SYNOPSYS INC
Form DEF 14A
February 16, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

Synopsys, 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:

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(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):

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(1) Amount Previously Paid:

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(4) Date Filed:

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Notice of 2018 Annual Meeting of Stockholders

April 5, 2018

Dear Stockholder,

You are cordially invited to attend the 2018 Annual Meeting of Stockholders of Synopsys, Inc., a Delaware corporation, which will be held on April 5, 2018, at 8:00 a.m. Pacific Time at our office located at 1030 West Maude Avenue, Sunnyvale, California 94085. We are holding the meeting for the following purposes, which are more fully described in the attached Proxy Statement:

1. To elect nine directors nominated by our Board of Directors to hold office until the next annual meeting of stockholders or until their successors have been elected
2. To approve our 2006 Employee Equity Incentive Plan, as amended, in order to, among other items, increase the number of shares available for issuance under the plan by 3,000,000 shares
3. To approve an amendment to our Employee Stock Purchase Plan primarily to increase the number of shares available for issuance under the plan by 5,000,000 shares
4. To approve, on an advisory basis, the compensation of our named executive officers, as disclosed in this Proxy Statement
5. To ratify the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending November 3, 2018
6. To consider any other matters that may properly come before the meeting

All of our stockholders of record at the close of business on February 9, 2018 are entitled to attend and vote at the annual meeting. A list of registered stockholders entitled to vote at the meeting will be available at our office located at 690 East Middlefield Road, Mountain View, California 94043, for ten days prior to the meeting and at the meeting location during the meeting.

Whether or not you plan to attend the annual meeting, we urge you to cast your vote. For most items being put to a vote, if you do not provide voting instructions in person, via the Internet, by telephone, or by returning the proxy card or voting instruction card, your shares will not be voted. Please vote as promptly as possible. Every stockholder vote is important.

Sincerely yours,

John F. Runkel, Jr.

General Counsel and

Corporate Secretary

Mountain View, California

February 16, 2018

Important Notice Regarding the Internet Availability of Proxy Materials

for the Annual Meeting to Be Held on April 5, 2018

The Proxy Statement and our 2017 Annual Report on Form 10-K will be available at

http://materials.proxyvote.com/871607 on or about February 23, 2018

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Proxy Statement for the 2018 Annual Meeting of Stockholders to Be Held April 5, 2018

We are providing these proxy materials to you in connection with Synopsys 2018 Annual Meeting of Stockholders to be held on Thursday, April 5, 2018 at 8:00 a.m. Pacific Time at our office located at 1030 West Maude Avenue, Sunnyvale, California 94085 (referred to in this Proxy Statement as the Annual Meeting). The solicitation by this Proxy Statement is made by Synopsys, Inc.

This Proxy Statement contains important information for you to consider when deciding how to vote on the matters brought before the Annual Meeting. Please read it carefully. You do not need to attend the Annual Meeting in order to vote.

If your shares are held through a broker, bank, or other agent and not in your name, your broker is not permitted to vote on your behalf on proposals where broker discretionary votes are not allowed, as indicated below. Thus for most items being put to a vote, if you do not provide voting instructions in person, via the Internet, by telephone, or by returning the proxy card or voting instruction card, your shares will not be voted.

We strongly encourage all stockholders to vote, and to do so as promptly as possible. The deadline for voting by Internet or phone is 11:59 p.m. Eastern Time on Wednesday, April 4, 2018.

Annual Meeting Agenda

Proposal	Proxy Statement Page Numbers	Board s Recommendation	Vote Required for Approval	Broker Discretionary Votes Allowed
Proposal 1: Election of Directors	3 19	**FOR all nominees**	The nine nominees receiving the highest number of FOR votes will be elected. Nominees receiving more WITHHOLD votes than FOR votes must offer their resignation to the Board.	No
Proposal 2: Approval of Our 2006 Employee Equity Incentive Plan, as Amended	20 32	**FOR**	FOR votes must exceed votes AGAINST.	No
Proposal 3: Approval of an Amendment to Our Employee Stock Purchase Plan	33 38	**FOR**	FOR votes must exceed votes AGAINST.	No

Proposal 4: Advisory Vote to Approve Executive Compensation	39 74	**FOR**	FOR votes must exceed votes AGAINST.	No
Proposal 5: Ratification of Selection of Independent Registered Public Accounting Firm	75 76	**FOR**	FOR votes must exceed votes AGAINST.	Yes

Questions and Answers about the Annual Meeting and Voting

Please see the About the Annual Meeting section beginning on page 81 for answers to common questions about the Annual Meeting, voting, attendance, submitting a proposal for next year s annual meeting of stockholders, and other procedures.

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A Note about Our Fiscal Year

Our fiscal year generally ends on the Saturday nearest to October 31. Fiscal 2017 ended on October 28, 2017. Fiscal 2018 will end on November 3, 2018.

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We are asking our stockholders to vote For the election of nine directors at the Annual Meeting. We do not have a classified or staggered Board of Directors. Each of our directors stands for election on an annual basis, and of the ten current directors whose term expires in 2018, nine directors are standing for re-election. As previously announced, Deborah Coleman has decided not to stand for re-election at the end of her term at the Annual Meeting.

Following Ms. Coleman s decision not to stand for re-election in December 2017, the Board of Directors (also referred to in this Proxy Statement as the Board) voted to reduce the size of the Board to nine members immediately following the expiration of Ms. Coleman s term at the Annual Meeting. Accordingly, only nine directors are nominated and eligible for election at the Annual Meeting.

The Corporate Governance and Nominating Committee of our Board of Directors (referred to in this Proxy Statement as the Governance Committee), consisting solely of independent directors as determined by the Board under applicable NASDAQ listing standards, recommended each of our nine remaining current directors for nomination by our full Board. Based on that recommendation, our Board has nominated those nine directors for election at the Annual Meeting.

Provided that there is a quorum at the Annual Meeting, the nine nominees receiving the highest number of For votes of the shares present in person or represented and entitled to vote at the Annual Meeting will be elected as directors. In the event a nominee is unable or declines to serve as a director, the proxies will be voted at the Annual Meeting for any nominee who may be designated by our Board to fill the vacancy. As of the date of this Proxy Statement, our Board is not aware of any nominee who is unable or will decline to serve as a director. Each director to be elected at the Annual Meeting will serve until our next annual meeting of stockholders and until his or her successor is elected and qualified or, if earlier, the director s death, resignation or removal.

You may either vote For all the nominees or you may Withhold your vote for any nominee you specify. Unless marked otherwise, proxies returned to us will be voted for each of the nominees named below. If you hold your shares through a bank, a broker or other holder of record, you must instruct your bank, broker or other holder of record to vote so that your vote can be counted for this Proposal 1. Broker non-votes will have no effect on the vote for this Proposal 1.

