

# CYPRESS SEMICONDUCTOR CORPORATION CORPORATE GOVERNANCE GUIDELINES

## A. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

1. The primary responsibilities of the Board of Directors (the “Board”) of Cypress Semiconductor Corporation (the “Company”) are oversight, counseling and direction to the management of the Company in the interest and for the benefit of the Company's stockholders, and overseeing the Company's adherence to corporate standards and applicable laws. The Board's detailed responsibilities include, but are not limited to, the following items, which may be delegated to an independent committee (a “Committee”) of the Board, as appropriate:
  - a. Selecting, regularly evaluating the performance of, and approving the compensation of the Chief Executive Officer and other executive officers of the Company, including Section 16 officers, and key employees;
  - b. Planning for succession with respect to the position of Chief Executive Officer and monitoring management's succession planning for executive officers;
  - c. Reviewing and, where appropriate, approving the Company's major financial objectives, strategic and operating plans and actions;
  - d. Overseeing the conduct of the Company's business to ensure the business is being properly managed; and
  - e. Overseeing the processes for maintaining the integrity of the Company with regards to its financial statements and other public disclosures, and compliance with law and ethics.

The Board has delegated to the Chief Executive Officer, working with the other executive officers of the Company, the authority and responsibility for managing the day to day business of the Company in a manner consistent with the standards and practices of the Company, and in accordance with any specific plans, instructions or directions of the Board. The Chief Executive Officer and the other executive officers are responsible for seeking the advice and, in appropriate situations or as required by law or Company policy, the approval of the Board with respect to significant or material actions to be undertaken by the Company.

### 2. Corporate Business Principles

Members of the Board shall act at all times in accordance with the requirements of the Company's Code of Business Conduct and Ethics and laws which shall be applicable to each director in connection with his or her activities relating to the Company. This obligation shall at all times include, without limitation, adherence to the Company's policies with respect to conflicts of interest, confidentiality, protection of the Company's assets, ethical conduct in business dealings and respect for and compliance with applicable laws. Any waiver of the requirements of the Corporate Code of Business Conduct and Ethics with respect to any individual director shall be reported to, and be subject to the approval of, the

Board, after review and recommendation by the Nominating and Corporate Governance Committee.

## **B. BOARD COMPOSITION**

### **1. Chairman of the Board**

The Board's general policy is that separate persons should hold the positions of Chairman of the Board and Chief Executive Officer to enhance the Board's oversight of management.

### **2. Size of the Board**

The Board has eight members in accordance with the Company's Amended and Restated Bylaws (the "Bylaws"). The Board may change the number of authorized directors on the Board by amending the Bylaws, if the Nominating and Corporate Governance Committee so recommends and if the Board deems it appropriate and advisable.

### **3. Independent Directors**

The policy of the Board is that a majority of the Board members should be independent. A director will qualify as "independent" only if he or she satisfies the requirements for independence set out in the Nasdaq Stock Market ("NASDAQ") Listing Standards, the rules of the Securities and Exchange Commission (the "SEC") and any other applicable laws.

The Board and the Nominating and Corporate Governance Committee will make an annual determination of the independence of each member of the Board, in accordance with the requirement mentioned above.

### **4. Board Membership Criteria**

The Nominating and Corporate Governance Committee is responsible for assessing and then reviewing with the Board from time to time the appropriate skills and characteristics required of Board members. This assessment includes evaluation of the appropriate qualifications, skills, the individual's character and integrity, general business and semiconductor industry experience, leadership profile, strategic planning abilities and experience, aptitude in accounting or finance, expertise in domestic and international markets, industry knowledge, understanding of relevant technologies, communications and interpersonal skills, and ability and willingness of to devote time as needed for Board services. These factors, and others as considered useful by the Board, will be reviewed in the context of an assessment of the perceived needs of the Board periodically. The Nominating and Governance Committee will nominate for membership to the Board men and women having the most desirable qualifications as determined by the above factors, without regard to their race, gender, age, religion, national origin, sexual orientation or physical limitations.

Board members are expected to rigorously prepare for, attend, and participate in all Board and applicable Committee meetings. Each Board member is expected to ensure that other existing and planned future commitments do not materially interfere with the member's service as a director.

5. Selection of New Director Candidates

Directors are elected annually at the Company's annual meeting of stockholders. In the event of a vacancy on the Board, due to the resignation of a director, or an increase in the authorized board membership, the members of the Board shall appoint directors to fill such positions, by a simple majority vote of the directors then in office.

