

## **AUDIT COMMITTEE CHARTER**

1. Members. The Audit Committee (the “*Committee*”) of Cadence Design Systems, Inc. (the “*Company*”) shall consist of at least three members, 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, and 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, 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. Purposes. The Committee’s purposes shall be to (a) oversee the Company’s accounting and financial reporting processes and the audits of the Company’s financial statements; (b) assist the Board in its oversight of (i) the 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, and (iv) the performance of the Company’s internal audit function; and (c) oversee the preparation of and furnish the report that the U.S. Securities and Exchange Commission rules require be included in the Company’s annual proxy statement.

3. Duties and Responsibilities. The duties and responsibilities of the Committee shall be to:

***Independent Auditors***

(i) Be directly responsible for the appointment, compensation, retention and oversight of the work of any registered 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 shareholder ratification). Each such accounting firm shall report directly to the Committee.

(ii) Pre-approve the audit services and non-audit services 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 Public Company Accounting Oversight Board (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 auditing 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) Review with the independent auditors their audit 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. Such review shall include a review of 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.

***Financial Statements; Disclosure and Other Risk Management and Compliance Matters***

(vii) Review and discuss with management and the independent auditors 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".

(viii) Recommend to the Board, based on the review and discussion described in clauses (iii), (iv), (v), (vi) and (vii) above, whether the financial statements should be included in the Company's annual report on Form 10-K.

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

(x) In conjunction with the Chief Executive Officer and Chief Financial Officer of the Company, review the Company's disclosure controls and procedures and internal control over financial reporting. 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.

(xi) 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.

(xii) 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.

(xiii) 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.

(xiv) 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.

(xv) Review with the Chief Executive Officer and the Chief Financial Officer the procedures conducted in preparation of such officers' certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 or any other certifications required by applicable law or regulation.

(xvi) Review and discuss the Company's 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.

(xvii) Review and furnish the report of the Committee required to be included in the Company's annual proxy statement.

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

#### ***Internal Auditors***

(xix) Review with the independent auditor the responsibilities, budget and staffing of the Company's internal audit function.

4. Outside Advisors; Funding; Delegations. The Committee (without seeking Board approval) shall have the authority to retain such outside counsel, accountants, experts and other advisors as it determines necessary and appropriate to assist with the execution of its duties and responsibilities, and may request any officer or employee 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. 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 employed by the Committee and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

In accordance with applicable law, the Committee may delegate its authority to management, subcommittees or the Chair of the Committee when it deems appropriate and in the best interests of the Company.

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. 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. 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.

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.