Proposal 1 is an uncontested election. In addition to the voting requirements under Delaware law described above, our Corporate Governance Guidelines provide that in an uncontested election, any nominee for director who receives a greater number of votes Withheld from his or her election than votes For such election will, promptly following certification of the stockholder vote, submit to our Board a letter of resignation for consideration by the Governance Committee. Our Board, after taking into consideration the recommendation of the Governance Committee, will determine whether to accept the director s resignation. Synopsys will publicly disclose the decision reached by our Board and the reasons for such decision.

Our Board of Directors Recommends that You Vote FOR All Nominees

Our Director Nominees

Information regarding the nominees, including information they have furnished as to their principal occupations, certain other directorships they hold, or have held, and their ages as of the Record Date, February 9, 2018, is set forth below. The section titled Director Nominations on page 15 of this Proxy Statement provides additional information on the director nomination process. The nominee descriptions below and the section titled Director Qualifications on page 14 of this Proxy Statement contain information about the experience, qualifications and skills that led the Governance Committee to determine that these nominees should serve as our directors.

Other than Dr. de Geus and Dr. Chan, all nominees are independent as determined by the Board under the applicable listing standards of the NASDAQ Global Select Market. There are no family relationships among any of the director nominees, directors and/or any of Synopsys executive officers. In addition, no nominee has an arrangement or understanding with another person under which he or she was or is to be selected as a director or nominee.

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Aart J. de Geus

Co-Chief Executive Officer and Chairman of the Board

Age: 63

Director since 1986

Public Company Directorships:

Applied Materials, Inc.

Dr. de Geus co-founded Synopsys and has served as Chairman of our Board of Directors since February 1998 and Chief Executive Officer since January 1994. He has served as co-Chief Executive Officer with Dr. Chi-Foon Chan since May 2012. Since the inception of Synopsys in December 1986, Dr. de Geus has held a variety of positions, including President, Senior Vice President of Engineering and Senior Vice President of Marketing. He has served as a director since 1986, and served as Chairman of our Board from 1986 to 1992 and again from 1998 until present. Dr. de Geus has also served on the board of directors of Applied Materials, Inc. since July 2007.

As a co-founder of Synopsys, Dr. de Geus has led Synopsys for over 31 years, and is considered a pioneer in the electronic design automation (referred to as EDA in this Proxy Statement) industry. Dr. de Geus brings to our Board a unique and thorough understanding of our business, industry and culture. He provides strong executive leadership and vision and maintains a global network of customer and industry relationships. Dr. de Geus also provides our Board with public company board experience.

Chi-Foon Chan

Co-Chief Executive Officer and President

Age: 68

Director since 1998

Dr. Chan has served as our co-Chief Executive Officer since May 2012 and as our President and a member of our Board of Directors since February 1998. Prior to his appointment as our co-Chief Executive Officer, he served as our Chief Operating Officer since April 1997. Dr. Chan joined Synopsys in May 1990 and has held various senior management positions, including Executive Vice President, Office of the President from September 1996 to February 1998 and Senior Vice President, Design Tools Group from February 1994 to April 1997. Dr. Chan previously held senior management and engineering positions at NEC Electronics and Intel Corporation.

Dr. Chan brings to our Board senior executive-level leadership, strategic, and operational experience with Synopsys as well as within the overall EDA industry. Dr. Chan has been with Synopsys for over 27 years and served as our Chief Operating Officer and President for over 15 years before being appointed co-Chief Executive Officer, thus providing our Board with a thorough understanding of our business, operations and technology strategies. He has broad knowledge of the overall EDA industry landscape, and he provides particular expertise in the Asia-Pacific region. Dr. Chan also provides our Board extensive research and development and engineering experience in the semiconductor industry gained from his leadership positions at NEC and Intel.

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Janice D. Chaffin

Age: 63

Director since 2014

Independent

Synopsys Board Committees:

Audit

Public Company Directorships:

PTC Inc.

Former Public Company Directorships Held in Last Five Years:

International Game Technology

Ms. Chaffin was appointed to our Board of Directors in December 2014. She held several senior executive positions with Symantec Corporation, most recently as Group President, Consumer Business Unit, from April 2007 to March 2013, and previously as Executive Vice President and Chief Marketing Officer from 2006 to 2007 and Senior Vice President and Chief Marketing Officer from 2003 to 2006. Before joining Symantec, Ms. Chaffin spent more than twenty years with Hewlett-Packard Company in a variety of management and marketing leadership positions. Ms. Chaffin has served on the board of directors of PTC Inc. since August 2013 and served on the board of directors of International Game Technology from September 2010 to April 2015. Ms. Chaffin also served on the operating committee of the privately held Ancestry.com LLC from January 2013 to May 2016.

Ms. Chaffin has extensive senior management experience with large technology companies. As the former Group President, Consumer Business Unit, of Symantec Corporation, a provider of security, storage and systems management solutions, Ms. Chaffin provides our Board with demonstrated expertise in strategic marketing and global operations in the software industry. Ms. Chaffin also provides our Board with significant public company board experience, serving as a director of PTC Inc., and formerly as a director with International Game Technology and with Informatica Corporation from 2001 to 2008.

Bruce R. Chizen

Age: 62

Director since 2001

Independent

Mr. Chizen has been a member of our Board of Directors since April 2001. He is currently an independent consultant and has served as Senior Adviser to Permira Advisers LLP since July 2008 and Venture Partner with Voyager Capital since July 2009. From November 2007 to November 2008, Mr. Chizen served as a strategic adviser to Adobe Systems Incorporated, a provider of design, publishing and imaging software for print, Internet and dynamic media production. From

Synopsys Board Committees:

Compensation

Governance

December 2000 to November 2007, he served as Adobe s Chief Executive Officer and served as its President from April 2000 to January 2005. He previously held various other positions at Adobe dating back to 1994. Mr. Chizen has served on the board of directors of Oracle Corporation since July 2008, the operating committee of the privately held Ancestry.com LLC from January 2013 to May 2016, and the board of directors of Adobe from December 2000 to April 2008.

Public Company Directorships:

Oracle Corporation

Mr. Chizen has significant expertise in the management of complex global organizations. As the former Chief Executive Officer of Adobe, Mr. Chizen provides our Board with executive-level insight into the challenges associated with operating in a high technology industry and a multi-billion dollar company. Additionally, Mr. Chizen brings significant financial, product management and marketing expertise, which he gained through various leadership positions at Adobe. Mr. Chizen also provides extensive public company board experience to our Board.

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Mercedes Johnson

Age: 63

Director since 2017

Independent

Synopsys Board Committees:

Audit (*Chair*)*

Public Company Directorships:

Juniper Networks, Inc.

Micron Technology, Inc.

