

CADENCE DESIGN SYSTEMS INC

Form DEF 14A

March 23, 2017

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant To Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

CADENCE DESIGN SYSTEMS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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NOTICE OF 2017 ANNUAL MEETING

OF STOCKHOLDERS

The 2017 Annual Meeting of Stockholders of CADENCE DESIGN SYSTEMS, INC., a Delaware corporation, will be held as follows:

When:

May 4, 2017

1:00 p.m. Pacific Time

Where:

Cadence San Jose Campus

2655 Seely Avenue, Building 10

San Jose, California 95134

Items of Business:

The purpose of the 2017 Annual Meeting of Stockholders is to consider and take action on the following:

1. To elect the eight directors named in the proxy statement to serve until the 2018 Annual Meeting of Stockholders and until their successors are elected and qualified, or until the directors' earlier death, resignation or removal.
2. To approve the amendment and restatement of the Omnibus Equity Incentive Plan.
3. To vote on an advisory resolution to approve named executive officer compensation.
4. To vote on the frequency of the advisory vote on named executive officer compensation.
5. To ratify the selection of KPMG LLP as the independent registered public accounting firm of Cadence for its fiscal year ending December 30, 2017.
6. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

These items of business are more fully described in the proxy statement accompanying this notice.

Record Date:

Holders of Cadence Design Systems, Inc. common stock at the close of business on March 7, 2017 are entitled to notice of and to vote at the 2017 Annual Meeting of Stockholders and any adjournment or postponement thereof.

How to Vote:

Your vote is important to us. Please cast your vote promptly via the internet, telephone or mail. Specific instructions on how to vote via the internet, telephone or mail or in person are included in the Notice of Internet Availability of Proxy Materials and on the proxy card.

By Order of the Board of Directors,

James J. Cowie

Sr. Vice President, General Counsel and Secretary

San Jose, California

March 23, 2017

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PROXY STATEMENT

INFORMATION ABOUT THE ANNUAL MEETING

QUESTIONS AND ANSWERS RELATING TO PROXY MATERIALS

1. Why am I receiving these proxy materials?

The enclosed proxy is solicited on behalf of the Board of Directors of Cadence Design Systems, Inc., a Delaware corporation, for the 2017 Annual Meeting of Stockholders (the Annual Meeting) to be held on May 4, 2017, at 1:00 p.m. Pacific Time, or at any adjournment or postponement thereof. The purpose of the Annual Meeting is set forth in this proxy statement and in the accompanying notice of annual meeting.

The Annual Meeting will be held in the Auditorium in Building 10 of Cadence s offices located at 2655 Seely Avenue, San Jose, California 95134.

This proxy statement contains important information to consider when deciding how to vote on the matters brought before the Annual Meeting. Stockholders entitled to vote at the Annual Meeting are encouraged to read it carefully.

Cadence intends to publish this proxy statement on the investor relations page of its website at www.cadence.com/cadence/investor_relations on or about March 23, 2017.

2. How may I obtain Cadence s annual report on Form 10-K?

A copy of Cadence s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 is available free of charge on the internet from the U.S. Securities and Exchange Commission at www.sec.gov and on the investor relations page of Cadence s website at www.cadence.com/cadence/investor_relations.

3. Why did I receive a Notice of Internet Availability of Proxy Materials instead of a paper copy of the proxy materials? How may I obtain a paper copy of the proxy materials?

Pursuant to the rules adopted by the SEC, Cadence is furnishing proxy materials to its stockholders primarily via the internet, rather than mailing paper copies of these materials to each stockholder. This process expedites stockholders receipt of the proxy materials, lowers the costs of the Annual Meeting and helps conserve natural resources.

On or about March 23, 2017, Cadence will mail to each stockholder (other than those stockholders who previously had requested electronic or paper delivery of the proxy materials) a Notice of Internet Availability of Proxy Materials that contains instructions on how to access and review the proxy materials (including Cadence s proxy statement and annual report) on the internet and how to access a proxy card to vote on the internet or by telephone.

If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a paper copy of the proxy materials unless you request one. If you would like to receive a paper copy of the proxy materials, please follow the instructions included in the Notice of Internet Availability of Proxy Materials.

4. How can I access the proxy materials over the internet?

Your Notice of Internet Availability of Proxy Materials will contain instructions on how to access and view the proxy materials on the internet and how to request a paper copy of the proxy materials.

The proxy materials are also available on Cadence's website at the following address:
www.cadence.com/cadence/investor_relations.

5. I received one copy of the proxy materials. May I get additional copies?

You may request additional copies of Cadence's Notice of Internet Availability of Proxy Materials and proxy materials by writing to Cadence's Corporate Secretary at Cadence's corporate offices located at

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2655 Seely Avenue, Building 5, San Jose, California 95134, by calling Cadence's Investor Relations Group at (408) 944-7100 or e-mailing the Investor Relations Group at investor_relations@cadence.com.

6. What if I received a notice from my broker stating that it will be householding deliveries to my address? What if I received more than one copy of the Notice of Internet Availability of Proxy Materials and proxy materials?

SEC rules permit companies and intermediaries, such as brokers, to deliver a single copy of certain proxy materials to certain stockholders who share the same address, a practice referred to as householding. Some banks, brokers and other nominees will be householding Cadence's Notice of Internet Availability of Proxy Materials and proxy materials for stockholders who do not participate in electronic delivery of proxy materials, unless contrary instructions are received from the affected stockholders. Once you have received notice from your broker or other nominee holder of your Cadence common stock that the broker or other nominee will be householding the Notice of Internet Availability of Proxy Materials or proxy materials to your address, householding will continue until you are notified otherwise or until you revoke your consent.

If, at any time, you no longer wish to participate in householding and would prefer to receive a separate Notice of Internet Availability of Proxy Materials and proxy materials, or if you are receiving multiple copies of the Notice of Internet Availability of Proxy Materials and proxy materials and wish to receive only one copy, please notify your broker or other nominee holder of your Cadence common stock.

QUESTIONS AND ANSWERS RELATING TO VOTING

7. Who may vote at the Annual Meeting?

You may vote if you owned shares of Cadence common stock, \$0.01 par value per share, as of the close of business on March 7, 2017, which is the Record Date for the Annual Meeting. At the close of business on the Record Date, Cadence had 279,457,830 shares of common stock outstanding and entitled to vote.

Each share outstanding on the Record Date is entitled to one vote at the Annual Meeting. You are entitled to vote shares that are (i) held directly in your name and (ii) held for you as the beneficial owner in a brokerage account or through a broker, bank or other nominee rather than directly in your name.

8. What is the difference between holding shares as a stockholder of record and as a beneficial owner?

If you own shares of Cadence common stock that are registered directly in your name with Cadence's transfer agent, Computershare Limited, you are considered the stockholder of record of those shares of Cadence common stock.

If you own shares of Cadence common stock that are held through a broker, bank or other nominee (that is, in street name), you are considered the beneficial owner of those shares of Cadence common stock. In that case, your broker, bank or other nominee is considered the stockholder of record with respect to those shares of Cadence common stock, and should be forwarding the proxy materials to you. As the beneficial owner, you have the right to direct your broker, bank or other nominee how to vote those shares of Cadence common stock.

9. How do I vote my shares if I am a stockholder of record?

If you are a stockholder of record as of the close of business on the Record Date, you have three options for submitting your vote prior to the Annual Meeting: (i) via the internet; (ii) by telephone; or (iii) by mail (by completing, signing, dating and mailing a paper proxy card, which a stockholder can request as outlined in the Notice of Internet Availability of Proxy Materials).