6. Limitation on Non-Cypress Board Representation

The Board does not believe that there should be a restriction on the number of other Boards that directors may serve on, but the Nominating and Corporate Governance Committee will review each situation on a case-by-case basis to ensure each director can realistically dedicate a sufficient amount of time to his or her director responsibilities.

7. Change of Principal Occupation, Other Board Appointments

The Board does not believe that directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. There should, however, be an opportunity for the Board, via the Nominating and Corporate Governance Committee, to review the circumstances to determine whether continued Board membership is appropriate, and recommend to the Board the appropriate course of action. Accordingly, in the event a director has a principal job change, such director shall promptly inform the Board so that the review process is commenced. In addition, prior to accepting an invitation to serve on the board of another public company, a director must advise the Nominating and Corporate Governance Committee, so that the Committee may evaluate any potential conflict of interest.

8. Term Limits

The Board has not established any term limits. However, while term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who over time have developed increasing insight into the Company and its operations and therefore provide an increasing contribution to the Board as a whole. To ensure that each director still effectively fulfills his role on the Board, the Nominating and Corporate Governance Committee will annually evaluate and determine the effectiveness of the Board and its committees and recommend to the Board whether or not to nominate a director for re-election by stockholders.

9. Process for Termination or Removal of Board Member

A director who has concerns regarding the performance or compliance of a Board member should bring such concerns to the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will review the concern and determine whether to recommend action to the Board. If action is recommended to the Board, the director against whom the concern is brought will recuse himself, and the other members of the Board will by a majority vote determine whether the director will remain or be removed from the Board.

## 10. Board Compensation

It is the general policy of the Board that Board compensation should be a mix of cash and equity. The Company's officers who are members of the Board do not receive compensation for serving as directors of the Board. Non-employee directors receive compensation for serving on the Board, on Committees, and as Chairpersons of the Board or a Committee. Members of the Operating Committee are also compensated for their attendance at the operations review conducted by various departments of the Company.

The Company's management will report from time to time to the Compensation Committee on the status of Board compensation in relation to other representative U.S. companies.

## C. BOARD MEETINGS AND MATERIALS

### 1. Scheduling and Selection of Agenda Items for Board Meetings

Board meetings are scheduled in advance. In addition to the four (4) regularly scheduled meetings, additional Board meetings may be called upon appropriate notice in accordance with the Company's Bylaws at any time to address specific needs of the Company. The Board may also take action from time to time by unanimous written consent.

Typically, the meetings are held at the Company's headquarters in San Jose, California, but meetings may be held at another location or telephonically or by similar means of communications equipment.

The Chief Executive Officer and the Corporate Secretary, in consultation with the other members of the Board, draft the agenda for each meeting and distribute it to the Board in advance. Each Director may propose the inclusion of items on the agenda, request the presence of or a report by any member of the Company's management, or at any Board meeting raise subjects that are not on the agenda for that meeting. The Chairman of the Board and the Board separately have authority to require the Board to meet in executive sessions outside the presence of management to discuss matters with or without distribution of written materials.

The annual cycle of agenda items for Board meetings is expected to change on a periodic basis to reflect, e.g., Board requests, changing business and legal issues and the work done by the Board Committees. It is expected that the Board will have regularly scheduled presentations from Finance, Sales and Marketing, and the major business segments and operations of the Company. The Board's annual agenda will include the long-term strategic plan for the Company and the principal issues that the Company expects to face in the future.

### 2. Board Material Distributed in Advance

Information that is important to the Board's understanding of the business and its meeting agenda items should be distributed in writing to the Board before the Board meets. Supplemental written materials will be provided to the Board on a periodic basis and at any time upon request of Board members. Materials may be posted on a Board website or delivered as paper copies or emailed. Materials

must be sent in advance and received five business days prior to meeting, unless there is an exception made by the Chairman.

As a general rule, materials on specific subjects should be sent to the Board members in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. However, matters may be discussed at the meeting without written materials being distributed in advance or at the meeting.

### 3. Access to Employees, Independent Advisors and Board Presentations

The Board has complete access to contact and meet with any Cypress employee and, as necessary, independent advisors of the Company. Board members are encouraged, when traveling, to make arrangements in advance to visit Cypress sites and meet with local management on a worldwide basis.

The Board encourages management to allow the Company's employees at managerial levels to make presentations at Board meetings (a) as necessary to provide additional insight to the Board, if such employees are knowledgeable on the specific subject matter being presented, or (b) if such employee has future potential that the Company's management believes should be given exposure to the Board.