Teradyne, Inc.

Former Public Company Directorships Held in Last Five Years:

Intersil Corporation

Ms. Johnson has been a member of our Board of Directors since February 2017. Ms. Johnson previously served as Interim Chief Financial Officer of Intersil Corporation from April 2013 to September 2013, Chief Financial Officer of Avago Technologies, Inc. from 2005 to 2008, and Senior Vice President, Finance and Chief Financial Officer of Lam Research Corporation from 1997 to 2004. For the past 13 years, Ms. Johnson has served as a board member for a number of public companies including Storage Technology Corporation, Intersil Corporation, Micron Technology, Inc., Juniper Networks, Inc. and Teradyne, Inc.

Ms. Johnson brings a wealth of experience from her current and previous board and chief financial officer roles at public and private companies. She provides both a domestic and international perspective having served on the boards and audit committees of multi-billion dollar technology companies with a worldwide presence. Besides financial expertise, Ms. Johnson bring significant information technology and semiconductor experience, which she gained through various leadership positions at Avago Technologies, Inc., Lam Research Corporation and Applied Materials, Inc.

* Deborah Coleman is not standing for re-election and will depart at the end of her term at the Annual Meeting, and Ms. Johnson is succeeding Ms. Coleman as Chair of the Audit Committee effective at the Annual Meeting.

Chrysostomos L. Max Nikias

Age: 65

Director since 2011

Dr. Nikias has been a member of our Board of Directors since July 2011. Since August 2010, Dr. Nikias has served as President of the University of Southern California (USC). Dr. Nikias previously served as USC s provost and chief academic officer from 2005 through 2010 and as dean

Independent

Synopsys Board Committees:

Compensation (*Chair*)

of USC s Viterbi School of Engineering from 2001 through 2005. From 1996 through 2001, he was the founding director of the National Science Foundation-funded Integrated Media Systems Center. Dr. Nikias has worked as a consultant for numerous corporations and the U.S. government, including the U.S. Department of Defense. Dr. Nikias is a fellow of the American Academy of Arts & Sciences, a member of the National Academy of Engineering, a fellow of the Institute of Electrical and Electronics Engineers (IEEE) and the American Association for the Advancement of Science (AAAS), and a charter fellow of the National Academy of Inventors.

As President of USC, Dr. Nikias oversees the operations of a major private research university, and he brings leadership and technical expertise to our Board. Dr. Nikias has extensive experience in directing engineering research and development programs, as well as a deep understanding of global technology trends. A recognized scholar in the fields of digital signal processing and communications systems, among others, Dr. Nikias provides our Board with broad engineering knowledge.

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John Schwarz

Age: 67

Director since 2007

Independent

Synopsys Board Committees:

Governance (*Chair*)

Public Company Directorships:

Teradata Corp.

Mr. Schwarz has been a member of our Board of Directors since May 2007. Since May 2010, Mr. Schwarz has served as co-founder and Chief Executive Officer of Visier Inc., a business analytics software firm. Mr. Schwarz previously served on the executive board of SAP AG from March 2008 to February 2010. Mr. Schwarz was the Chief Executive Officer of Business Objects S.A., a provider of business intelligence software and services, from September 2005 through its acquisition by SAP in January 2008, and he served as the Chief Executive Officer of SAP s Business Objects unit through February 2010. Mr. Schwarz served on Business Objects board of directors from January 2006 until its acquisition in January 2008. Mr. Schwarz has also served as the President and Chief Operating Officer of Symantec Corporation and as President and Chief Executive Officer of Reciprocal Inc. Mr. Schwarz previously spent 25 years at IBM Corporation, where he was most recently General Manager of IBM s Industry Solutions Unit. Mr. Schwarz has served as a director at Teradata Corporation since September 2010 and at SuccessFactors, Inc. from September 2010 to June 2011.

As the former Chief Executive Officer of Business Objects, Mr. Schwarz led a large international software company and brings to our Board extensive management expertise and knowledge of the software industry. Mr. Schwarz understands the complexities of leading a global organization and operating in international markets. Mr. Schwarz also provides our Board with public company board experience.

Roy Vallee

Lead Independent Director

Age: 65

Director since 2003

Independent

Mr. Vallee has been a member of our Board of Directors since February 2003. From July 2011 to November 2012, Mr. Vallee served as Executive Chairman of the board of directors of Avnet, Inc., a global semiconductor/electronics products and IT distributor. From July 1998 to June 2011, Mr. Vallee served as Avnet s Chief Executive Officer and Chairman of the board of directors. Mr. Vallee also previously served as Avnet s Vice Chairman, President, and Chief Operating Officer. Since February 2000, Mr. Vallee has served on the board of directors of

Synopsys Board Committees:

Audit

Public Company Directorships:

Teradyne, Inc.

Former Public Company Directorships Held in Last Five Years:

Avnet, Inc.

Teradyne, Inc., and he has been its Chairman of the board of directors since May 2014. Mr. Vallee served on the board of directors of the Federal Reserve Bank of San Francisco from January 2013 to December 2016, and as Chairman of the board of directors from January 2015 to December 2016.

Mr. Vallee provides our Board with significant executive-level leadership expertise, as well as thorough knowledge of the semiconductor industry. Mr. Vallee led Avnet for over 14 years, as CEO and Executive Chairman, and understands the challenges of managing a public technology company in a highly competitive industry. Mr. Vallee also brings public company board experience to our Board and insight into macroeconomic conditions through his previous board role with the Federal Reserve.

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Steven C. Walske

Age: 65

Director since 1991

Independent

Synopsys Board Committees:

Compensation

Governance

Mr. Walske has been a member of our Board of Directors since December 1991. Mr. Walske has been Managing Director of Myriad Investments, LLC, a private equity firm specializing in investments in software companies, since June 2000. From 1986 through June 2000, Mr. Walske held several executive-level positions at Parametric Technology Corporation, including Chief Executive Officer, President and Chairman of the board of directors. Mr. Walske served on the board of directors of BladeLogic, Inc. from November 2002 to April 2008, holding the Chairman position from September 2005 to April 2008.

As a private equity investor, Mr. Walske provides our Board with financial and strategic planning expertise, as well as extensive knowledge of the software industry and other high-tech industries. Having served as the former Chief Executive Officer of Parametric Technology Corporation, Mr. Walske brings product development and executive-level management expertise as well as an understanding of complex global organizations. Mr. Walske also provides our Board with extensive public company board experience.