If you attend the Annual Meeting, you may also submit your vote in person, in which case any votes that were previously submitted whether via the internet, telephone or mail will be superseded by the vote that is cast at the Annual Meeting.

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Whether your proxy is submitted via the internet, telephone or mail, if it is properly completed and submitted and if it is not revoked prior to the Annual Meeting, the shares will be voted at the Annual Meeting in the manner set forth in this proxy statement or as otherwise specified by you.

10. How do I vote my shares if I am a beneficial owner through a broker, bank or other nominee?

As the beneficial owner, you have the right to direct your broker, bank or other nominee how to vote, and you are also invited to attend the Annual Meeting. If a broker, bank or other nominee holds your shares, you will receive instructions from them that you must follow in order to have your shares voted.

Shares of Cadence common stock held through a broker, bank or other nominee may be voted in person at the Annual Meeting by you only if you obtain a valid proxy from your broker, bank or other nominee giving you the right to vote the shares.

11. What is the vote required to pass each of the proposals?

Proposal 1 regarding the election of directors, each director must receive a majority of the votes cast (the number of shares voted for a director must exceed the number of votes cast against that director), provided that in a contested election, each director must be elected by the affirmative vote of a plurality of the votes cast at the Annual Meeting.

Proposal 4 regarding an advisory vote to approve the frequency of the advisory vote on named executive officer compensation, the frequency receiving the greatest number of affirmative votes of the shares present at the Annual Meeting, either in person or represented by proxy and entitled to vote, will be considered the advisory vote of Cadence stockholders.

Proposals 2, 3 and 5 the affirmative vote of a majority of the shares present at the Annual Meeting, either in person or represented by proxy and entitled to vote, is required.

12. Who will bear the cost of this proxy solicitation?

Cadence will bear the entire cost of soliciting proxies, including the preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to stockholders by Cadence in connection with the matters to be voted on at the Annual Meeting.

Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding shares of Cadence common stock beneficially owned by others for forwarding to the beneficial owners. Cadence will reimburse persons representing beneficial owners of Cadence common stock for their costs of forwarding solicitation materials to the beneficial owners.

The solicitation of proxies through this proxy statement may be supplemented by telephone, facsimile and use of the internet or personal solicitation by directors, officers or other employees of Cadence and by Georgeson LLC. Cadence has retained Georgeson to solicit proxies and to separately prepare a stockholder vote analysis of certain proposals for an aggregate fee of approximately \$15,500, plus reasonable expenses. No additional compensation will be paid to directors, officers or other employees of Cadence or any of its subsidiaries for their services in soliciting proxies.

13. What are broker non-votes and how are the broker non-votes counted?

Broker non-votes include shares for which a bank, broker or other nominee (*i.e.*, record holder) has not received voting instructions from the beneficial owner and for which the record holder does not have discretionary power to vote on a particular matter. Broker non-votes are counted as present for purposes of determining the presence of a quorum, but broker non-votes will have no effect on the proposals presented to stockholders.

14. When does a broker have discretion to vote my shares?

Under the rules that govern brokers who are record holders of shares that are held in brokerage accounts for the beneficial owners of the shares, brokers who do not receive voting instructions from their clients have the discretion to vote uninstructed shares on routine matters but have no discretion to vote such uninstructed shares on non-routine matters.

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Proposal 1 regarding the election of directors, Proposal 2 regarding the approval of the amendment and restatement of the Omnibus Equity Incentive Plan, Proposal 3 regarding an advisory resolution to approve named executive officer compensation and Proposal 4 regarding an advisory vote to approve the frequency of the advisory vote on named executive officer compensation are all considered non-routine matters. Therefore, unless you provide voting instructions to any broker holding shares on your behalf, your broker may not use discretionary authority to vote your shares on Proposals 1, 2, 3 or 4.

Proposal 5 regarding the ratification of the selection of Cadence's independent registered public accounting firm is considered a routine matter and brokers are therefore permitted to vote shares held by them without instruction from beneficial owners.

15. How are abstentions counted?

Abstentions are counted as present for purposes of determining the presence of a quorum, but how abstentions affect the outcome of a vote differs based on the proposal.

Proposal 1 regarding the election of directors, abstentions count neither as a vote for nor a vote against a director.

Proposal 4 regarding an advisory vote to approve the frequency of the advisory vote on named executive officer compensation, abstentions have no effect on this proposal.

Proposal 2, 3 and 5 abstentions will have the same effect as a vote against that proposal.

16. Can I change a vote I have previously cast?

If you are a stockholder of record, you may change or withdraw your proxy at any time before it is actually voted, irrespective of whether your proxy was submitted via the internet, telephone or mail. Your proxy may be revoked by providing a written notice of revocation or a duly executed proxy bearing a later date to Cadence's Corporate Secretary at Cadence's corporate offices located at 2655 Seely Avenue, Building 5, San Jose, California 95134, or it may be revoked by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not, by itself, be sufficient to revoke a proxy.

If you are a beneficial owner who holds your stock through a bank, broker or other nominee, you must contact the bank, broker or other nominee that holds your shares for specific instructions on how to change or revoke your vote.

17. How does the Board recommend that I vote?

The Board of Directors of Cadence (the Board) recommends that you vote:

Proposal 1: **FOR** the election of each of the eight director nominees named in this proxy statement;

Proposal 2:

FOR the approval of the amendment and restatement of the Omnibus Equity Incentive Plan;

Proposal 3: **FOR** the advisory resolution to approve named executive officer compensation;

Proposal 4: **1 YEAR** with respect to the frequency of the advisory vote on named executive officer compensation; and

Proposal 5: **FOR** the ratification of the selection of Cadence's independent registered public accounting firm.

QUESTIONS AND ANSWERS RELATING TO THE ANNUAL MEETING

18. What constitutes a quorum for the Annual Meeting?

The presence, in person or by proxy, of a majority of the shares of Cadence common stock outstanding and entitled to vote on the Record Date is required for a quorum at the Annual Meeting.

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19. Who may attend the Annual Meeting in person?

Stockholders at the close of business on the Record Date as described above, as well as holders of a valid proxy for the Annual Meeting, are entitled to attend the Annual Meeting. Such individuals should be prepared to present photo identification, such as a valid driver's license or passport, and proof of Cadence stock ownership at the close of business on the Record Date. Stockholders who were not stockholders of record at the close of business on the Record Date but hold shares through a bank, broker or other nominee on the Record Date should be prepared to present proof of beneficial ownership at the close of business on the Record Date, such as an account statement or similar evidence of ownership. Stockholders will be admitted to the Annual Meeting if they comply with these procedures.

20. Who is the inspector of elections for the Annual Meeting?

Computershare has been appointed as the inspector of elections for the Annual Meeting. All votes will be tabulated by a representative of Computershare. This representative will also separately tabulate affirmative and negative votes, abstentions and broker non-votes.

QUESTIONS AND ANSWERS RELATING TO STOCKHOLDER PROPOSALS

21. Can stockholders submit proposals for inclusion in Cadence's next proxy statement?

Stockholder proposals must comply with the requirements of Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the Exchange Act), and must be submitted in writing to Cadence's Corporate Secretary at Cadence's corporate offices located at 2655 Seely Avenue, Building 5, San Jose, California 95134 and received no later than November 23, 2017 to be included in the proxy statement and form of proxy relating to the 2018 annual meeting of Cadence stockholders pursuant to Rule 14a-8 under the Exchange Act.