### 4. Access to Independent Directors

The Board will ensure that the Company establishes a process whereby interested parties will be able to communicate directly with independent directors in order to make any concerns they may have known to the independent directors. Accordingly, anyone who wishes to communicate with our independent directors may do so by submitting an email to our Board at [CYBOD@cypress.com](mailto:CYBOD@cypress.com). Communications intended for independent directors should be directed to the Chairman of the Nominating and Corporate Governance Committee, c/o Corporate Secretary, Cypress Semiconductor Corporation, 198 Champion Court, San Jose, California 95134.

### 5. Independent Directors' Discussions

The Board shall have separate regularly scheduled meetings for the independent directors scheduled at least once a year during the regularly scheduled Board meetings. However, the independent directors may meet as often as needed at their discretion. The Chairman of the Board will, as long as the Chairman is independent, assume the responsibility of chairing the meetings of independent directors and shall bear such further responsibilities, which the independent directors as a whole might designate from time to time.

### 6. Director Orientation and Continuing Education

The Chief Executive Officer in conjunction with the Company's management and the Nominating and Corporate Governance Committee is responsible for new-director orientation programs and for director continuing education programs. The orientation programs are designed to familiarize new directors with the Company's businesses, strategies and challenges and to assist new directors in developing and maintaining skills necessary or appropriate for the performance of their

responsibilities. Continuing education programs for Board members may include a mix of in-house and third-party presentations and programs. All directors are required to attend a director continuing education program, which may include webinars/online courses and conferences, at least once every two years and report compliance to the Nominating and Corporate Governance Committee.

## **D. BOARD COMMITTEES**

### **1. Number of Committees**

There are currently four Board Committees: Audit, Compensation, Nominating and Corporate Governance, and Operations. There will, from time to time, be occasions on which the Board may want to form a new committee or disband a current committee depending upon the circumstances. The Audit, Compensation, and Nominating and Corporate Governance Committees shall be composed entirely of independent Directors.

### **2. Responsibility and Authority**

Each Committee will have a written charter, approved by the Board, which describes the Committee's general authority and responsibilities. Each Committee will undertake an annual review of its charter, and will work with the Board to make such revisions as considered appropriate.

Each Committee has the authority to engage outside experts, advisers and counsel to the extent it considers appropriate to assist the Committee in its work and subject to compliance with law and any applicable Committee charter provisions.

Each Committee will regularly report to the Board concerning the Committee's activities.

### **3. Assignment and Term of Service of Committee Members**

The Board, after evaluation and recommendation by the Nominating and Corporate Governance Committee, is responsible for the appointment of Committee members and Committee chairpersons. Committee assignments are reviewed annually and it is expected that Committee assignments will rotate from time to time among the Board members. It is also expected that each Committee chairperson would have had previous service on the applicable Committee and may be reassigned to another Committee when his or her term as chairperson is completed.

### **4. Frequency and Length of Committee Meetings and Committee Agenda**

The Committee chairperson, in consultation with the Chairman of the Board and appropriate members of management, will determine the frequency and length of the Committee meetings and develop the Committee's agenda. The agendas and meeting minutes of the Committees will be shared with the full Board, if requested, and other Board members are welcome to attend Committee meetings (so long as such attendance does not violate SEC, Nasdaq or Delaware laws and rules applicable to such Committee).

## **E. MANAGEMENT AND BOARD REVIEW AND RESPONSIBILITY**

### **1. Formal Evaluation of Chief Executive Officer**

The Compensation Committee performs a formal annual evaluation of the Chief Executive Officer which will be provided to the full Board.

### **2. Succession Planning and Management Development**

The Chief Executive Officer reviews succession planning and management development with the Board on an annual basis. The Board may from time to time ask the Compensation Committee to oversee and monitor succession planning.

### **3. Formal Evaluation of the Board**

The Chairman of the Nominating and Governance Committee manages the Board's process for annual evaluation of the Board and its committees.

## **F. POLICY ON POISON PILL PLANS**

The Board may adopt a poison pill if, in its exercise of its fiduciary responsibilities, it deems it to be in the best interests of the Company and its stockholders.