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Corporate Governance Guidelines

Our Board of Directors is committed to sound and effective corporate governance practices. Accordingly, our Board has adopted Corporate Governance Guidelines, which are intended to describe the governance principles and procedures by which the Board functions. Our Board regularly reviews and evaluates these guidelines. Among other matters, the Corporate Governance Guidelines cover board composition, board membership criteria, director responsibilities, board committees, evaluation of our co-Chief Executive Officers, board self-assessment and succession planning. The Corporate Governance Guidelines are available on our website at:

https://www.synopsys.com/company/corporate-governance-values/governance-guidelines.html

Copies of the Corporate Governance Guidelines are also available in print upon written request to Investor Relations, Synopsys, Inc., 690 East Middlefield Road, Mountain View, California 94043.

Code of Ethics and Business Conduct

Our Board of Directors is committed to ethical business practices and, therefore, we have adopted a Code of Ethics and Business Conduct applicable to all of our Board members, employees and executive officers, including our co-Chief Executive Officers (Co-Principal Executive Officers), Chief Financial Officer (Principal Financial Officer) and Vice President, Corporate Controller (Principal Accounting Officer). The Code of Ethics and Business Conduct is available on our website at:

https://www.synopsys.com/content/dam/synopsys/company/corporate-governance/code-ethics-business-conduct-worldwide-eng

Synopsys intends to satisfy the public disclosure requirements regarding (1) any amendments to the Code of Ethics and Business Conduct, or (2) any waivers under the Code of Ethics and Business Conduct given to Synopsys Principal Executive Officers, Principal Financial Officer and Principal Accounting Officer by posting such information on its website at:

https://www.synopsys.com/company/corporate-governance-values/code-of-ethics.html

Board Leadership Structure

Our Board of Directors believes it is important to have flexibility in selecting our Chairman and board leadership structure. Accordingly, our Corporate Governance Guidelines allow for the positions of Chairman and Chief Executive Officer to be held by the same person. The Board of Directors believes that it is currently in the best interest of Synopsys and its stockholders for Dr. de Geus to serve in both roles. Dr. de Geus co-founded Synopsys and has extensive knowledge of Synopsys, its industry and its culture. He has successfully guided Synopsys through both strong and challenging periods, and his ability to speak as both Chairman and co-CEO provides strong, consistent leadership for Synopsys.

Lead Independent Director

Our guidelines also provide for the appointment of a Lead Independent Director in the event that the positions of Chairman and CEO are held by the same person. Mr. Vallee has served as our Lead Independent Director since February 2017. The responsibilities of our Lead Independent Director include:

Establishing the agenda for regular Board meetings with the Chairman;

With the Chairman, reviewing and advising on the schedule of regular Board meetings;

Serving as chairperson of regular Board meetings when the Chairman is unavailable;

Calling executive sessions of the independent directors, and establishing the agenda for, and presiding at, such sessions;

Providing feedback from executive sessions to management;

Serving as liaison between the co-CEOs and the independent directors;

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Participating in the annual performance evaluation of the co-CEOs;

Encouraging dialogue between the independant directors and management; and

Consulting with stockholders at management s request.

Our Board believes the role of Lead Independent Director provides an appropriate balance in Synopsys leadership to the combined role of Chairman and CEO, and that the responsibilities assigned to the Lead Independent Director help ensure a strong, independent and active Board.

Director Independence

Our Corporate Governance Guidelines require that a majority of our Board qualifies as independent directors in accordance with applicable federal securities laws and the listing standards of the NASDAQ Global Select Market. Currently, each member of our Board, other than our co-Chief Executive Officer and Chairman of the Board, Aart de Geus, and co-Chief Executive Officer and President, Chi-Foon Chan, is an independent director. All standing committees of the Board are composed entirely of independent directors, in each case under NASDAQ s independence definition. The NASDAQ definition includes a series of objective tests to determine independence, including that the director not be an employee of the company and not have engaged in various types of business dealings with the company. In addition, the Board has made a subjective determination as to each independent director that no relationship exists which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

In making these determinations, the Board reviewed and discussed information provided by the directors and Synopsys with regard to each director s business and other outside activities as they may relate to Synopsys and our management. This information included commercial transactions that we entered into, or proposed entering into, in fiscal 2017 with Juniper Networks, Inc; Micron Technology, Inc.; Oracle Corporation; PTC, Inc.; Teradata Corporation; Teradyne, Inc.; and Visier, Inc. Our non-employee directors or their immediate family members have relationships with these companies. We consider each of these transactions to be at arms length and in the ordinary course of business. We do not consider any of these transactions to be related person transactions requiring disclosure under the applicable rules of the Securities and Exchange Commission.

Based on this review and consistent with our independence criteria, the Board has affirmatively determined that all of the directors who are standing for election to our Board except for Dr. de Geus and Dr. Chan are independent.

Board Meetings and Committees

Our Board of Directors held six meetings during fiscal 2017. During the year, our Board maintained an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee. All such committees have written charters which are available on our website at:

https://www.synopsys.com/company/corporate-governance-values/board-committees.html

The following table summarizes the composition of our Board committees:

Director	**Audit Committee**	**Compensation Committee**	**Governance Committee**
Aart J. de Geus, *Chairman of the Board*			
Chi-Foon Chan			
Janice D. Chaffin			
Bruce R. Chizen			
Deborah A. Coleman(1)			
Mercedes Johnson(2)	Chair		
Chrysostomos L. Max Nikias		Chair	
John Schwarz			Chair
Roy Vallee, *Lead Independent Director*			
Steven C. Walske			
Total committee meetings held in fiscal 2017	10	7	6

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(1) Ms. Coleman is not standing for re-election and will depart at the end of her term at the Annual Meeting.

(2) Ms. Johnson is succeeding Ms. Coleman as Chair of the Audit Committee effective at the Annual Meeting.
The principal responsibilities of each Board committee are summarized below. For a more extensive description of committee functions, please refer to the committee charters.

Audit Committee

Members	Mercedes Johnson(1) (*Chair*), Janice D. Chaffin, Deborah Coleman(2) and Roy Vallee.
Number of fiscal 2017 meetings	Ten
Responsibilities	The Audit Committee acts on behalf of our Board, performing financial oversight responsibilities relating to: The integrity of our financial statements, financial reporting processes and systems of internal accounting and financial controls Our internal audit function The annual independent audit of our financial statements The engagement of our independent registered public accounting firm and evaluation of their performance and independence

	Compliance with legal and regulatory requirements that pertain to our financial statements, internal controls over financial reporting, and disclosure controls
	Evaluation of enterprise risk issues
Independence	All members of our Audit Committee are considered independent under the applicable requirements of the Securities and Exchange Commission and the listing standards of the NASDAQ Global Select Market.
Audit Committee financial experts	Our Board has determined that Ms. Johnson, Ms. Coleman and Mr. Vallee each qualify as an audit committee financial expert within the meaning of the regulations of the Securities and Exchange Commission.

(1) Ms. Johnson is succeeding Ms. Coleman as Chair of the Audit Committee effective at the Annual Meeting.