22. What is the deadline for stockholders to submit proposals for consideration at the next annual meeting?

Any director nominations or other business proposals which the stockholder does not seek to include in Cadence's 2018 proxy statement and form of proxy pursuant to Rule 14a-8 under the Exchange Act must be submitted in writing to Cadence's Corporate Secretary at Cadence's corporate offices located at 2655 Seely Avenue, Building 5, San Jose, California 95134 no later than February 3, 2018, nor earlier than January 4, 2018, and must otherwise satisfy the requirements set forth in Cadence's Bylaws.

However, if the date of the 2018 annual meeting of Cadence stockholders changes by more than 30 days from the anniversary date of the Annual Meeting, stockholder proposals or nominations must be submitted in writing to Cadence's Corporate Secretary no later than ten days following the first public announcement of the date of the meeting. If the stockholder does not also comply with the requirements of Rule 14a-4 under the Exchange Act, Cadence may exercise discretionary voting authority under proxies it solicits to vote in accordance with its best judgment on any such stockholder proposal or nomination submitted by a stockholder.

23. What information must be included in a stockholder's submission of proposals or director nominees for the next annual meeting?

A stockholder's submission must include:

(A) as to each person whom the stockholder proposes to nominate for election as a director, all information relating to the candidate that is required to be disclosed in proxy solicitations for a contested election of directors, or is otherwise required pursuant to Regulation 14A under the Exchange Act, accompanied by the candidate's written consent to being named in the proxy statement as a nominee and to serving as a director if elected in addition to such other information as Cadence may reasonably require to determine the eligibility of such candidate to serve as a director;

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(B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and

(C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made:

- (i) the name and address of such stockholder, as it appears on Cadence's books, and of such beneficial owner,
- (ii) the class and number of shares of Cadence common stock owned directly and indirectly and of record by such stockholder and beneficial owner,
- (iii) a representation that the stockholder intends to appear in person or by proxy at the meeting to propose the nomination or other business,
- (iv) the class and number of shares of Cadence common stock beneficially owned (within the meaning of Section 13(d) of the Exchange Act) by such stockholder and beneficial owner as of the date of the notice, and a representation that such stockholder will notify Cadence in writing within five business days after the record date for such meeting of the class and number of Cadence shares beneficially owned by such stockholder or beneficial owner as of the record date for the meeting,
- (v) a description of any agreement, arrangement or understanding with respect to the nomination of a director or other business between or among such stockholder or beneficial owner and any other person,
- (vi) a description of any agreement, arrangement or understanding that has been entered into as of the date of the stockholder's notice by, or on behalf of, such stockholder or beneficial owner with the effect or intent to mitigate loss to, manage risk or benefit from changes in Cadence's share price, or increase or decrease the voting power of the stockholder or beneficial owner, and
- (vii) a representation as to whether the stockholder or beneficial owner, if any, intends or is part of a group that intends to deliver a proxy statement and/or form of proxy to holders of at least the percentage of Cadence's outstanding shares required to elect the director nominee or approve the other business and/or otherwise to solicit proxies from stockholders in support of the nomination or other business.

If a stockholder intending to make a nomination of a director or to propose other business (other than matters properly brought under Rule 14a-8 under the Exchange Act) at an annual meeting pursuant to the terms set forth in Cadence's

Bylaws does not provide the information described in clause (C) above within five business days following the record date for the annual meeting, or the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting to present the nomination of a director or other business, such nomination of a director or other business will not be presented for stockholder action at the annual meeting and will be disregarded, even if the proxies in respect of such nomination or other business may have been received by Cadence.

Only candidates nominated in accordance with the procedures set forth above are eligible to serve as directors. Except as otherwise provided by law, the Chair of a meeting determines whether a nomination or any business proposed to be brought before the annual meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in Cadence's Bylaws and, if any proposed nomination or business is not in compliance with Cadence's Bylaws, whether to declare that such defective proposal or nomination will not be presented for stockholder action at the meeting.

Cadence stockholders are advised to review Cadence's Bylaws, which contain these and other requirements with respect to stockholder proposals and director nominations.

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CORPORATE GOVERNANCE

LETTER FROM THE CHAIRMAN OF THE BOARD

Dear fellow Cadence stockholders:

Cadence's governance policies are an integral part of the corporate culture at Cadence and help us to create sustainable value for our stockholders. The Board's commitment to efficient company management, protection of stockholders interests and transparent corporate communications is vital to gaining and retaining the trust of our investors, employees and customers and the members of the communities in which we work and do business.

Through the diversity of our directors' experience and expertise, our Board has a multi-faceted understanding of Cadence's business and management team. Throughout the year, the Board is actively engaged with Cadence's management team to determine how to better serve our fellow Cadence stockholders.

The Board takes its oversight role seriously and is committed to maintaining a strong Board that can provide significant value to the Cadence stockholders and management team. The Board regularly evaluates the current directors' skills and expertise, and for prospective director candidates, the Board seeks individuals with relevant expertise, integrity, experience, skills, judgment and diversity of background that are complementary to Cadence's industry and business.

We welcome and value feedback from our stockholders. We regularly solicit the views of our stockholders, and we consider their recommendations in reviewing our strategy, practices and policies.

As your Chairman of the Board, it is a privilege for me and my fellow directors to serve our fellow Cadence stockholders.

Whether or not you plan to attend the meeting in person, please read this proxy statement and vote your shares. We hope that after you have reviewed this proxy statement, you will vote at the meeting in accordance with the Board's recommendations. Your vote is important to us and to Cadence's business. I would like to thank you and all of our stockholders for your continued interest and support of Cadence.

Sincerely,

John B. Shoven, Ph.D.

Chairman of the Board

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SUMMARY OF CORPORATE GOVERNANCE IN 2016

Board:	
Independent director serving as Chairman of the Board	Robust Code of Business Conduct
Majority independent directors eight of the nine directors elected were independent	Robust insider trading and related party transactions policies
Board's Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee comprised entirely of independent directors	Committee authority to retain independent advisors
Annual election of directors by majority votes cast in an uncontested election	Stock Ownership Guidelines each non-employee director required to hold shares of Cadence common stock with a value equal to at least \$320,000 within five years of initial appointment or election to the Board
No classified Board structure	Direct Board engagement with stockholders and commitment by the Board and management to continued engagement with stockholders
Regular executive sessions of the Board with independent directors	Board continuing education new director orientation and continuing education on critical topics and issues
Annual Board and committee evaluations overseen by Corporate Governance and Nominating Committee	
Annual CEO succession review	
Stockholder Rights:	
No poison pill (stockholders rights plan)	Compensation:
	Annual Say-on-Pay stockholder vote

Action by written consent

Clawback Policy

Prohibition of hedging Cadence securities

Stock Ownership Guidelines each executive officer required to hold shares of Cadence common stock with a value equal to at least (i) 3X annual base salary for the CEO and (ii) 1X annual base salary for all other executive officers, in each case within five years of appointment

CORPORATE GOVERNANCE PRACTICES

Cadence is governed by the Board and the committees of the Board that meet throughout the year. Cadence and its Board are committed to sound corporate governance, which helps Cadence compete more effectively, sustain its success and build long-term stockholder value. The Board and management regularly review and evaluate Cadence's corporate governance practices. Cadence's corporate governance documents, including the charters of the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee, the Code of Business Conduct, the Related Party Transactions Policies and Procedures and the Board's Corporate Governance Guidelines are available on the corporate governance page of Cadence's website at www.cadence.com. Paper copies of these documents are also available to stockholders upon written request directed to Cadence's Corporate Secretary at Cadence's corporate offices located at 2655 Seely Avenue, Building 5, San Jose, California 95134.

