

Cohu, Inc.

CORPORATE GOVERNANCE GUIDELINES



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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. The Nominating and Governance Committee of the Board reviews these guidelines annually and recommends changes to the Board as appropriate.

I. 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, ethics and compliance programs. The Board selects the Chairperson of the Board (“Board Chair”) and Chief Executive Officer (“CEO”) 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 (“Executive Officers”), 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 Board and applicable Committee meetings, absent extraordinary circumstances, and to review meeting materials in advance of such meetings. Directors are encouraged to attend the Company’s annual meetings of stockholders.

II. DIRECTOR INDEPENDENCE, BOARD LEADERSHIP AND LEAD INDEPENDENT DIRECTOR

A majority of the Board and all members of the Audit, Compensation and Nominating and Governance Committees 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.

The Board Chair oversees the planning of the annual Board calendar and, in consultation with other directors, schedules and sets the agenda for meetings of the Board and leads the discussion at such meetings. In addition, the Board Chair chairs Cohu’s annual meeting of stockholders, is available in appropriate circumstances to speak on behalf of the Board, and performs such other functions and responsibilities as set forth in these guidelines or as requested by the Board from time to time.

If the Board Chair is not an independent director or previously served as Cohu’s CEO, then the Nominating and Governance Committee shall nominate an independent director to serve as the Lead Independent Director, the selection of whom shall be subject to approval by a vote of the majority of the independent directors. Although annually elected, the Lead Independent Director is generally expected to serve for more than one year.

The specific responsibilities of the Lead Independent Director include presiding at executive sessions of independent directors and at board meetings where the Board Chair is not present, calling meetings of independent directors, serving as a liaison between the other directors and the CEO and Board Chair, annually evaluating the performance of the CEO and performing such other duties and responsibilities as the Board may determine.

III. BOARD MEMBERSHIP CRITERIA

Members of the Board should have high 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. In addition, the Board and Nominating and Governance Committee value ethnic, cultural, gender, economic, professional and educational diversity in evaluating new Board candidates and seek to incorporate a wide range of these attributes within Cohu's Board. A director's 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, but will not exceed four public boards including Cohu. Each director will seek to represent the diverse interests of all stockholders.

IV. SELECTION OF NEW DIRECTORS

Directors are elected by the stockholders at the Annual Meeting. The Board 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 Chair of the Nominating and Governance Committee and the Board Chair.

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.

In accordance with Cohu's Bylaws, if none of our stockholders provides the Company notice of an intention to nominate one or more candidates to compete with the Board's nominees in a director election, or if our stockholders have withdrawn all such nominations by the day before the Company mails its notice of meeting to our stockholders, a nominee must receive more votes cast for than against his or her election or re-election in order to be elected or re-elected to the Board. The Board expects a director to tender his or her resignation if he or she fails to receive the required number of votes for re-election.

If an incumbent director fails to receive the required vote for re-election, the Nominating and Governance Committee will act on whether to accept the director's resignation and will submit such recommendation for prompt consideration by the Board. In making its recommendation, the Nominating and Governance Committee will consider all factors it deems relevant including, without limitation, the following:

- A. The stated reasons why stockholders withheld votes for election from such director;
- B. The length of service and qualifications of such director;
- C. The director's contributions to the Company; and
- D. The availability of other qualified candidates for director.

The Nominating and Governance Committee's evaluation will begin promptly following certification of the voting results and will be forwarded to the Board to permit the Board to act on it no later than 90 days following the date of the stockholders' meeting. In reviewing the Nominating and Governance Committee's recommendation, the Board will consider the factors evaluated by the Nominating and Governance Committee and such additional information and factors the Board believes to be relevant. If the Board determines that resignation is in the best interests of the Company and its stockholders, the Board will promptly accept the resignation. The Company will publicly disclose the Board's decision within four business days in a Form 8-K, providing an explanation of the process by which the decision was reached and, if applicable, the reasons for not accepting a director's resignation. Any director who is the subject of the evaluation described in this section will not participate in Nominating and Governance Committee or Board considerations of the appropriateness of his or her continued service, except to respond to requests for information. If a majority of the members of the Nominating and Governance Committee are subject to this evaluation process, then the independent directors on the Board (as most recently determined by the Board pursuant to applicable regulatory standards and the Cohu independence requirements set forth in Exhibit 1 hereto) who are not subject to the evaluation will appoint a special committee of the Board amongst themselves solely for the purpose of conducting the required evaluation. The special committee will make the recommendation to the Board otherwise required of the Nominating and Governance Committee.