## **G. STOCK OWNERSHIP & HOLDING REQUIREMENTS**

To ensure that our directors and executive officers remain aligned with the interests of the Company and its stockholders, the following stock ownership and holding periods will be required of our directors and executive officers:

- 1. Executive Officers.** The Chief Executive Officer of the Company shall be required to own Company common stock having a value of at least six times his annual base salary. Common stock only includes shares directly owned free and clear and does not include any granted option awards, even if vested and in the money. Our executive officers, other than our Chief Executive Officer, shall be required to own Company stock having a value of at least four times their annual base salary. Such individuals shall have five years to meet the stock ownership requirement.
- 2. Directors.** Our non-employee directors shall be required to own at least 30,000 shares of Company common stock, which is an amount equal to approximately five times their annual retainer. New non-employee directors are required to meet the requirement within five years of their appointment to the Board. (For clarification, see the Non-Employee Director Stock Ownership Requirement governance document which provides, in part, that the term "ownership" includes (i) shares of Company common stock held directly by the non-employee director; (ii) shares of Company common stock held by a family member of a non-employee director living in the same household; and (iii) shares of Company common stock held in a trust in which the non-employee director is a grantor or beneficiary with voting and investment power. "Ownership" does not include options to purchase stock or unvested restricted stock units.)
- 3. Stock Holding Requirement.** Each director and executive officer subject to the stock ownership requirements above shall be required to hold 100% of his or her net shares until the earlier of: (i) the end of such individual's employment or

directorship with the Company, and (ii) the time the individual meets the Company's stock ownership requirements.

## **H. RELATED PERSON TRANSACTION POLICY**

### **1. Definitions**

"Related Person" shall have the meaning given to such term in Item 404(a) of SEC Regulation S-K, as shall be amended from time to time, ("Item 404(a)").

"Related Person Transaction" means any transaction (within the meaning of Item 404(a)) involving the Company and any Related Person.

### **2. Excluded Transactions**

The following transactions (the "Excluded Transactions") shall not be subject to review and approval or ratification under this Related Person Transaction Policy, shall be deemed to not involve a material transaction, and shall not be subject to disclosure under Item 404(a):

**Compensation.** Compensation involving directors or executive officers and resulting solely from Board or employment positions with the Company or a subsidiary, provided that (a) any such compensation is or will be publicly disclosed or (b) where an executive officer is not a named executive officer ("NEO"), such executive officer is not an immediate family member of another Related Person and such executive officer's compensation has been approved by the Compensation Committee (and would have been disclosed if such executive officer were a NEO).

**Certain Indirect Interests.** Where a Related Person has an interest in a third party which has entered into or proposes to enter into a transaction with the Company and the Related Person's interest arises solely from one or more of (i) serving as a director of the other entity or (ii) owning, directly and indirectly, together with all other Related Persons, in the aggregate, less than a 10% beneficial ownership interest in the entity (other than a partnership).

**Reimbursement of Business Expenses.** The reimbursement of business expenses in accordance with the Company's policies.

### **3. Approval and Disclosure of Related Person Transactions**

The Audit Committee (or other designated committee of independent directors) will review and, if appropriate, approve or ratify all Related Person Transactions (other than Excluded Transactions). No director shall participate in any review, approval or ratification of any Related Person Transaction with respect to which such director or immediate family member is a Related Person. Any Related Person Transaction which involves an amount in excess of \$120,000 and in which a Related Person had or will have a direct or indirect material interest will be disclosed in the Company's SEC filings.

### **4. Procedures for Identification of Related Person Transactions**



The Company maintains controls and procedures, including this Related Person Transaction Policy, the completion of D&O questionnaires and the notice requirements in the Company's Code of Business Conduct and Ethics, to ensure that Related Person Transactions are identified and submitted for review and, if appropriate, approval or ratification by the Audit Committee (or other designated committee of independent directors). In addition, all directors and executive officers shall promptly notify the General Counsel of any new transaction, arrangement or relationship that they propose to enter into, or of which they become aware, that might reasonably be expected to be a Related Person Transaction and that is not an Excluded Transaction. This Related Person Transaction Policy is intended to supplement, and not to supersede, the Company's other policies that may be applicable to or involve transactions with Related Persons, including the Company's Code of Business Conduct and Ethics.

5. Related Person Transaction Implications on Director Independence

In connection with any approval or ratification of a Related Person Transaction involving a non-employee director or nominee for director, the Audit Committee (or other designated committee of independent directors) shall consider whether such transaction would compromise such director's status as: (1) an independent director, independent Audit Committee member or independent Compensation Committee member under the NASDAQ Listing Standards; (2) an "outside director" under Section 162(m) of the Internal Revenue Code or a "non-employee director" under Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), if such non-employee director serves on the Compensation Committee; or (3) an independent director under Rule 10A-3 of the Exchange Act, if such non-employee director serves on the Audit Committee.

**I. ANNUAL REVIEW OF THE GUIDELINES**

The Nominating and Corporate Governance Committee of the Board of Directors shall review these Corporate Governance Guidelines on at least an annual basis and report to the Board with any recommendations it may have in connection therewith, and such review shall be referred to in the Company's proxy statements as aforesaid.