

## **Cohu, Inc. Corporate Governance Guidelines**

These guidelines have been adopted by the Board of Directors (the “Board”) of Cohu, Inc. (the “Company” or “Cohu”). The guidelines, in conjunction with the Company’s Certificate of Incorporation, Bylaws and Board Committee Charters form the framework for governance of the Company.

### **1. Role of the Board of Directors**

The Board of Directors, which is elected by the Company’s stockholders, oversees and provides policy guidance on the business and affairs of the Company. It monitors overall corporate performance, the integrity of the Company’s controls and the effectiveness of its legal compliance programs. The Board selects the Chief Executive Officer of the Company, elects officers, designates which officers are executive officers for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, and oversees management. The Board also oversees the Company’s strategic and business planning process. This is generally a year-round process culminating in a Board review of the Company’s business plan, the next year’s capital expenditures budget, and key financial and supplemental objectives. The Board also reviews and assesses risks facing the Company and management’s approach to addressing such risks.

Directors are expected to attend at least 75% of the Board and applicable Committee meetings, absent extraordinary circumstances, and to review meeting materials in advance of such meetings.

### **2. Director Independence**

A majority of the Board shall consist of independent Directors under the Company’s independence standards set forth in Exhibit 1, that are consistent with NASDAQ and SEC director independence standards, as currently in effect.

### **3. Board Membership Criteria**

Members of the Board should have the highest professional and personal ethics and values, consistent with longstanding Company values and standards. They should have broad experience at the policy-making level in business, government, education, technology or public interest. They should be committed to enhancing stockholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Their service on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to perform responsibly all director duties. Each Director must represent the interests of all stockholders. Directors are encouraged to attend the Company’s annual meetings of stockholders.

### **4. Selection of New Directors**

Directors are elected by the stockholders at the Annual Meeting. The Board of Directors proposes nominees for consideration each year. Between Annual Meetings, the Board, in accordance with the Company’s Bylaws, may elect Directors to serve until a future Annual Meeting. Formal offers to join the Board shall be extended jointly by the chairperson of the Nominating and Governance Committee and the Company Chairman.

Stockholders may recommend director nominees for consideration by the Nominating and Governance Committee by writing to the Corporate Secretary specifying the nominee’s name and the qualifications for Board membership. Following verification of the stockholder status of the person submitting the recommendation, all properly submitted recommendations are brought to the attention of the Nominating and Governance Committee at a regularly scheduled Committee meeting. Stockholders also may nominate directors for election at the Company’s annual meeting of stockholders by following the provisions set forth in the Company’s bylaws.

## **5. Board Size**

The Bylaws provide that the number of Directors is determined by the Board within a specified range. The Board's size is assessed at least annually by the Nominating and Governance Committee. If any nominee is unable to serve as a Director, which is not anticipated, the Board by resolution may reduce the number of Directors or choose a substitute

## **6. Term of Office**

Directors serve for a three-year term and until their successors are elected. Subject to Section 7 below, there are no limits on the number of terms that may be served by a Director.

## **7. Director Retirement Policy**

Non-employee Directors may stand for re-election a maximum of one-term after reaching age 75, provided that the Nominating and Governance Committee and the Board determine it is in the best interests of the Company and the stockholders.

## **8. Number and Composition of Board Committees**

The Board currently has three committees: Audit, Compensation and Nominating and Governance. All members of the Audit, Compensation, and Nominating and Governance Committees shall be independent Directors, as defined by applicable stock exchange listing standards and as determined by the Board based on a review of the facts and circumstances of each Director or nominee.

Each committee is chaired by an independent Director who determines the agenda, frequency and length of committee meetings and who has unlimited access to management, Company information and independent advisors, as necessary and appropriate.

Committee charters shall be posted on the Company's website.

## **9. Executive Sessions**

The Board expects to hold executive sessions of independent directors at each Board meeting but in any event will hold such executive sessions at least three times a year. The sessions are scheduled and chaired by the chairperson of the Nominating and Governance Committee. Any non-employee Director can request that an additional executive session be scheduled.

## **10. Standards of Business Conduct**

The Board expects all Directors, as well as officers and employees, to display the highest standard of ethics, consistent with the Company's values and standards. The Company has and will continue to maintain a code of conduct, known as the "Code of Business Conduct and Ethics" (the "Code"). The Board also expects Directors, officers and employees to acknowledge their adherence to the Code. The Audit Committee periodically reviews compliance with the Code. Directors are expected to report any possible conflict of interest between the Director and the Company to the Board, and the Board shall take appropriate action. All directors must recuse themselves from any discussion on decisions affecting their personal, business or professional interests.

## **11. Succession Planning**

The Board plans for CEO succession and reviews senior management selection and succession planning. As part of this process, the non-employee Directors annually review candidates for senior management positions to ensure that qualified candidates are available for all positions and that development plans are being utilized to strengthen the skills and qualifications of the candidates.