V. BOARD SIZE

The Bylaws provide that the number of directors is determined by the Board, as will from time to time be fixed by the Board. 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 the Board by resolution may reduce the number of directors or choose a substitute.

VI. TERM OF OFFICE

The Cohu Amended and Restated Certificate of Incorporation divides directors into three classes whose terms expire at successive annual meetings over a period of three years. Subject to Section 7 below, there are no limits on the number of terms that may be served by a director.

VII. NON-EXECUTIVE DIRECTOR RETIREMENT POLICY

Non-executive 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.

VIII. 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 regulatory standards and the Cohu independence requirements set forth in Exhibit 1 hereto and meet such other requirements set forth in the committee charters and as determined by the Board.

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. The Nominating and Governance Committee, with input from the Lead Independent Director and the Board Chair, will make recommendations to the Board on committee assignments and appointment of directors to serve as chairs of committees.

Committee charters are posted on the Company's website.

IX. EXECUTIVE SESSIONS

The Board expects to generally 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 Lead Independent Director, or in the absence of a Lead Independent Director, the Chair of the Nominating and Governance Committee. Any independent director can request that an additional executive session be scheduled.

X. STANDARDS OF BUSINESS CONDUCT

The Board expects all directors, as well as officers and employees, to display a high 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. Directors are encouraged to bring questions about particular circumstances to the attention of the Lead Independent Director, Board Chair, or the Chairs of the Audit or Nominating and Governance Committees who may consult with Cohu legal counsel, as appropriate.

XI. SUCCESSION PLANNING

The Board plans for CEO succession and reviews senior management selection and succession planning. As part of this process, the independent 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.

XII. BOARD COMPENSATION

Independent 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 contributions to charitable organizations with which directors are affiliated.

XIII. 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. Senior management are invited to attend Board meetings from time to time when appropriate.

XIV. EVALUATION OF BOARD AND COMMITTEE PERFORMANCE

The Board and each Board committee conduct a self-evaluation annually, and an evaluation of each individual Board member periodically, as determined by the Nominating and Governance Committee. Committees assess their performance relative to their charter and to best practices. The Nominating and Governance Committee oversees this annual self-evaluation process of the Board and its members and committees, and the Lead Independent Director and the Board Chair may also make recommendations to the Nominating and Governance Committee for changes to improve the Board, the Board committees and individual director effectiveness.

XV. CHIEF EXECUTIVE OFFICER PERFORMANCE REVIEW

The Board annually reviews the performance of the CEO. To conduct this review, the Lead Independent Director, or in the event there is no Lead Independent Director, the Chair of the Nominating and Governance 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, will present the results of the review to the Board and to the CEO in a private feedback session. Based on such input, 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.

XVI. STOCK OWNERSHIP GUIDELINES

The Compensation Committee periodically assesses 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. Cohu's stock ownership guidelines provide that non-employee directors should accumulate over the three-year period (i) commencing with their appointment or (ii) following an increase in the director's annual cash retainer or (iii) a change in the guidelines being approved, a minimum number of shares of Cohu stock with a value equal to three times the director's annual cash retainer. The stock ownership guidelines also provide that (i) over the five-year period commencing with their appointment or employment as an Executive Officer or (ii) over a three-year period following an increase in Executive Officer's annual base salary or (iii) a new guideline being approved, (a) the CEO should accumulate a minimum number of shares of Cohu stock with a value equal to three times the CEO's annual base salary, (b) the Chief Financial Officer (CFO) should accumulate a minimum number of shares of Cohu stock with a value equal to two times the CFO's annual base salary, and (c) all other Executive Officers should accumulate a minimum number of shares of Cohu stock with a value equal to one times their annual base salary. Cohu Directors and Executive Officers should not sell any Cohu shares until these ownership guidelines are met (other than sales to satisfy tax withholding requirements) and, once met, subsequent sales, if any, should not reduce their Cohu stock ownership below these minimum guideline amounts unless approved by the Compensation Committee in advance. Vested "phantom" and deferred but unissued shares are included as shares owned for these stock ownership guidelines. The Compensation Committee monitors compliance by directors and Executive Officers with these stock ownership guidelines on an annual basis using the average closing price of Cohu stock during the preceding fiscal year.