(2) Ms. Coleman is not standing for re-election and will depart at the end of her term at the Annual Meeting.

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Compensation Committee

Members	Chrysostomos L. Max Nikias (*Chair*), Bruce Chizen, and Steven C. Walske
Number of fiscal 2017 meetings	Seven
Responsibilities	The Compensation Committee primarily reviews and approves our general compensation policies, sets compensation levels for our executive officers (including our co-CEOs), and administers our equity incentive plan, employee stock purchase plan, deferred compensation plans and 401(k) plan. The Compensation Committee also reviews our non-employee director compensation and recommends any changes to the Board for approval. The Compensation Committee s processes for determining executive compensation are described in the section Compensation Discussion and Analysis beginning on page 40.
Independence	All members of our Compensation Committee are considered independent under the applicable requirements of the Securities and Exchange Commission and the listing standards of the NASDAQ Global Select Market. Each member of the Compensation Committee is also a non-employee director for purposes of Rule 16b-3 under the Exchange Act and an outside director for purposes of Section 162(m) of the Internal Revenue Code.

Governance Committee

	John Schwarz (*Chair*), Bruce Chizen, and Steven C. Walske

Members	
Number of fiscal 2017 meetings	Six
Responsibilities	The Governance Committee identifies and recommends to our Board candidates for membership on our Board and Board committees, reviews Board performance, oversees corporate governance matters, and reviews such other matters relating to our management as it deems appropriate. Our Governance Committee also reviews and discusses with management our strategy regarding mergers and acquisitions and strategic investments. Our Governance Committee s policy regarding consideration of director candidates submitted by stockholders is set forth below under Director Nominations. The Governance Committee recommended the nine nominees for election to our Board at the Annual Meeting.
Independence	All members of our Governance Committee are considered independent under the applicable listing standards of the NASDAQ Global Select Market.

Each director attended at least 75% of all Board and applicable committee meetings that were held during his or her period of service as a director in fiscal 2017.

Executive Sessions

The independent directors meet in executive sessions without management directors or management present. These sessions take place prior to or following regularly scheduled Board meetings. The directors met in such sessions three times during fiscal 2017.

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Risk Oversight

Our Board is responsible for the oversight of our company-wide risk management efforts and delegates the assessment and implementation of our day-to-day risk management policies to our management. Our Board is directly involved in overseeing risk management issues related to significant matters such as our overall business strategy, major strategic transactions, and executive officer succession through its regular communications with management.

Additionally, each of our standing Board committees has individual oversight responsibilities:

Committee	Primary Areas of Risk Oversight
Audit	Risks related to financial reporting and controls.
	Supervision of the work performed by our independent registered public accounting firm and our internal audit function.
	Supervision of our anonymous and confidential ethics reporting system, which encourages and allows any employee to submit concerns directly to senior management and the Audit Committee.
	Risks relating to our investments, financing activities, taxes, and world-wide insurance programs.
	Risks related to information technology security and data security.
	Review and approval of related person transactions.
Compensation	Risks related to our cash and equity compensation programs and practices.

For additional information regarding the Compensation Committee s assessment of our compensation-related risk, please see the subsection titled Compensation Risk Assessment in the Compensation Discussion and Analysis section below.

Governance	Risks related to our overall corporate governance, including our governance policies and principles.
	Risks related to the composition and structure of our Board of Directors and its committees, which includes annual evaluation of our Board and Board committees and periodic review of Board member and executive officer succession plans.
	The committee chairperson may investigate concerns applicable to our Board and its committees raised through our confidential ethics reporting system.

Share Ownership Guidelines

In order to better align the interests of our Board members and management with the interests of our stockholders, our Board of Directors first adopted share ownership guidelines in fiscal 2003. Under the current guidelines, non-employee directors are expected to achieve a share ownership level with a value equal to three times the amount of each non-employee director s annual cash retainer (excluding compensation for committee service) or 15,000 shares, within three years of initial election as a director, and maintain such ownership level, as measured each year on the date of the annual meeting of stockholders, so long as they serve in the position of director.

These guidelines also recommend that covered members of management achieve share ownership levels within four years of appointment and maintain such ownership level so long as they serve in such positions as follows: co-Chief Executive Officer 50,000 shares; Chief Financial Officer 10,000 shares; Chief Technology Officer 10,000 shares; General Counsel 10,000 shares; all other members of our Corporate Staff 10,000 shares; and Chief Accounting Officer 2,500 shares.

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Each covered member of management is expected to meet the applicable guidelines within four years of becoming a covered person. The guidelines do not require any covered person to exercise stock options or to purchase shares of our common stock on the open market solely to meet these guidelines. However, when stock options are exercised, when restricted stock or restricted stock units vest, or when shares are purchased under our Employee Stock Purchase Plan, the guidelines recommend that the covered person retain a number of shares of common stock equal to the lesser of 25% of the net value of shares of common stock acquired or vested (after deducting the exercise price, if any, and taxes at an assumed tax rate), or a number of shares necessary to reach such person s applicable share ownership guideline amount.

As of February 9, 2018, each non-employee director either held the requisite number of shares or had not yet served for three years since initial election, and accordingly was compliant with the share ownership guidelines. Similarly, as of February 9, 2018, each of our named executive officers either held the requisite number of shares or had not yet served for four years since appointment, and accordingly was compliant.

Political Contributions

In accordance with our Political Activities Policy, Synopsys does not contribute to political parties or candidates, nor do we attempt to influence the outcome of elections through political action committees. We may contribute periodically to local ballot initiatives in California that are consistent with our quality of life goals. We also engage with trade and industry associations in the United States and abroad, which may undertake advocacy on behalf of members. Our Political Activities Policy is available on our website at:

https://www.synopsys.com/company/corporate-governance-values/political-activities-policy.html

Stockholder Communications with our Board of Directors

Stockholders who wish to communicate with our Board of Directors or one or more individual members of our Board may do so by sending written communications addressed to: Corporate Secretary, Synopsys, Inc., 690 East Middlefield Road, Mountain View, California 94043. All stockholder communications we receive that are addressed to our Board of Directors will be compiled by our Corporate Secretary and forwarded to the specified director(s), if any. If the correspondence is not addressed to a particular director, such correspondence will be forwarded, depending on the subject matter, to the Chairperson of the Audit Committee, Compensation Committee, or Governance Committee.

Board Attendance at Stockholders Meetings

Synopsys encourages director attendance at our annual stockholder meetings, but does not require attendance or have a formal policy requiring attendance. Attendance by phone is permitted. All then-current directors attended the 2017 Annual Meeting of Stockholders.