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Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines, which cover various topics relating to the Board and its activities, including the selection and composition of the Board, Board leadership, compensation of directors, responsibilities of directors, Board access to senior management and outside advisors, meeting procedures, Board and committee responsibilities and other matters. The Corporate Governance and Nominating Committee annually reviews the Corporate Governance Guidelines, which may be amended by the Board at any time, and were most recently amended in August 2016.

Code of Business Conduct

Cadence has adopted a Code of Business Conduct to provide standards for ethical conduct in dealing with customers, suppliers, agents, government officials and others. The Code of Business Conduct applies to all Cadence directors, officers and employees (and those of its subsidiaries), including Cadence's President and Chief Executive Officer and Cadence's Senior Vice President and Chief Financial Officer. The Code of Business Conduct also applies to certain independent contractors and consultants who work at Cadence's facilities or at Cadence's direction. Compliance with the Code of Business Conduct is a condition to continued service or employment with Cadence. The Code of Business Conduct covers topics including integrity, confidentiality of assets and information, conflicts of interest, compliance with federal and state securities laws, employment practices, payment practices and compliance with competition, anti-corruption and other laws and regulations.

Any waiver of a provision of the Code of Business Conduct with respect to a director or an executive officer may only be made by the Board. Any waivers for other employees may be granted only by the CEO or the General Counsel or their respective designees. To the extent required under applicable SEC rules, Cadence will disclose material amendments to the Code of Business Conduct and any waiver of its provisions with respect to any director or executive officer by filing a Current Report on Form 8-K with the SEC or posting such information on its website at www.cadence.com.

Stock Ownership Guidelines

The Board has adopted Stock Ownership Guidelines for Cadence's directors and executive officers to further align the interests of the directors and executive officers with the interests of stockholders and to reinforce Cadence's commitment to sound corporate governance. Each non-employee member of the Board is required to hold shares of Cadence common stock with a value equal to at least \$320,000 within five years of the date of his or her initial appointment or election to the Board. Cadence's CEO is required to hold shares of Cadence common stock with a value equal to three times his or her annual base salary within five years of the date of his or her appointment, and Cadence's other executive officers are required to hold shares of Cadence common stock with a value equal to his or her annual base salary within five years of the date of his or her appointment.

As of the Record Date, all directors and executive officers met the stock ownership guidelines applicable to them.

Trading/Hedging Restrictions

Cadence's Securities Trading Policy restricts certain transactions in Cadence securities and prohibits members of the Board, executive officers and other employees from hedging their ownership of Cadence securities, including trading in publicly-traded options, puts, calls or other derivative instruments related to Cadence securities.

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BOARD OF DIRECTORS

BOARD MEMBERSHIP

The Board currently consists of nine members: Mark W. Adams, Susan L. Bostrom, James D. Plummer, Alberto Sangiovanni-Vincentelli, George M. Scalise, John B. Shoven, Roger S. Siboni, Young K. Sohn and Lip-Bu Tan.

Mr. Scalise has decided to retire from the Board and not stand for re-election, but intends to serve on the Board until the Annual Meeting. The Board has reduced the size of the Board to eight members, effective upon Mr. Scalise's retirement.

DIRECTOR INDEPENDENCE

The Board determines director independence in accordance with the Corporate Governance Guidelines, which require that at least a majority of the Board be independent directors within the meaning of the listing standards of the NASDAQ Stock Market. To be independent under the NASDAQ listing standards, a director must not have a relationship that, in the opinion of the Board, would interfere with his or her exercise of independent judgment in carrying out the responsibilities of a Cadence director. In determining each director's independence, the Board considers all relevant facts and circumstances in conjunction with the guidelines provided for under the NASDAQ listing standards.

CURRENT INDEPENDENT DIRECTORS

Among the current members of the Board, the Board has determined that Ms. Bostrom, Drs. Plummer, Sangiovanni-Vincentelli and Shoven, and Messrs. Adams, Scalise, Siboni and Sohn are independent directors within the meaning of the NASDAQ listing standards. Mr. Tan, as the CEO of Cadence, is not deemed independent.

BOARD LEADERSHIP

Mr. Tan serves as CEO, and Dr. Shoven, an independent director, serves as Chairman of the Board. The Board believes that at this time, Cadence and its stockholders are best served by this leadership structure because it is valuable to have a strong independent leader, separate from the CEO, assisting the Board in fulfilling its role of overseeing management and Cadence's risk management practices. While the Corporate Governance Guidelines permit the roles of the Chairman and the CEO to be filled by the same or different individuals, a lead independent director would be required if the roles were to be combined. This provides the Board with flexibility to determine whether the two roles should be combined in the future based on the Board's assessment of Cadence's needs and leadership from time to time.

PROCESS FOR SELECTING DIRECTOR NOMINEES AND CANDIDATES

The Corporate Governance and Nominating Committee evaluates and recommends director candidates for nomination by the full Board. The Corporate Governance and Nominating Committee regularly discusses and annually reviews as a committee and with the Board the appropriate skills and characteristics (such as integrity, experience, judgment, diversity of background, independence, financial literacy, ability to commit sufficient time and attention to Board

activities, international experience and understanding of electronic design automation, semiconductor and electronic systems technologies) required of directors in the context of the current composition of the Board and the perceived needs of Cadence's business, short-term and long-term strategy and management.

STOCKHOLDER NOMINATIONS AND RECOMMENDATIONS OF DIRECTOR CANDIDATES

Stockholders who wish to recommend a prospective nominee for the Board should notify Cadence's Corporate Secretary or the Corporate Governance and Nominating Committee in writing with the supporting materials

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required by Cadence's Bylaws as described under "Information About the Annual Meeting" above and any other material the stockholder considers necessary or appropriate. Only candidates nominated in accordance with these procedures are eligible to serve as directors.

DIRECTOR ATTENDANCE

During the fiscal year ended December 31, 2016, the Board held six meetings, in addition to taking actions by unanimous written consent in lieu of a meeting. Each director attended more than 75% of the meetings of the Board and the committees on which he or she served that were held during the period for which he or she was a director or committee member during fiscal 2016. The Corporate Governance Guidelines encourage directors to attend the annual meeting of stockholders, and all of Cadence's then-current directors attended the 2016 annual meeting of Cadence stockholders.

INDEPENDENT DIRECTOR MEETINGS

Pursuant to the Corporate Governance Guidelines, Cadence's independent directors meet separately at least twice each year and Dr. Shoven, as the Chairman of the Board and an independent director, presides over meetings of the independent directors.

BOARD EVALUATIONS

The Board is committed to reviewing its performance through an annual self-evaluation process. Through the evaluations, the Board assesses its processes, meetings, planning and overall effectiveness. The directors provide feedback on the Board and the committees to an independent third party. The independent third party reviews the results and feedback provided by the directors and follows up with the directors regarding their evaluations. At the Board meeting in the first quarter of the year, the independent third party, with the Chairman of the Board and the Chair of the Corporate Governance and Nominating Committee, presents the findings to the Board. Any findings that require additional consideration are addressed at subsequent Board and committee meetings.

CEO AND MANAGEMENT SUCCESSION PLANNING

The Board is actively engaged and involved in the succession planning of Cadence's management. The Compensation Committee regularly discusses and annually reports to the Board with respect to CEO succession planning, including policies for CEO selection and succession in the event of incapacitation, emergency situations, operational needs, retirement or removal of the CEO and evaluations of and development plans for any potential successors to the CEO. In addition, the Compensation Committee, in consultation with the CEO, regularly discusses and annually reviews senior leadership succession planning and reports to the Board with respect to Cadence's management development program and succession planning.