XVII. 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 Executive Officer to outside, for-profit or non-profit board seats. Additional board service by such executives may help to broaden their experience and thereby benefit the Company.

XVIII. INDEPENDENT DIRECTORS WHOSE EMPLOYMENT OR PRINCIPAL OCCUPATION CHANGES

Independent directors whose employment or principal occupation changes from when they were most recently elected to the Board should advise the Board of such changes and 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 the circumstances and recommend to the Board whether the director's continued service is in the best interest of Cohu's stockholders.

XIX. AUTHORITY TO RETAIN ADVISORS

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

XX. DIRECTOR ORIENTATION AND EDUCATION

The Board and the Company's senior management will provide new directors with materials and briefings necessary to permit them to become familiar with the Company's business, strategic plans, significant financial, accounting and risk management issues, internal control and compliance programs and corporate governance practices. The Board will periodically assess what additional education for directors on an ongoing basis may be appropriate to enable each director to perform his or her duties as a director and Board committee member.

XXI. 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 by others as designated by the CEO or the Board.

XXII. DIRECTOR INDEPENDENCE REQUIREMENTS

EXHIBIT 1

The Board will review at least annually the relationship that each director has with the Company and shall determine the independence of each director. "Independent Director" means a person other than an Executive Officer or employee of the Company or any other individual having a relationship which, in the opinion of the Company's Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. "Family Member" means a person's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone (other than domestic employees) who shares the person's home. For purposes of this Exhibit 1, references to "Cohu" or the "Company" include any parent or subsidiary of Cohu.

The following persons shall not be considered independent:

- A. a director who is, or at any time during the past three years was, employed by the Company;
- B. a director who has ever been Chief Executive Officer of the Company, or a director who was an officer of the Company or an acquired company in the past five years;
- C. a director who accepted or who has a Family Member who accepted any compensation (either directly or as a partner, controlling shareholder or employee of another organization) from the Company in excess of \$10,000 for professional services during any period of twelve consecutive months within the three years preceding the determination of independence. Such compensation excludes the following: (i) compensation for board or board committee service; (ii) compensation paid to a Family Member who is an employee (other than an Executive Officer) of the Company; or (iii) benefits under a tax-qualified retirement plan, or non-discretionary compensation;
- D. a director who is a Family Member of an individual who is, or at any time during the past five years was, employed by the company as an Executive Officer;
- E. a director who is, or has a Family Member who is, a partner in, or a controlling shareholder or an Executive Officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following: (i) payments arising solely from investments in the Company's securities; or (ii) payments under non-discretionary charitable contribution matching programs;
- F. a director of the Company who is, or has a Family Member who is, employed as an Executive Officer of another entity where at any time during the past three years any of the Executive Officers of the Company served on the compensation committee of such other entity;
- G. a director who is, or has a Family Member who is, a current partner or employee of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years; or
- H. a director that otherwise fails to meet any requirements established for independent directors under any applicable regulations or requirements of the Securities and Exchange Commission, applicable stock exchange listing requirements.

Additional Rules for Audit Committee Members

In addition to the requirements noted above, audit committee members are also subject to additional requirements contained in the Company's Audit Committee Charter and SEC and stock exchange listing requirements, including Rule 10A-3 of the Securities Exchange Act of 1934 and Nasdaq Rule 5605(c) that, among other things, prohibit such members from accepting, directly or indirectly, any consulting, advisory or other compensatory fee, other than for board service, from or being an affiliated person of the Company or any subsidiary thereof.

Additional Rules for Compensation Committee Members

Members of the Company's Compensation Committee, in addition to meeting the independence requirements noted above, are subject to the Company's Compensation Committee Charter requirements and Nasdaq Rule 5605(d). Among other things, in affirmatively determining the independence of any director who will serve on the compensation committee, the Board must consider all factors specifically relevant to determining whether a director has a relationship to the Company which is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to:

- A.** the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Company to such director; and
- B.** whether such director is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company.

The Board should consider whether the affiliate relationship places the director under the direct or indirect control of the Company or its senior management, or creates a direct relationship between the director and members of senior management, in each case of a nature that would impair the director's ability to make independent judgments about the Company's executive compensation.