extent permissible, all non-audit engagements with the independent auditors.

(ii) Pre-approve (or where permitted by the rules of the SEC in the case of *de minimis* non-audit services, subsequently approve) the audit services and non-audit services (other than non-audit services prohibited under Section 10A(g) of the Exchange Act or the applicable rules of the SEC or the Public Company Accounting Oversight Board (“PCAOB”)) to be provided by the Company’s independent auditors pursuant to pre-approval policies and procedures established by the Committee. The Committee may delegate its authority to pre-approve services to one or more Committee members, provided that such designees present any such approvals to the full Committee at the next Committee meeting.

(iii) At least annually, obtain and review a formal written statement by the Company’s independent auditors, which report shall delineate all relationships between the auditor and the Company consistent with applicable requirements of the PCAOB; actively engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors; and take, or recommend that the Board take, appropriate action to oversee the independence of the independent auditors.

(iv) Evaluate, at least annually, the independent auditors’ qualifications, performance and independence, which evaluation shall include a review and evaluation of the lead partner of the independent auditors and consideration of whether there should be rotation of the lead audit partner or the accounting firm. In making its evaluation, the Committee should take into account the opinions of management and the Company’s internal auditors and the statement delivered pursuant to clause (iii) above.

(v) At least annually, review with the independent auditors (A) their audit and internal quality-control procedures, including the scope and timing of the audit, responsibilities under GAAP and PCAOB standards, the results of the annual audit examination and any accompanying management letters, any audit problems or difficulties and management’s response to such problems or difficulties, (B) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues, (C) any other material written communications between the independent auditors and management, such as any schedule of unadjusted differences, and (D) any other matters required to be discussed pursuant to applicable requirements of the PCAOB. Such review shall include a review of the audit plan’s progress, any restrictions on the scope of the independent auditors’ activities or on access to requested information, and any significant disagreements with management.

(vi) Oversee resolution of disagreements between management and the independent auditors and oversight of any matters raised by independent auditors

pursuant to Rule 10A-3(b)(2) of the Exchange Act regarding the Company's financial reporting.

(vii) Set clear policies regarding employment by the Company of individuals employed or formerly employed by the independent auditors.

(viii) At least on a quarterly basis, inquire from the independent auditor whether the Company's financial statements have been selected by the PCAOB for inspection. The Committee shall be apprised on a "real time" basis of any material developments in connection with any inspection.

B. Financial Reporting

(i) Review and discuss with management and the independent auditors (A) the Company's annual and quarterly financial statements, annual reports on Form 10-K and quarterly reports on Form 10-Q, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," (B) the independent auditor's report on the audited financial statements including any critical audit matters or other disclosure that may be contained in such report, and (C) any other matters required to be discussed pursuant to applicable requirements of the PCAOB.

(ii) Recommend to the Board, based on the review and discussion described in Subsection (iii), (iv), (v) and (vi) in Section A above and Subsection (i) in this Section B above, whether the financial statements should be included in the Company's annual report on Form 10-K, and review and furnish the report of the Committee required to be included in the Company's annual proxy statement.

(iii) Review material pending legal proceedings involving the Company and other contingent liabilities.

(iv) Review major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles and the critical accounting policies and practices of the Company.

(v) Review analyses prepared by Company management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.

(vi) Review the potential effects of regulatory and accounting initiatives and proposals, as well as off-balance sheet structures, on the financial statements of the Company.

(vii) Discuss, in a general manner the type and presentation of information in earnings press releases and earnings guidance, including the proposed use of any “pro forma” or “adjusted” non-GAAP information.

(viii) Discuss with management and the independent auditors any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company’s financial statements or accounting policies.

C. Internal Controls Over Financial Reporting and Disclosure

(i) Review the reports prepared by management and by the Company’s independent auditors, assessing the adequacy and effectiveness of the Company’s internal controls and procedures, prior to the inclusion of such reports in the Company’s periodic filings as required under SEC rules. The Committee shall review disclosures regarding the Company’s internal controls that are required to be included in SEC reports. The review of internal control over financial reporting shall include whether there are any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect the Company’s ability to record, process, summarize and report financial information and any fraud involving management or other employees with a significant role in internal control over financial reporting. The Committee shall also review any special audit steps adopted in light of material control deficiencies.

(ii) Review on a regular basis management’s assessment (and the basis therefore) of the adequacy and effectiveness of the Company’s system of disclosure controls and procedures.

D. Compliance and Governance

(i) Establish, maintain, as required by applicable law, including the listing standards of Nasdaq, and periodically review procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing or violations of federal securities law matters, which procedures shall include a system for the confidential, anonymous submission by Company employees of concerns regarding questionable accounting, auditing or violations of federal securities law matters. Periodically review the complaints received pursuant to such procedures.