BOARD RISK OVERSIGHT

The Board exercises its risk oversight function through the Board as a whole and through certain of its committees. The Board and the relevant committees seek to understand and oversee the most critical risks facing Cadence. The Board does not view risk in isolation, but considers risk as part of its regular consideration of business decisions and business strategy. The Board as a whole has the ultimate responsibility for the oversight of risk management but has delegated the oversight of certain risks to the Audit Committee and the Compensation Committee.

The Audit Committee is responsible for overseeing risk management as it relates to Cadence's financial condition, financial statements, financial reporting process and accounting matters.

The Compensation Committee is responsible for overseeing Cadence's overall compensation practices, policies and programs and assessing the risks associated with such practices, policies and programs.

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The Board and the relevant committees review with Cadence's management the risk management practices for which they have oversight responsibility. Since overseeing risk is an ongoing process and inherent in Cadence's strategic decisions, the Board and the relevant committees also discuss risk throughout the year in relation to specific proposed actions.

STOCKHOLDER ENGAGEMENT

The Board is committed to active engagement with Cadence stockholders. In addition to Cadence management's regular engagement with Cadence stockholders throughout 2016, the Chairman of the Board, the General Counsel and the Treasurer, on behalf of the Board, met with a number of Cadence stockholders to obtain feedback on key topics, including corporate governance and executive compensation. The Board and Cadence management intend to continue to engage with Cadence stockholders in 2017.

COMMUNICATION WITH DIRECTORS

Stockholders interested in communicating directly with the Board may do so by sending a letter to the Board, or to any individual director, group of directors or committee of the Board, by using the following address:

Cadence Design Systems, Inc.

Board of Directors

c/o the Office of the Corporate Secretary

2655 Seely Avenue, Building 5

San Jose, California 95134

Inquiries and other communications may be submitted anonymously and confidentially. The Corporate Secretary will review the correspondence and will transmit such communications as soon as practicable to the identified director addressee(s), unless there are legal or other considerations that mitigate against further transmission of the communication, as determined by the Corporate Secretary. In that regard, certain items that are unrelated to the duties and responsibilities of the Board will not be forwarded by the Corporate Secretary, such as business solicitations or advertisements, junk mail and mass mailings, new product suggestions, product complaints, product inquiries, resumes and other forms of job inquiries, spam and surveys. In addition, material that the Corporate Secretary determines is unduly hostile, threatening, illegal or similarly unsuitable will be excluded, with the provision that the Board or individual directors so addressed will be advised of any communication withheld for legal or other considerations as soon as practicable.

COMMITTEES OF THE BOARD

The Board currently has the following committees: Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, Finance Committee and Strategy Committee.

Each of these committees has a written charter approved by the Board. The charters of the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee are available on the corporate governance page of Cadence's website at www.cadence.com.

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The current members and chairs of the committees are identified in the following table:

Director	Corporate Governance and				
	Audit	Compensation	Nominating	Finance	Strategy
Mark W. Adams					
Susan L. Bostrom					<i>Chair</i>
James D. Plummer			<i>Chair</i>		
Alberto Sangiovanni-Vincentelli					
George M. Scalise					
John B. Shoven		<i>Chair</i>			
Roger S. Siboni	<i>Chair</i>				
Young K. Sohn				<i>Chair</i>	
Lip-Bu Tan					
Audit Committee					

The Board has determined that all three members of the Audit Committee are independent as defined by the NASDAQ listing standards applicable to audit committee members and Rule 10A-3 of the Exchange Act. The Board has also determined that Dr. Shoven and Mr. Siboni are audit committee financial experts as defined in rules promulgated by the SEC.

The Audit Committee charter was last amended in February 2017 and complies with the NASDAQ listing standards. The duties and responsibilities of the Audit Committee include:

Appointing, retaining, compensating, evaluating, overseeing and terminating Cadence's independent registered public accounting firm;

Pre-approving all audit and permissible non-audit services to be provided by the independent registered public accounting firm and establishing policies and procedures for such pre-approval;

Reviewing and discussing with the independent registered public accounting firm all relationships or services between Cadence and the independent registered public accounting firm that may impact the objectivity and independence of the independent registered public accounting firm;

Reviewing audit procedures, the results of the annual audit and any audit problems, difficulties or disagreements;

Reviewing Cadence's annual and quarterly financial statements, annual reports on Form 10-K and quarterly

reports on Form 10-Q, and recommending to the Board whether the financial statements should be included in Cadence's annual report on Form 10-K;

Reviewing and discussing the adequacy and effectiveness of Cadence's internal controls, disclosure controls and procedures and practices with respect to risk assessment and risk management as it relates to financial reporting; and

Establishing and overseeing procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls, auditing or violations of federal securities law matters.

The Audit Committee held five meetings during fiscal 2016. See Report of the Audit Committee below for more information.

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Compensation Committee

The Compensation Committee is currently comprised of five non-employee, independent directors of Cadence, each of whom the Board has determined to be independent as defined by the listing standards of NASDAQ applicable to compensation committee members and satisfies the applicable independence standards under the Exchange Act for compensation committee service. In addition, all Compensation Committee members are outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. All Compensation Committee members are also outside directors within the meaning of Rule 16b-3 of the Exchange Act. Although the Compensation Committee may delegate its authority over certain matters to management when it deems it to be appropriate and in the best interests of Cadence, the Compensation Committee did not delegate any authority with respect to the consideration and determination of executive officer compensation in fiscal 2016 and does not currently expect to delegate any such authority in the future. At or near the beginning of each fiscal year, the Compensation Committee typically establishes base salary levels and target bonuses for the CEO and other executive officers of Cadence. In addition, the Compensation Committee administers and, if deemed necessary, may amend the Senior Executive Bonus Plan, Cadence's equity-based compensation plans and stock purchase plans, and Cadence's deferred compensation plans. The Compensation Committee also reviews and recommends to the Board the compensation of Cadence's directors, and the Compensation Committee did not delegate any authority with respect to the consideration and determination of director compensation in fiscal 2016.

The Compensation Committee charter was last amended in February 2017. The duties and responsibilities of the Compensation Committee include:

Identifying, reviewing and approving corporate goals and objectives relevant to the compensation of the CEO and any director who is also a Cadence employee, and evaluating the performance of the CEO and any employee director in light of those goals and objectives;

Overseeing the evaluation of Cadence's management;

Reviewing at least annually Cadence's senior leadership succession planning in consultation with the CEO;

Reviewing compensation programs and determining the compensation of Cadence's executive officers;

Overseeing Cadence's overall compensation practices, policies and programs, assessing whether Cadence's compensation structure establishes appropriate incentives for management and employees, assessing the risks associated with such practices, policies and programs, and assessing the results of Cadence's most recent advisory vote on executive compensation;

Reviewing annually an assessment of any potential conflicts of interest raised by the work of compensation consultants, whether retained by the Compensation Committee or management, who are involved in determining or recommending executive or Board compensation; and

Assessing the independence of any consultants or other outside advisors that the Compensation Committee selects or receives advice from, and being directly responsible for the appointment, compensation and oversight of the work of any consultants and advisors retained by the Compensation Committee.

