



## CADENCE DESIGN SYSTEMS, INC.

### Related Party Transaction Policies and Procedures

#### *Policy*

It is the policy of the Board of Directors of Cadence Design Systems, Inc. (the “*Company*”) that all Interested Transactions, as defined in this policy, shall be subject to approval or ratification in accordance with the procedures set forth below.

#### *Procedures*

The Company reviews all known transactions, arrangements and relationships in which the Company and a Related Party, as defined in this policy, are participants to determine whether such transactions, arrangements and relationships constitute Interested Transactions. The Company’s legal team is primarily responsible for developing and implementing processes and procedures to obtain information regarding Related Parties with respect to potential Interested Transactions and then determining, based on the facts and circumstances, whether such potential Interested Transactions do, in fact, constitute Interested Transactions requiring compliance with this policy. The Corporate Governance and Nominating Committee (the “*Committee*”) shall review the material facts of all Interested Transactions that require compliance with this policy and either approve or disapprove of the Company’s entry into the Interested Transaction, subject to the exceptions described below. If advance Committee approval of an Interested Transaction is not feasible, then the Interested Transaction shall be presented to the Committee for review, and, if the Committee determines it to be appropriate, ratified at the Committee’s next regularly scheduled meeting. In determining whether to approve or ratify an Interested Transaction, the Committee will take into account, among other factors it deems appropriate, whether the Interested Transaction is on terms no less favorable to Cadence than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Party’s interest in the transaction.

The Committee has reviewed the Interested Transactions described below in “Standing Pre-Approval for Certain Interested Transactions” and determined that each of the Interested Transactions described therein shall be deemed to be pre-approved or ratified (as applicable) by the Committee under the terms of this policy. In addition, the Board of Directors has delegated to the Chair of the Committee the authority to approve or ratify (as applicable) any Interested Transaction in which the aggregate amount involved is expected to be less than \$1,000,000. In connection with each regularly scheduled meeting of the Committee, the Committee shall be informed of each Interested Transaction approved or ratified by the Chair in accordance with this paragraph since the prior meeting.

No director shall participate in any discussion or approval of an Interested Transaction for which he or she (or an immediate family member, as defined below) is a Related Party, except that

the director shall provide all material information concerning the Interested Transaction to the Committee.

If an Interested Transaction will be ongoing, the Committee may establish guidelines for the Company's management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee, on at least an annual basis, shall review and assess ongoing relationships with the Related Party to see that they are in compliance with the Committee's guidelines and that the Interested Transaction remains appropriate.

### ***Definitions***

An "Interested Transaction" is any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which (1) the aggregate amount involved is or is expected to exceed \$120,000 since the beginning of the Company's last fiscal year, (2) the Company or any of its subsidiaries is a participant, and (3) any Related Party has or will have a direct or indirect material interest. For transactions entered into since the beginning of the Company's last fiscal year, the "amount involved" shall include the total contract value or expense incurred. For transactions entered into before the beginning of the Company's last fiscal year that provide for periodic payments or installments due on or after the beginning of the Company's last fiscal year, the "amount involved" shall include the aggregate amount of all periodic payments or installments due on or after the beginning of the last fiscal year, including any required or optional payments due during or at the conclusion of the transaction (unless another method of determining such amount is specified for purposes of a standing pre-approval). A Related Party shall not be deemed to have an indirect material interest where the interest arises solely as a result of such person's position as a member of the board of directors of another organization that is a party to the transaction or from the direct or indirect ownership by such person and all other Related Parties, in the aggregate, of less than a ten percent equity interest in another person (other than a partnership) which is a party to the transaction, or both.

A "Related Party" is any (a) person who is or was (since the beginning of the last fiscal year, even if they do not presently serve in that role) an executive officer, director or nominee for election as a director, (b) greater than 5 percent beneficial owner of the Company's common stock, or (c) immediate family member of any of the foregoing. Immediate family member includes a person's spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and brothers- and sisters-in-law and anyone residing in such person's home (other than a tenant or employee).

All references in this policy to the "beginning of the Company's last fiscal year" shall mean the beginning of the last fiscal year for which transactions with related persons must be reported under Item 404 of Regulation S-K in the Company's proxy statement for the next annual meeting of stockholders.

## ***Standing Pre-Approval for Certain Interested Transactions***

The Committee has reviewed the types of Interested Transactions described below and determined that each of the following Interested Transactions shall be deemed to be pre-approved by the Committee, even if the aggregate amount involved will exceed \$120,000.

**1. *Employment of executive officers.*** Any employment by the Company of an executive officer of the Company if:

- A. the related compensation is required to be reported in the Company's proxy statement under Item 402 of Regulation S-K compensation disclosure requirements (generally applicable to "named executive officers");
- B. the executive officer is not an immediate family member of a Related Party, the related compensation would be reported in the Company's proxy statement under Item 402 of Regulation S-K compensation disclosure requirements if the executive officer was a "named executive officer", and the Company's Compensation Committee approved (or recommended that the Board of Directors approve) such compensation; or
- C. the related transaction involves the recovery of erroneously awarded compensation that is disclosed pursuant to Item 402(w) of Regulation S-K.

**2. *Director compensation.*** Any compensation paid to a director if the compensation is required to be reported in the Company's proxy statement under Item 402 of Regulation S-K compensation disclosure requirements.

**3. *Certain transactions with other companies.*** Any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) with another company at which a Related Party's only relationship is as an employee (other than an executive officer), advisor, director and/or equity owner of, together with all other Related Parties, less than 10% of that other company's shares, if the aggregate amount involved, since the beginning of the Company's last fiscal year, does not exceed the greater of (i) \$200,000, or (ii) 5 percent of the recipient's total annual revenues.

**4. *Certain charitable contributions.*** Any charitable contribution, grant or endowment by the Company to a charitable organization, foundation or university at which a Related Party's only relationship is as an employee (other than an executive officer), advisor or director, and from which the Related Party is not expected to realize any personal benefit or gain, if the aggregate amount involved, since the beginning of the Company's last fiscal year, does not exceed \$1,000,000, or if donations are made pursuant to the Company's matching program as a result of contributions by employees, pursuant to a program that is available on the same terms to all employees of the Company.

**5. *Transactions where all shareholders receive proportional benefits.*** Any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships where the Related Party's interest arises solely from the ownership of the Company's

common stock and all holders of the Company's common stock received the same benefit on a *pro rata* basis (e.g. dividends).

**6. *Certain banking-related services.*** Any transaction with a Related Party involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services.

**7. *Certain transactions with director-affiliated companies.*** If a director also serves as an executive officer of another company with which Cadence does business, the Committee may establish guidelines, via resolution, under which certain transactions are deemed pre-approved. Thereafter, the Committee, on at least an annual basis, shall review both Cadence's relationship with the director-affiliated company and the guidelines that have been established for management of that relationship.

### ***Interpretation***

This policy is intended to comply with Item 404 of Regulation S-K. Notwithstanding anything herein to the contrary, this policy shall be interpreted only in such a manner as to comply with Item 404 of Regulation S-K. In the event that an Interested Transaction would constitute a conflict of interest or a business opportunity under the Company's Code of Business Conduct, the provisions of the Code of Business Conduct also will apply to such Interested Transaction.