## **12. Board Compensation**

Non-employee Directors receive compensation that is competitive, links rewards to business results and stockholder returns, and facilitates increased ownership of Company stock. Director compensation consists of cash and equity through Company equity incentives. Employee Directors are not paid additional compensation for their services as Directors. The Compensation Committee reviews the amount and form of director compensation and provides a recommendation to the Board as to such compensation based upon the committee's consideration of the responsibilities and time commitment of Company directors, as well as competitive information. The Company does not make substantial charitable contributions to organizations in which a director is affiliated. The Compensation Committee has full authority to engage, at the Company's expense, third party consultants to advise on compensation levels and compensation components.

## **13. Board Access to Senior Management**

Directors are encouraged to talk directly to any member of management regarding any questions or concerns the Directors may have.

## **14. Evaluation of Board Performance**

The Board and each Board committee conduct a self-evaluation annually. Committees assess their performance relative to their charter and to best practices. The Nominating and Governance Committee oversees this self-evaluation process and also assesses Board performance. The Committee recommends changes to improve the Board, the Board committees and individual Director effectiveness. From time to time the Committee may engage, at the Company's expense, an independent advisor to evaluate Board effectiveness and to suggest changes to improve Board performance.

## **15. Chief Executive Officer Performance Review and Succession**

The Board annually reviews the performance of the CEO. To conduct this review, the chairpersons of the Nominating and Governance Committee and the Compensation Committee shall gather and consolidate input from all Directors in executive session, and then, based on the factors set forth below as well as such other factors as are deemed appropriate, such chairpersons shall present the results of the review to the Board and to the CEO in a private feedback session. The Compensation Committee also shall assess CEO performance annually in connection with determining CEO compensation. Factors to be considered in assessing CEO performance include strategic vision and leadership, external representation of the Company and management of external relationships, executive officer leadership development and succession planning, Company financial and operational performance, employee morale and motivation, and rapport with the Board. In the event of an emergency or the retirement of the CEO, succession shall be as set forth in the Company's Bylaws.

## **16. Stock Ownership Guidelines**

The Compensation Committee shall periodically assess the appropriateness of stock ownership guidelines for Directors and senior executives, including whether and to what extent executives should be restricted from selling stock acquired through equity compensation.

## **17. Review of External Board Memberships by Company Executives**

The Nominating and Governance Committee reviews and concurs in the election of any employee Director and any Section 16 officer to outside, for-profit board seats. Additional board service by such executives may help to broaden their experience and thereby benefit the Company.

**18. Non-Employee Directors Whose Responsibilities Change**

Individual non-employee directors whose professional or community responsibilities change materially from when they were elected to the Board should volunteer to resign from the Board. Such directors should not necessarily leave the Board. However, there should be an opportunity for the Board, through the Nominating and Governance Committee, to review the continued appropriateness of Board membership under these circumstances.

**19. Authority to Retain Advisors**

The Board and each Board committee shall have the authority, at the Company's expense, to retain and terminate independent advisors as the Board and any such Committee deems necessary.

**20. Communications with Stakeholders**

The CEO is responsible for establishing effective communications with Cohu's stockholders, customers, employees, suppliers, media, government and corporate partners. All communications with stockholders will be authorized by the CEO or others to whom the CEO delegates.

## Exhibit 1

In determining independence, the Board reviews whether directors have any material relationship with Cohu. The Board considers all relevant facts and circumstances. In assessing the materiality of a director's relationship to Cohu, the Board considers the issues from the director's standpoint and from the perspective of the persons or organizations with which the director has an affiliation and is guided by the standards set forth below. The Board reviews commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships. An independent director must not have any material relationship with Cohu, either directly or as a partner, stockholder or officer of an organization that has a relationship with Cohu, or any relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

A director will not be considered independent in the following circumstances:

- (1) The director is, or has been in the past three years, an employee of Cohu, or an immediate family member of the director is, or has been in the past three years, an executive officer of Cohu.
- (2) The director has received, or has an immediate family member who has received during any twelve-month period within the last three years, more than \$60,000 in direct compensation from Cohu, other than compensation for Board service, compensation received by the director's immediate family member for service as a non-executive employee of Cohu, and pension or other forms of deferred compensation for prior service with Cohu that is not contingent on continued service.
- (3) (A) The director or an immediate family member is a current partner of the firm that is Cohu's internal or external auditor; (B) the director is a current employee of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (D) the director or an immediate family member is or was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on Cohu's audit within that time.
- (4) The director or an immediate family member is, or has been in the past three years, employed as an executive officer of another company where any of Cohu's present executive officers at the same time serves or has served on that company's compensation committee.
- (5) The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, Cohu for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of the recipient's consolidated gross revenues.

- (6) The director is, or has an immediate family member who is, a partner in, or a controlling stockholder or an executive officer of, any organization to which Cohu made, or from which Cohu received, payments for property or services in the current or any of the past three fiscal years that exceed the greater of 5% of the recipient's consolidated gross revenues for that year, or \$200,000.

For these purposes, an "immediate family" member includes a director's spouse, parents, children, siblings, mother and father-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone who shares the director's home.