In fiscal 2016, the Compensation Committee retained the services of a compensation consultant, Semler Brossy Consulting Group, LLC, for advice regarding the compensation of Cadence's executive officers. The Compensation Committee believes that having an outside evaluation of executive officer salary, bonus and equity compensation is a valuable tool for the Compensation Committee and Cadence stockholders. The Compensation Committee retained Semler Brossy for a number of purposes, including constructing and reviewing peer groups for compensation comparison purposes, performing a competitive assessment of Cadence's compensation programs, practices and levels for its executive officers and certain other employees and providing information on typical industry practices concerning employment, equity practices, severance and change in control agreements. Semler Brossy has not been engaged to perform any other work for Cadence. Pursuant to the factors set forth in Item 407 of Regulation S-K of the Exchange Act and the NASDAQ listing standards, the Compensation Committee has

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reviewed the independence of Semler Brossy and conducted a conflicts of interest assessment, and has concluded that Semler Brossy is independent and Semler Brossy's work for the Compensation Committee has not raised any conflicts of interest.

In determining the compensation of Cadence's executive officers, including Cadence's named executive officers (as defined below in "Compensation Discussion and Analysis"), the Compensation Committee considers the competitive assessments provided by and through consultation with Semler Brossy. In addition, Cadence's CEO typically makes assessments and recommendations to the Compensation Committee on whether there should be adjustments to the annual base salary, annual cash incentive compensation and long-term equity incentive compensation of executive officers other than himself based upon an assessment of certain factors described in "Compensation Discussion and Analysis" below. The Compensation Committee reviews such assessments and recommendations and determines whether or not to approve or modify the CEO's recommendations. The Compensation Committee's decisions are made, however, by the Compensation Committee in its sole discretion. See "Compensation Discussion and Analysis" below for more information.

The Compensation Committee, in consultation with Semler Brossy, reviews Cadence's compensation practices, policies and programs for all employees, including the named executive officers, to assess the risks associated with such practices, policies and programs. The risk-mitigating factors considered by the Compensation Committee include the following:

The use of different types of compensation that provide a balance of short-term and long-term incentives with fixed and variable components;

Cadence's Securities Trading Policy, which restricts certain transactions in Cadence's securities, prohibits hedging by members of the Board and employees and requires the named executive officers to obtain permission from the General Counsel before trading any shares of Cadence common stock during periods when the trading window is open, except those transactions expressly permitted in such policy;

Cadence's Clawback Policy, which, in the event of a restatement of Cadence's reported financial results, allows Cadence to seek to recover or cancel performance-based bonuses and equity awards made to executive officers to the extent that performance goals would not have been met under such restated financial results;

Caps on bonus awards to limit windfalls; and

The consideration of ethical behavior, which is integral in assessing the performance of all executive officers, including the named executive officers.

The Compensation Committee held four meetings during fiscal 2016.

Corporate Governance and Nominating Committee

The Board has determined that all six Corporate Governance and Nominating Committee members are independent as defined by the NASDAQ listing standards.

The Corporate Governance and Nominating Committee charter was last amended in February 2016. The duties and responsibilities of the Corporate Governance and Nominating Committee include:

Determining the Board's criteria for selecting new directors and recommending to the Board director nominees for election at the next annual or special meeting of stockholders at which directors are to be elected or to fill any vacancies or newly created directorships that may occur between such meetings;

Considering potential director candidates recommended by Cadence's management and stockholders in the same manner as nominees identified by the Corporate Governance and Nominating Committee; provided that, with respect to those candidates recommended by stockholders, such recommendation is made in accordance with Cadence's Bylaws;

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Overseeing the annual evaluation of the Board and its committees, and considering the results of the annual evaluation;

Retaining, terminating and approving the fees and retention terms with respect to any search firm employed to identify director candidates;

Evaluating, at least annually, each director's performance and effectiveness and determining whether the Board desires his or her continued service;

Overseeing the administration of the Code of Business Conduct and administering the Code of Business Conduct with respect to Cadence's directors and executive officers;

Reviewing and approving any related person transactions as defined under applicable SEC rules and establishing policies and procedures for the review, approval and ratification of such transactions; and

Reviewing whether it is appropriate for a director to continue to serve as a member of the Board if his or her business responsibilities or personal circumstances change and make a recommendation to the Board as to any action to be taken with respect to such change.

The Corporate Governance and Nominating Committee regularly discusses and annually reviews the appropriate size of the Board, whether any vacancies on the Board are expected due to retirement or otherwise, and the need for particular expertise on the Board. If vacancies on the Board are anticipated or otherwise arise, the committee considers potential director candidates, which may come to the committee's attention through a variety of channels, including current directors, officers, professional search firms, stockholders or other persons. The Corporate Governance and Nominating Committee makes a recommendation to the full Board as to the persons who should be nominated or elected by the Board, and the Board determines whether to reject, elect or nominate the candidate, as the case may be, after considering the recommendation of the committee.

The Corporate Governance and Nominating Committee held three meetings during fiscal 2016.

Finance Committee

The Finance Committee, on behalf of the Board, evaluates and approves financings, mergers, acquisitions, divestitures and other financial commitments of Cadence to unaffiliated third parties that involve amounts up to \$60 million.

The Finance Committee held three meetings during fiscal 2016.

Strategy Committee

The Strategy Committee, on behalf of the Board, assists and advises in the strategic planning process and in the development of long-term strategic plans for Cadence.

The Strategy Committee held three meetings during fiscal 2016.

COMPONENTS OF DIRECTOR COMPENSATION

The Compensation Committee, with input from its independent compensation consultant, annually reviews the compensation program for non-employee directors. Directors who are Cadence employees, such as Mr. Tan, do not receive additional compensation for their service on the Board. A non-employee director is a Cadence director who is not an employee of Cadence.

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The following table sets forth the components of the non-employee directors' compensation for fiscal 2016:

Compensation Component	Director Compensation
Annual Retainer ⁽¹⁾	\$80,000
Chair Fees	<p>\$80,000 for Chairman of the Board⁽²⁾</p> <p>\$40,000 for Chair of the Audit Committee</p> <p>\$30,000 for Chair of the Compensation Committee and Chair of the Finance Committee</p> <p>\$20,000 for Chair of the Corporate Governance and Nominating Committee and Chair of the Strategy Committee</p>
Meeting Attendance Fees ⁽³⁾	<p>\$2,000 per meeting attended in person</p> <p>\$1,000 per meeting attended via telephone</p>
Incentive Stock Award ⁽⁴⁾	Incentive stock award with a grant date fair value of \$170,000 for each non-employee director (\$220,000 for the non-employee director serving as Chairman of the Board) that fully vests on the first anniversary of the date of grant
New Director Equity Award (one-time grant)	Each non-employee director who joins the Board may be granted incentive stock awards, stock options and restricted stock units (RSUs) under the Directors Plan, the amounts of which are determined at the sole discretion of the Board or its designated committee

Stock Ownership Guidelines⁽⁵⁾

Each non-employee director is required to hold shares of Cadence common stock with a value equal to at least \$320,000 within five years of initial appointment or election to the Board

- (1) Directors may elect to defer cash compensation payable to them under Cadence's deferred compensation plan. These deferred compensation payments are held in accounts with values indexed to the performance of selected mutual funds, self-directed accounts or money market accounts. Cadence does not match contributions made under Cadence's deferred compensation plan.
- (2) A non-employee director serving as Chairman of the Board is also eligible to receive fees for service as the Chair of any of the Board committees.
- (3) No additional compensation is paid when the Board or a committee acts by unanimous written consent in lieu of a meeting. Non-employee directors are also eligible for reimbursement of expenses they incur in connection with attending Board meetings in accordance with Cadence's expense reimbursement policy.
- (4) On February 8, 2016, each non-employee director (other than the Chairman of the Board) was granted an incentive stock award of 8,673 shares of Cadence common stock under Cadence's 1995 Directors Stock Incentive Plan (the Directors Plan) (which award had a grant date fair value of \$170,000) and Dr. Shoven, the non-employee director serving as Chairman of the Board, was granted an incentive stock award of 11,224 shares of Cadence common stock under the Directors Plan (which award had a grant date fair value of \$220,000).
- (5) As of the Record Date, all directors met the stock ownership guidelines applicable to them. Separately, Cadence's Securities Trading Policy restricts certain transactions in Cadence securities and prohibits directors from hedging their ownership of Cadence securities, including trading in publicly-traded options, puts, calls or other derivative instruments related to Cadence securities.