(ii) Consider the results of the annual performance evaluation of the Committee.

E. Risk Management

(i) Review and discuss with management the Company’s guidelines, policies and practices with respect to risk assessment and risk management as they relate to the Company’s financial condition, financial statements, financial reporting process

and accounting matters, and oversee financial risk exposures, including monitoring the Company's financial condition, the integrity of the Company's financial statements, accounting matters, internal controls over financial reporting, the independence of the independent auditor, planning regarding business continuity and cybersecurity.

(ii) Oversee the Company's annual enterprise business risk assessment, which is conducted by the internal audit function and which includes the review of the primary risks facing the Company and the Company's associated risk mitigation measures.

F. Internal Auditors

(i) Review with the independent auditor the responsibilities (such as providing management and the Committee with ongoing assessments of the Company's risk management processes and system of internal control), scope, budget and staffing of the Company's internal audit function.

G. Financial Affairs and Financing Transactions

(i) Review and make recommendations to the Board and management regarding the Company's cash position; capital needs; financing plans; capital structure; equity and debt issuances; capital allocation to stockholders; management of financial risk; and tax position and strategy.

H. Other

(i) Perform such other duties and responsibilities, as reasonably determined by the Committee to be consistent with its mandate (under this Charter, the Company's bylaws, governing law, the rules and regulations of Nasdaq, the federal securities laws and such other requirements applicable to the Company) or as further delegated to the Committee by the Board. This includes the authority to conduct or authorize investigations into any matter, including, but not limited to, complaints relating to accounting, internal accounting controls or auditing matters within the scope of duties and responsibilities delegated to the Committee, as it deems appropriate.

4. AUTHORITY

A. Outside Advisors

(i) The Committee (without seeking Board approval) shall have the authority to retain and terminate such outside counsel, accountants, experts and other advisors as it determines necessary or appropriate to assist with the execution of its duties and responsibilities, and may request any officer or personnel of the Company or the Company's outside counsel or independent auditors to meet with any members of, or advisors to, the Committee, to assist the Committee in the performance of its functions.

B. Funding

(i) The Company shall provide the Committee with appropriate funding, as determined by the Committee, for the payment of compensation to the independent auditors of the Company, the outside counsel, accountants, experts or other advisors engaged by the Committee and for ordinary administrative expenses of the Committee that the Committee determines necessary or appropriate in carrying out its duties.

C. Access

(i) The Committee shall have full, unrestricted access to Company books, records, facilities and personnel of the Company as the Committee determines necessary or appropriate in carrying out its duties.

D. Delegations

(i) The Committee may form and delegate authority to one or more subcommittees to the extent allowed under applicable law. Any action or decision of a subcommittee will be presented to the full Committee at its next regular meeting.

(ii) The Committee Chair shall have the delegated authority to act on behalf of the Committee in connection with (A) approval of the retention of outside service providers and advisors (including negotiation and execution of their engagement letters), (B) pre-approval of audit or non-audit services, (C) reviewing with management the Company's proposed earnings press releases and other financial information and guidance regarding the Company's results of operations provided publicly or to ratings agencies, (D) approval of payment of ordinary administrative and other expenses incurred by the Committee described in the previous paragraphs, and (E) as may otherwise be determined by the Committee. Any action or decision of the Committee Chair will be presented to the full Committee at its next regular meeting.

5. MEETINGS

The Committee shall meet as often as its Chair may deem necessary or appropriate, but not less than four times each year, either in person or by telephone or other means of remote communication. The Committee shall meet periodically in separate sessions with the independent auditors, with management, with the General Counsel and with the internal auditors.

The Committee shall report to the full Board at the next regular Board meeting with respect to the Committee's meetings since the previous regular Board meeting.

A majority of the members of the Committee shall constitute a quorum.

6. VOTING

Each member of the Committee shall have one vote. The Committee shall be authorized to take a permitted action only by an affirmative vote of a majority of the Committee members at a meeting at which a quorum is present, or by the unanimous written consent of all members of the Committee.

7. REVISIONS TO CHARTER; COMMITTEE EVALUATION

The Committee shall review and reassess the adequacy of the Committee's Charter at least annually and recommend to the Board for approval any amendment or modification of its Charter at any time in accordance with applicable law and regulations. It is also expected that the Committee will annually review and evaluate its performance, including by reviewing its compliance with this Charter.

8. OMNIBUS

The Committee shall perform such other duties and responsibilities, consistent with this Committee Charter, the Company's bylaws, governing law, the rules and regulations of Nasdaq, the federal securities laws and such other requirements applicable to the Company, delegated to the Committee by the Board.