Director Qualifications

The Governance Committee works with our Board to determine the appropriate experience, qualifications and skills that we seek in Board members in light of our business environment and existing Board composition. When evaluating a particular candidate for Board membership, the Governance Committee and our Board consider many factors, including an understanding of the EDA, semiconductor, electronics, software or technology industries; sufficient experience in business operations, finance, marketing, strategic planning and other relevant disciplines; and professional background such as executive leadership experience and other public company board service. They also consider diversity in their assessment of potential candidates, including diversity of personal background and professional experience, qualifications and skills.

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All candidates for election or re-election are expected to fully participate in Board activities, including preparation for, attendance at and active participation in meetings of our Board of Directors, not hold positions that would conflict with their responsibilities to us, have a high degree of personal integrity and interpersonal skills, and represent the best interests of all of our stockholders and not just certain constituencies.

The Governance Committee and Board believe that a majority of the members of our Board should qualify as independent directors in accordance with our corporate governance guidelines and the listing standards of the NASDAQ Global Select Market. They also deem it appropriate for certain of our executive officers to serve on the Board to provide an internal perspective on the operations, management and culture of our business. The Governance Committee and Board believe that it is beneficial for at least one member, and preferably multiple members, of our Board to meet the criteria for an audit committee financial expert as defined by the applicable rules of the Securities and Exchange Commission.

Director Tenure

While the Governance Committee and our Board prioritize maintaining a board that is comprised of directors with a diverse set of skills, experiences, and perspectives, they also recognize the importance of balancing these qualifications with the overall tenure of directors in their long-term approach to board refreshment. The fresh viewpoints and philosophies newer directors bring, coupled with the valuable experience and institutional knowledge the longer-tenured directors possess, benefits the Board and its overall contribution to Synopsys.

The Board has appointed three highly-qualified directors since 2010 that bring insight in areas such as strategic marketing in the software industry, research and development programs at a leading academic institution, and information technology systems and financial experience in the semiconductor and software industries. To supplement our newer directors, our longer-tenured directors have extensive knowledge of our operations and have the perspective of overseeing our business activities through economic cycles and across differing competitive environments. We believe the current mix of our Board members is the appropriate blend of experience and diverse perspectives that play a critical role in supporting us as we continue to compete in existing semiconductor and electronic design industries as well as new and emerging market segments such as mobile, automotive, digital home, Internet of Things (IoT), and cloud computing.

Director Evaluations

On an annual basis, the Governance Committee conducts an evaluation of our Board, the functioning of the committees and each individual member of our Board. A director s qualifications are evaluated each time the director is considered for Board membership. For directors seeking re-election, the Governance Committee also evaluates the director s overall service, including the director s past attendance at Board and committee meetings, as well as participation in and contributions to the Board.

Director Nominations

The Governance Committee considers candidates for Board membership suggested by our Board members and management. The Governance Committee has, on occasion, retained third-party executive search firms to identify independent director candidates. The Governance Committee will consider persons recommended by our stockholders in the same manner as a nominee recommended by Board members, management, or a third-party executive search firm. After completing the evaluation and review, the Governance Committee makes a recommendation to the full Board as to the persons who should be nominated to our Board of Directors, and our Board determines and approves the nominees after considering the recommendation and report of the Governance Committee.

Stockholders seeking to recommend a prospective nominee should follow the instructions under the heading Stockholder Communications with our Board of Directors. There are no recent material changes to the procedures by which stockholders may recommend nominees for our Board. Stockholder submissions must include the full name of the proposed nominee, a description of the proposed nominee s business experience for at least the previous five years, complete biographical

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information, a description of the proposed nominee s qualifications as a director and a representation that the stockholder submitting the recommendation is a beneficial or record owner of our stock. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected. Stockholders who wish to nominate a candidate for election must follow the procedures described in Article II of our Bylaws.

Each director candidate nominated for election at the Annual Meeting is an existing director seeking re-election to our Board of Directors and was previously elected by our stockholders.

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Our Code of Ethics and Business Conduct requires that every employee avoid situations where loyalties may be divided between our interests and the employee s own interests. Employees and directors must avoid conflicts of interest that interfere with the performance of their duties or are not in our best interests.

Pursuant to its written charter, the Audit Committee reviews and approves all related party transactions as such term is used in ASC Topic 850 *Related Party Disclosures*, or as otherwise required to be disclosed in our financial statements or periodic filings with the Securities and Exchange Commission, other than (a) grants of equity awards made by our Board of Directors or any committee thereof or pursuant to an automatic grant plan, or (b) payment of compensation authorized by our Board or any committee thereof. Related party transactions include transactions between us, our executive officers and directors, beneficial owners of five percent or greater of our securities, and all other related persons specified under Item 404 of Regulation S-K promulgated by the Securities and Exchange Commission. We have adopted written policies and procedures regarding the identification of related parties and transactions, and the approval process for such transactions. The Audit Committee will consider each proposed transaction in light of the specific facts and circumstances presented, including but not limited to the risks, costs, and benefits to us and the availability from other sources of comparable products or services.

From the beginning of fiscal 2017 until the present, there have been no (and there are no currently proposed) transactions involving an amount in excess of $120,000 in which Synopsys was (or is to be) a participant and any executive officer, director, five percent beneficial owner of our common stock or member of the immediate family of any of the foregoing persons had (or will have) a direct or indirect material interest, except the compensation arrangements described in this Proxy Statement for our named executive officers and directors.

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Our non-employee directors are compensated for serving on our Board. We do not pay our employees who serve on our Board of Directors any additional compensation for Board membership. Our Compensation Committee reviews our non-employee director compensation with the assistance of a compensation consultant it has determined to be objective and independent. The Compensation Committee reviews such compensation biennially, at a minimum, and recommends adjustments as appropriate. Other than the compensation disclosed below, no director received compensation or other payment in connection with his or her candidacy or service on the Board.

Fiscal 2017 Compensation

Our non-employee director compensation consists of cash and equity awards. We also reimburse directors for out-of-pocket expenses for travel to Board meetings in accordance with our Corporate Travel Policy.

Cash

For fiscal 2017, we paid non-employee directors an annual retainer of $125,000 for serving on our Board. We also paid an additional retainer of $30,000 to the chair of the Audit Committee of our Board of Directors and $15,000 to the other members of the Audit Committee. The retainers were paid in advance in four equal payments at our regularly scheduled quarterly Board meetings.

Equity

For fiscal 2017, non-employee directors were eligible to receive equity awards under the 2017 Non-Employee Directors Equity Incentive Plan (referred to in this Proxy Statement as the 2017 Directors Plan). The plan provides for automatic grants of equity awards to non-employee members of our Board upon their initial appointment or election, and upon their re-election each year.