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In addition, a medical and prescription benefits coverage reimbursement plan is available to active non-employee directors who were directors on December 31, 2014 (the *Eligible Directors*), eligible retired directors who retired from the Board on or prior to December 31, 2014 (the *Eligible Retired Directors*) and their respective dependents (the *Medical Reimbursement Plan*). Directors who are first elected or appointed to the Board after December 31, 2014 are not eligible to participate in the Medical Reimbursement Plan. Eligible Directors and their dependents are eligible for coverage under the Medical Reimbursement Plan during their term of service on the Board. Eligible Retired Directors, Eligible Directors and their dependents are eligible for continuing coverage under the Medical Reimbursement Plan starting immediately after the director's termination of service for a continuous term not to exceed such director's term of service on the Board.

In accordance with the Medical Reimbursement Plan, a director's eligibility for participation in the Medical Reimbursement Plan immediately ceases if the plan administrator determines that he or she has violated the Code of Business Conduct or is engaged as an employee, consultant, director, advisor of, or significant investor in, a competitor of Cadence. Under the Medical Reimbursement Plan, Cadence reimburses 100% of the premiums for participants and their dependents up to a maximum of \$20,000 for expenses incurred per calendar year, which maximum amount may be adjusted for future changes in medical costs. Benefits under the Medical Reimbursement Plan are fully taxable to the participants and Cadence does not gross up reimbursement payments to cover any such taxes.

DIRECTOR COMPENSATION FOR FISCAL 2016

The following table sets forth the compensation earned by Cadence's non-employee directors for their service on the Board in fiscal 2016:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) ⁽¹⁾⁽²⁾	Option Awards (\$) ⁽³⁾	All Other Compensation (\$) ⁽⁴⁾	Total (\$)
Mark W. Adams	\$107,000	\$169,991	\$	\$	\$276,991
Susan L. Bostrom	131,000	169,991		20,000	320,991
James D. Plummer	132,000	169,991			301,991
Alberto Sangiovanni-Vincentelli	99,000	169,991		6,634	275,625
George M. Scalise ⁽⁵⁾	99,000	169,991		12,729	281,720
John B. Shoven	229,000	219,990		17,291	466,281
Roger S. Siboni	149,000	169,991		10,810	329,801
Young K. Sohn	131,000	169,991			300,991

⁽¹⁾ In accordance with SEC rules, the amount shown reflects the grant date fair value of stock awards granted during fiscal 2016 calculated pursuant to Financial Accounting Standards Board Codification (ASC) 718, *Compensation Stock Compensation* (FASB ASC 718). The assumptions used to calculate the valuation of the stock awards for fiscal 2016 are set forth in Note 9 to the Notes to Consolidated Financial Statements in Cadence's Annual Report on Form 10-K for the fiscal year ended December 31, 2016. The amount shown is based on the price of Cadence common stock on the date the award was granted and does not reflect any fluctuations in the price of Cadence

common stock subsequent to the grant date. The amount shown therefore does not reflect the financial benefit that the holder of the award will actually realize upon the vesting of the award.

- (2) As of December 31, 2016, the number of unvested shares of restricted stock held by each non-employee director was as follows: Mr. Adams 8,673; Ms. Bostrom 8,673; Dr. Plummer 8,673; Dr. Sangiovanni-Vincentelli 8,673; Mr. Scalise 8,673; Dr. Shoven 11,224; Mr. Siboni 8,673; and Mr. Sohn 8,673.

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- (3) No option awards were granted to the non-employee directors during fiscal 2016. As of December 31, 2016, the number of outstanding stock options held by each non-employee director was as follows: Mr. Adams 0; Ms. Bostrom 0; Dr. Plummer 57,500; Dr. Sangiovanni-Vincentelli 70,000; Mr. Scalise 120,000; Dr. Shoven 290,000; Mr. Siboni 88,507; and Mr. Sohn 20,000.
- (4) All Other Compensation for Ms. Bostrom, Drs. Sangiovanni-Vincentelli and Shoven and Messrs. Scalise and Siboni consists of reimbursements pursuant to the Medical Reimbursement Plan described above.
- (5) Mr. Scalise has decided to retire from the Board and not stand for re-election, but intends to serve on the Board until the Annual Meeting.

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MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING

PROPOSAL 1: ELECTION OF DIRECTORS

The Corporate Governance and Nominating Committee has recommended, and the Board has nominated, the eight nominees named below for election to the Board. Each director elected at the Annual Meeting will hold office until the 2018 annual meeting of Cadence stockholders and until his or her successor is elected and qualified, or until the director's earlier resignation, removal or death.

Each nominee listed below is currently a Cadence director, and all of the nominees have previously been elected by Cadence stockholders. Mr. Scalise has decided to retire from the Board and not stand for re-election, but intends to serve on the Board until the Annual Meeting. As a result, the Board has reduced the size of the Board to eight members, effective upon Mr. Scalise's retirement.

DIRECTOR QUALIFICATIONS AND DIVERSITY

The Board believes that the Board, as a whole, should possess a combination of skills, professional experience and diversity of backgrounds necessary to oversee Cadence's business. In addition, the Board believes that there are certain attributes that every director should possess, as reflected in the Board's membership criteria. Accordingly, the Board and the Corporate Governance and Nominating Committee consider the qualifications of directors and director candidates individually and in the broader context of the Board's overall composition and Cadence's current and future needs.

The Corporate Governance and Nominating Committee is responsible for developing the Board membership criteria and recommending them to the Board for approval. The criteria, which are set forth in the Corporate Governance Guidelines, include a prospective nominee's integrity, experience, judgment, diversity of background, independence, ability to commit sufficient time and attention to Board activities, skills such as an understanding of electronic design automation, semiconductor and electronics systems technologies, international background and other relevant characteristics. The Corporate Governance and Nominating Committee considers all of these criteria in the context of the perceived needs of the Board from time to time. In addition, the Corporate Governance and Nominating Committee regularly discusses and annually reviews as a committee and with the Board the appropriate skills and characteristics required of directors in the context of the current composition of the Board. In seeking diversity of background, the Corporate Governance and Nominating Committee seeks a variety of occupational and personal backgrounds on the Board in order to obtain a range of viewpoints and perspectives. This annual assessment enables the Board to update the skills and experience it seeks in the Board as a whole, and in individual directors, as Cadence's needs evolve and change over time, and also enables the Board to assess the effectiveness of its policy to seek a diversity of background on the Board. In identifying director candidates from time to time, the Corporate Governance and Nominating Committee and the Board may establish specific skills and experience that it believes Cadence should seek in order to have an effective board of directors.

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DIRECTOR QUALIFICATIONS, SKILLS AND EXPERIENCE

The Corporate Governance and Nominating Committee has determined that it is important for an effective Board to have directors with a balance of the qualifications, skills and experience set forth in the table below.

