

COMPENSATION COMMITTEE CHARTER

1. Members. The Compensation Committee (the “*Committee*”) of Cadence Design Systems, Inc. (the “*Company*”) shall consist of at least two directors, which directors shall have been determined by the Board of Directors of the Company (the “*Board*”) to: (i) satisfy the applicable independence standards for compensation committee service imposed by the Securities Exchange Act of 1934, as amended (together with the rules and regulations promulgated thereunder, the “*Exchange Act*”); (ii) be “non-employee directors” for purposes of Rule 16b-3 of the Exchange Act; (iii) be “outside directors” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, (iv) be “independent directors” within the meaning of the listing standards of the Nasdaq Stock Market (“*Nasdaq*”); and (v) be “independent” within the meaning of the additional Nasdaq independence standards applicable to compensation committee members.

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 assist the Board in discharging its responsibilities relating to compensation of the Company’s executives and directors.

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

Executive Compensation

- (i) Identify, review and approve corporate goals and objectives relevant to compensation of the Chief Executive Officer of the Company and any person who is an employee of the Company and also a member of the Board (an “*Employee Director*”), evaluate the performance of the Chief Executive Officer and any Employee Director in light of those goals and objectives, and present its findings to the full Board at least once annually.
- (ii) Determine and approve the compensation level of the Chief Executive Officer and any Employee Director based on the evaluation described above, which review shall include, as relevant: (a) annual base salary level, (b) annual incentive compensation (including, without limitation, bonus), (c) long-term incentive compensation, (d) employment, severance and change-in-control agreements, if any, and (e) any other compensation, ongoing perquisites or benefits.
- (iii) Review and determine the compensation of the Company’s Chief Financial Officer and the other executive officers of the Company, which review shall include, as relevant: (a) annual base salary level, (b) annual incentive compensation (including, without limitation, bonus), (c) long-term incentive compensation, (d) employment,

severance and change-in-control agreements, if any, and (e) any other compensation, ongoing perquisites or benefits.

- (iv) Oversee the evaluation of the management of the Company.

Compensation Policies and Plans

- (v) Oversee the Company's overall compensation practices, policies and programs, assess whether the Company's compensation structure establishes appropriate incentives for management and employees, assess at least annually the risks associated with such practices, policies and programs, and assess the results of the Company's most recent advisory vote on executive compensation.
- (vi) Evaluate and make recommendations to the Board with respect to incentive compensation plans and equity-based compensation plans for all employees of the Company, including the total number of shares authorized for grant under such plans.
- (vii) Review proposals for Company-wide benefit programs.
- (viii) Administer and, if deemed necessary, amend the Cadence Senior Executive Bonus Plan.
- (ix) Oversee the administration of (including the delegation of routine administrative matters to an administrative committee consisting of employees of the Company named by the Committee) the Company's compensation plans, including without limitation, any bonus, deferred compensation, health and 401(K) plans and, if deemed necessary, amend such plans.
- (x) Review, administer and, if deemed necessary, amend, the Company's equity-based compensation programs in accordance with applicable rules and requirements; provided, however, that increases in the total number of shares authorized for grant under such plans shall require approval of the full Board, and stockholder approval may be required for amendment to certain plans.
- (xi) Grant awards of compensation, benefits and bonus to specific officers, employees and consultants, as permitted under applicable law or regulation, including the applicable rules of Nasdaq.
- (xii) Approve option or incentive stock or restricted stock unit awards of more than 50,000 shares to any one individual.
- (xiii) Approve any delegation of authority to the Chief Executive Officer and his or her designees, to approve compensation, benefits, bonuses and equity-based compensation awards of 50,000 or fewer shares, to all employees other than executive officers.

Disclosure

- (xiv) Review and discuss with management the Company's Compensation Discussion and Analysis and related disclosures that the Securities and Exchange Commission ("**SEC**") requires be included in the Company's annual report or proxy statement; recommend to the Board, based on the review and discussions, whether the Compensation Discussion and Analysis should be included in the annual report or proxy statement; and furnish the compensation committee report that SEC rules require be included in the annual report or proxy statement.
- (xv) Review the Company's compliance program relating to restrictions on and reporting of securities transactions by the Company and its officers and directors.

Director Compensation

- (xvi) Review, at least annually, the status of Board compensation in relation to similar companies. When appropriate, recommend changes in Board compensation to the full Board.

Succession Planning

- (xvii) In consultation with the Company's Chief Executive Officer, review the Company's senior leadership succession planning at least annually, including policies for executive officer selection and succession in the event of incapacitation, emergency situations, operational needs, retirement or removal of an executive officer, and evaluations of, and development plans for, any potential successors to such executive officer.
- (xviii) Prepare and present to the Board an annual report on succession planning.

Other

- (xix) Annually review an assessment of any potential conflicts of interest raised by the work of compensation consultants, whether retained by the Committee or management, who are involved in determining or recommending executive or Board compensation after taking into consideration all factors relevant to that consultant's independence from management, including those factors enumerated by the Nasdaq independence standards.
- (xx) Assess the independence of any consultants or other outside advisors that the Committee selects or receives advice from, and be directly responsible for the appointment, compensation and oversight of the work of any consultants and advisors retained by the Committee.
- (xxi) Perform such other compensation-related functions as the Board may delegate to the Committee.
- (xxii) Consider the results of the annual performance evaluation of the Committee.

4. Meetings. The Committee shall meet as often as its Chairman may deem necessary or appropriate, but at least twice annually, either in person or by telephone. 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 unless there are only two members of the Committee, in which case a quorum shall require the presence of both members. Neither the Chief Executive Officer nor any Employee Director may be present during any deliberation or voting by the Compensation Committee with respect to compensation of the Chief Executive Officer or such Employee Director, as applicable.

5. 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.

6. Outside Advisors. The Committee shall have the authority, in its sole discretion, to retain or obtain the advice of a compensation consultant, legal counsel or other advisor (a "*Committee Advisor*") as it deems necessary or appropriate to assist with the execution of its duties and responsibilities as set forth in this Committee Charter. The Committee shall be directly responsible for appointing, compensating and overseeing the work of any Committee Advisor retained by the Committee and shall receive appropriate funding from the Company, as determined by the Committee, for payment of reasonable compensation to such Committee Advisor. To the extent required by Nasdaq rules, the Committee shall assess the independence of any Committee Advisor taking into account the factors specified by applicable Nasdaq rules.

7. Subcommittees. The Committee may delegate its Duties and Responsibilities referenced in Section 3 above to one or more subcommittees, consisting of not less than two members of the Committee, as it deems appropriate and in the best interests of the Company.

8. 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.

9. 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 or required under the provisions of any compensation or benefit plan maintained by the Company.