Initial Awards. For fiscal 2017, under the 2017 Directors Plan, new non-employee directors were eligible to receive (1) an initial stock option grant with a grant date fair value of $350,000, which vests in equal installments on the date immediately preceding each of the first three annual meetings following the date of grant, subject to continued Board service through each vesting date; and (2) if appointed to our Board less than eleven months since the most recent annual meeting of stockholders, an interim award in the form of restricted stock with a grant date fair market value equal to a pro-rated portion of the annual award of $175,000, which vests on the date immediately preceding the first annual meeting following the date of grant.

Annual Awards. For fiscal 2017, under the 2017 Directors Plan, each re-elected non-employee director was eligible to receive an annual award comprised of either a stock option grant, a restricted stock grant or a combination of both, as determined by our Board each year. The annual award in fiscal 2017, which was comprised solely of restricted stock, had a grant date fair market value equal to $175,000. The annual restricted stock award vests on the date immediately preceding the first annual meeting following the date of grant, subject to continued Board service. In the event of a change of control or similar transaction, the vesting of unvested grants will generally accelerate unless assumed by the successor company. Our Board of Directors received restricted stock for the annual award for fiscal 2017 and, as a result, we issued 2,453 shares of restricted stock to each non-employee director.

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The following table sets forth a summary of the compensation paid to our non-employee directors for services in fiscal 2017.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Total ($)
Janice D. Chaffin	$ 140,000(3)	$ 174,997	$	$ 314,997
Bruce R. Chizen	125,000	174,997		299,997
Deborah A. Coleman	155,000(4)	174,997		329,997
Mercedes Johnson	175,000(5)	174,997	383,007(7)	733,004
Chrysostomos L. Max Nikias	125,000	174,997		299,997
John Schwarz	125,000	174,997		299,997
Roy Vallee	140,000(6)	174,997		314,997
Steven C. Walske	125,000	174,997		299,997

(1) These amounts represent the aggregate grant date fair values, computed in accordance with ASC Topic 718, *Compensation Stock Compensation*, of restricted stock awards issued pursuant to the 2005 and 2017 Non-Employee Directors Equity Incentive Plans. The grant date fair value of these awards is calculated using the closing price of our common stock of $71.34 on the grant date multiplied by the 2,453 shares granted to each non-employee director. These amounts do not represent the actual value that may be realized by the director upon vesting of such awards. For information on the assumptions used to calculate the value of the awards, refer to Note 10 to the consolidated financial statements contained in our 2017 Annual Report on Form 10-K. Such stock awards vest on the date immediately preceding the first annual meeting following the date of grant. At the end of fiscal 2017, our non-employee directors held the following aggregate numbers of unvested restricted stock awards: Ms. Chaffin 5,075 shares; Mr. Chizen 5,075 shares; Ms. Coleman 5,075 shares; Ms. Johnson 2,453 shares; Dr. Nikias 5,075 shares; Mr. Schwarz 5,075 shares; Mr. Vallee 5,075 shares; and Mr. Walske 5,075 shares.

(2) At the end of fiscal 2017, the only non-employee directors who held outstanding option awards were Ms. Chaffin (34,222 shares, which remain subject to vesting), Ms. Johnson (30,838 shares, which remain subject to vesting), and Dr. Nikias (42,147 shares, which are fully vested).

(3) Includes $15,000 retainer paid to Ms. Chaffin for serving as an Audit Committee member in fiscal 2017.

(4) Includes $30,000 retainer paid to Ms. Coleman for serving as the Audit Committee chairperson in fiscal 2017.

(5) Includes (a) $15,000 retainer paid to Ms. Johnson for serving as an Audit Committee member in fiscal 2017, and (b) a pro-rated amount of $35,000 paid to Ms. Johnson for the interim period between February 2017 and our 2017 Annual Meeting of Stockholders held on April 6, 2017.

(6) Includes $15,000 retainer paid to Mr. Vallee for serving as an Audit Committee member in fiscal 2017.

(7) Ms. Johnson was appointed as a member of our Board in February 2017, prior to adoption of the 2017 Directors Plan. Pursuant to the terms of the 2005 Non-Employee Directors Equity Incentive Plan (the 2005 Directors Plan), Ms. Johnson was granted, at the time of appointment, an initial award in the form of a non-statutory option to purchase thirty thousand (30,000) shares of Common Stock. Ms. Johnson was also granted an interim award in the form of a non-statutory option to purchase eight hundred and thirty-eight (838) shares of Common Stock, which is based on a pro-rated amount of the annual award.

Fiscal 2018 Compensation

To better align director compensation with the compensation paid by other companies in our peer group, in December 2017, the Board approved an annual retainer for our Lead Independent Director of $30,000 for fiscal 2018. The retainer will be paid in advance in four equal payments at our regularly scheduled quarterly Board meetings. No other changes were made to director compensation.

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We are asking our stockholders to approve our 2006 Employee Equity Incentive Plan, as amended (referred to in this Proxy Statement as the 2006 Employee Plan), to increase the number of shares of common stock available for issuance under the 2006 Employee Plan by 3,000,000 shares, representing approximately 2.01% of our shares of common stock outstanding as of February 9, 2018. We believe equity compensation is a critical tool for employee motivation and retention. We are proposing the share increase to enable us to continue offering effective equity compensation to our employees.

Our Board of Directors approved the 2006 Employee Plan, as amended, in December 2017, subject to stockholder approval. If approved by our stockholders, the amended 2006 Employee Plan will become effective as of the Annual Meeting date.

Approval of the 2006 Employee Plan, as amended, requires the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting, and voting on this Proposal 2, to vote For this Proposal 2. Abstentions and broker non-votes will not be counted as either votes cast For or Against Proposal 2 and have no effect on the vote for this Proposal 2.

Our Board of Directors Recommends that You Vote FOR

the Approval of the 2006 Employee Plan, as Amended

Purpose and Background

The primary goal of the amendment of our 2006 Employee Plan is to provide us with a sufficient reserve of common stock to offer appropriate incentives to our employees. Like other technology companies, we actively compete for highly qualified employees, especially technical employees. Our equity program is a key component of our strategy to attract and retain key individuals, and the share requirements of our equity program have grown with our company.

Each year, the Compensation Committee of our Board of Directors and our management review our overall compensation strategy and determine the allocations of cash and equity compensation in light of our pay for performance philosophy. We continue to believe that equity compensation is critical in motivating key employees and that it effectively aligns employee compensation with stockholder interests. The 2006 Employee Plan is the sole available plan for granting discretionary equity compensation to our employees. If the amended 2006 Employee Plan is not approved and we are unable to grant equity compensation in the future, we may need to consider other compensation alternatives, such as increasing cash compensation.

We are committed to effectively managing our share reserves for equity compensation while minimizing stockholder dilution. For this reason, we carefully manage both our gross burn rate and net burn rate. Gross burn rate reflects equity awards granted during the fiscal year divided by the number of shares outstanding. Net burn rate reflects equity awards granted during the fiscal year less equity awards cancelled and returned to the plan (net equity grants), divided by the number of shares outstanding.