	Alberto							
Summary of Qualifications, Skills and Experience	Mark W. Adams	Susan L. Bostrom	James D. Plummer	Sangiovanni- Vincentelli	John B. Shoven	Roger S. Siboni	Young K. Sohn	Lip-Bu Tan
Compensation / Talent Management								
Experience in compensation, organizational management, leadership, talent development and identifying, recruiting and motivating top talent								
Corporate Governance								
Experience in providing oversight and support of the goals of the Board and management and experience in protection of stockholder interests								
Cybersecurity								
Understanding cybersecurity risks in enterprise operations								
Financial Expertise								
Experience in evaluating financial statements and capital structures and overseeing financial reporting and internal controls								
Government / Regulatory / Public Policy								
Experience in or working with governmental and regulatory organizations								

International

Experience with global businesses, operations, strategy and customer bases

Marketing

Experience in marketing and branding of products and services and identifying and developing new markets for products and services

Operations

Current or former executives with significant operating experience, who are able to provide insight into developing, implementing and assessing an enterprise's operating plan, business and strategy

Risk Management

Experience in overseeing risk management and understanding risks faced by enterprise operations

Strategic Planning

Experience in providing insight into developing, implementing and assessing businesses and strategy

Technology / Semiconductor / Electronic Design Automation

In-depth understanding of electronic design automation, semiconductor and electronics systems technologies; ability to review overall business and strategy, including product development and the acquisition of businesses that offer complementary products, technologies or services

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DIRECTOR NOMINEES

The Corporate Governance and Nominating Committee believes that all eight director nominees listed below are highly qualified and have the qualifications, skills and experience required for service on the Board. The biographies set forth below contain information regarding their qualifications, skills and experience, including term of service as a Cadence director and age as of the Annual Meeting.

Mark W. Adams

Occupation: Chief Executive Officer, Lumileds Holding B.V.

Cadence Committees:

Age: 52

- Compensation
- Corporate Governance and Nominating
- Strategy

Director Since: 2015

Mr. Adams has served as Chief Executive Officer of Lumileds Holding B.V., a light engine technology company, since February 2017. Mr. Adams served as President of Micron Technology, Inc., a semiconductor solutions company, from February 2012 to February 2016. From 2006 to February 2012, Mr. Adams served in a number of positions at Micron Technology, Inc., including interim Chief Financial Officer, Vice President of Worldwide Sales and Vice President of Digital Media. Prior to joining Micron Technology, Inc., Mr. Adams served as Chief Operating Officer of Lexar Media, Inc. in 2006 and as Vice President of Sales and Marketing of Creative Labs, Inc. from 2002 to 2006.

Skills & Qualifications:

- Compensation / Talent Management
- Corporate Governance
- Financial Expertise
- International
- Marketing
- Operations
- Risk Management
- Strategic Planning

Mr. Adams also serves as a director of Seagate Technology plc.

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Susan L. Bostrom

Occupation: Former Executive Vice President, Chief Marketing Officer, Worldwide Government Affairs, Cisco Systems, Inc.

Age: 56

Director Since: 2011

Cadence Committees:

- Compensation
- Corporate Governance and Nominating
- Strategy (Chair)

Ms. Bostrom served as Executive Vice President, Chief Marketing Officer, Worldwide Government Affairs, of Cisco Systems, Inc., a networking equipment provider, from 2007 to 2011. From 1997 to 2007, Ms. Bostrom served in a number of positions at Cisco Systems, Inc., including Senior Vice President, Chief Marketing Officer, Worldwide Government Affairs, Vice President of the Internet Business Solutions Group and Vice President of Applications and Services Marketing.

Ms. Bostrom also serves as a director of Rocket Fuel Inc., ServiceNow, Inc., Varian Medical Systems, Inc., and Lucile Packard Children’s Hospital Stanford and is a member of the Advisory Board of the Stanford Institute for Economic Policy Research. Ms. Bostrom served as a director of Georgetown University from 2010 to 2016 and Marketo, Inc. from 2012 to 2016 and on the Management Board of the Stanford Graduate School of Business from 2010 to 2015.

Skills & Qualifications:

- Compensation / Talent Management
- Corporate Governance
- Government / Regulatory / Public Policy
- International
- Marketing
- Operations
- Strategic Planning

James D. Plummer, Ph.D.

Occupation: John M. Fluke Professor of Electrical Engineering, Stanford University

Cadence Committees:

Age: 72

Audit

Compensation

Corporate Governance and Nominating (Chair)

Director Since: 2011

Dr. Plummer has been a Professor of electrical engineering at Stanford University since 1978 and served as the Dean of the Stanford School of Engineering from 1999 to 2014. Dr. Plummer has received numerous awards for his research and is a member of the National Academy of Engineering. Dr. Plummer directed the Stanford Nanofabrication Facility from 1994 to 2000.

Skills & Qualifications:

Compensation / Talent Management

Corporate Governance

Financial Expertise

Risk Management

Technology / Semiconductor / Electronic Design Automation

Dr. Plummer also serves as a director of Intel Corporation and served as a director of International Rectifier Corporation from 1994 to 2014.

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Alberto Sangiovanni-Vincentelli, Ph.D.

Occupation: Edgar L. and Harold H. Buttner Professor of Electrical Engineering and Computer Sciences, University of California, Berkeley

Cadence Committees:

Corporate Governance and Nominating
Strategy

Age: 69

Director Since: 1992

Dr. Sangiovanni-Vincentelli was a co-founder of SDA Systems, Inc., a predecessor of Cadence. Dr. Sangiovanni-Vincentelli has been a Professor of electrical engineering and computer sciences at the University of California, Berkeley since 1976. Dr. Sangiovanni-Vincentelli was elected to the National Academy of Engineering in 1998 and received the Kaufman Award from the Electronic Design Automation Consortium in 2001, the IEEE/RSE Wolfson James Clerk Maxwell Medal for his exceptional impact on the development of electronics and electrical engineering or related fields in 2008, the ACM/IEEE A. Richard Newton Technical Impact Award in Electronic Design Automation in 2009 and the EDAA Lifetime Achievement Award in 2012.

Skills & Qualifications:

Compensation / Talent Management
Corporate Governance
Cybersecurity
International
Technology / Semiconductor / Electronic Design Automation

Dr. Sangiovanni-Vincentelli also serves as a director of KPIT Technologies Ltd.

John B. Shoven, Ph.D.

Occupation: Charles R. Schwab Professor of Economics, Stanford University

Cadence Committees:

Age: 69

- Audit
- Compensation (Chair)
- Corporate Governance and Nominating
- Finance

Director Since: 1992

Dr. Shoven has served as Chairman of the Board since 2005. Dr. Shoven is the Charles R. Schwab Professor of economics at Stanford University and served as the Director of the Stanford Institute for Economic Policy Research from 1999 to September 2015. He is also a senior fellow and the Chair of the Steering Committee at the Stanford Institute for Economic Policy Research, senior fellow at the Hoover Institution, fellow at the American Academy of Arts and Sciences and a research associate at the National Bureau of Economic Research. Dr. Shoven has been a member of the faculty at Stanford University since 1973, serving as Chairman of the Economics Department from 1986 to 1989, director of the Center for Economic Policy Research from 1988 to 1993 and as Dean of the School of Humanities and Sciences from 1993 to 1998.

Skills & Qualifications:

- Compensation / Talent Management
- Corporate Governance
- Financial Expertise
- Government / Regulatory / Public Policy
- Risk Management

Dr. Shoven also serves as a director of Exponent, Inc., Financial Engines, Inc. and the Mountain View Board of American Century Funds.

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Roger S. Siboni

Occupation: Private Investor

Age: 62

Director Since: 1999