We endeavor to achieve a gross burn rate that approximates the average rate for our peer group companies as well as for the software and services industry more generally, and to achieve burn rates within the limits published by independent shareholder advisory groups, such as Institutional Shareholder Services (referred to in this Proxy Statement as ISS). While there are several methodologies to arrive at burn rates, using current ISS methodology, our gross burn rates for the last three years are well within the guidelines published by ISS. Detailed information about equity awards issued in fiscal 2017 as well as other relevant information is set forth below.

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We note that the cornerstone of our compensation philosophy is pay for performance, as discussed in the Compensation Discussion and Analysis beginning on page 40. In that regard, approximately half of the value of the target equity grants to our named executive officers in fiscal 2017 was in performance-based RSUs. The balance was in stock option grants, whose value is directly linked to the appreciation of our stock price.

Important Features of the 2006 Employee Plan

We also note that our 2006 Employee Plan includes additional provisions that are designed to protect our stockholders interests and to reflect corporate governance best practices, including:

Stockholder approval required for additional shares. The 2006 Employee Plan does not contain an annual evergreen provision that provides for automatic increases of shares on an ongoing basis. The 2006 Employee Plan instead authorizes a fixed number of shares, and stockholder approval is required for any increase in the number of shares.

No discounted stock options or stock appreciation rights. The 2006 Employee Plan requires that stock options and stock appreciation rights must have an exercise price equal to or greater than the fair market value of our common stock on the date of grant.

Repricing not allowed. The 2006 Employee Plan expressly prohibits the repricing of equity awards including the cancellation and re-grant of outstanding equity awards without prior stockholder approval. The 2006 Employee Plan also expressly prohibits us from buying out stock options whose exercise price exceeds the fair market value of our common stock, often referred to as underwater options, for cash, without stockholder approval.

No liberal share recycling. In general, when awards lapse or are cancelled, the shares reserved for those awards are returned to the share reserve and become available for future awards. However, shares of common stock that are tendered to us in payment of the exercise price of an award or that are withheld to cover tax withholding obligations are not returned to our share reserve.

Seven-year term. All equity awards granted under the 2006 Employee Plan have a term of no more than seven years. In 2009, we amended the 2006 Employee Plan to establish seven years as the maximum permissible term for all equity awards, thereby limiting the potential for unproductive overhang.

Fungible share reserve. The 2006 Employee Plan has a fungible share reserve, which increases the rate at which the share reserve is depleted for restricted stock unit and restricted stock awards, in order to minimize stockholder dilution.

New Plan Benefits and Historical Grant Information

No awards have been granted or promised with respect to the additional 3,000,000 shares requested. Awards under our 2006 Employee Plan are made at the discretion of our Board of Directors or the Compensation Committee and are therefore not determinable at this time. The following tables set forth detailed information about our historical equity compensation practices.

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Awards Granted to Certain Individuals and Groups under the 2006 Employee Plan

The following table shows, for each of the named executive officers and the various groups indicated, the number of stock options and restricted stock units granted under the 2006 Employee Plan during fiscal 2017:

	Number of Restricted Stock Units Granted(1)	Number of Stock Options Granted(2)
Aart J. de Geus Co-Chief Executive Officer and Chairman of the Board of Directors	30,644(3)	160,899
Chi-Foon Chan Co-Chief Executive Officer and President	30,644(3)	160,899
Trac Pham Chief Financial Officer	12,631(4)	66,609
Joseph W. Logan Sales and Corporate Marketing Officer	16,565(3)	86,973
John F. Runkel, Jr. General Counsel and Corporate Secretary	6,253(3)	32,832
Brian M. Beattie Former Executive Vice President, Business Operations and Chief Administrative Officer		
All executive officers as a group (6 persons)	96,737	508,212
All directors who are not executive officers as a group (8 persons)		
All employees, excluding executive officers, as a group ((11,686) persons as of Oct. 28, 2017)(5)	1,487,787	996,463

(1) The aggregate numbers of restricted stock units granted under the 2006 Employee Plan, since its adoption through January 22, 2018, to Dr. de Geus, Dr. Chan, Mr. Pham, Mr. Logan, Mr. Runkel, Mr. Beattie, all executive officers as a group, all directors who are not executive officers as a group, and all employees (excluding executive officers) as a group were 623,888, 457,055, 81,430, 213,452, 42,562, 190,431, 1,608,818; none; and 15,982,603. Of those aggregate grant numbers for Dr. de Geus, Dr. Chan, Mr. Pham, Mr. Logan, Mr. Runkel, Mr. Beattie, and all executive officers as a group, 24,859; 24,859; 11,877; 11,049; 4,419; none; and 77,063 restricted stock units, respectively, are eligible to vest only upon the achievement of pre-established performance goals.

(2) The aggregate numbers of stock option awards granted under the 2006 Employee Plan, since its adoption through January 22, 2018, to Dr. de Geus, Dr. Chan, Mr. Pham, Mr. Logan, Mr. Runkel, Mr. Beattie, all executive officers as a group, all directors who are not executive officers as a group, and all employees (excluding executive officers) as a group were 2,114,269; 1,633,769; 303,646; 833,237; 188,643; 928,194; 6,001,758; none; and 15,564,949.

(3) These restricted stock units required the achievement of pre-established performance goals prior to any vesting of the awards.

(4) Of the 12,631 restricted stock units granted to Mr. Pham during fiscal 2017, 9,110 units required the achievement of pre-established performance goals prior to any vesting of the awards. The remaining 3,521 units vest annually over four years, subject to Mr. Pham s continued service with us.

(5) Equity grants in fiscal 2017 under the 2006 Employee Plan were made to an aggregate of 2,858 employees, excluding our executive officers.

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Additional Equity Plan Information

The following table provides certain additional information regarding the 2006 Employee Plan and 2017 Directors Plan:

	As of 1/22/18
Total Stock Options Outstanding	6,838,779
Total Restricted Stock Unit Awards Outstanding	3,962,932
Total Common Stock Outstanding	148,944,227
Weighted-Average Exercise Price of Stock Options Outstanding	$50.60
Weighted-Average Remaining Duration of Stock Options Outstanding	4.74 years
Total Shares Available for Grant under the 2006 Employee Plan	11,741,304
Total Shares Available for Grant under the 2017 Directors Plan	430,376
	As of 2/9/18 (the Record Date)
Total Common Stock Outstanding	148,957,915

Information for Burn Rate Calculations

The following table provides detailed information regarding activity under all of our equity plans (except our Employee Stock Purchase Plan) in fiscal 2017.

	Fiscal 2017
Stock Options Granted by Synopsys(1)	1,504,675
Restricted Stock Units Granted by Synopsys(2)	1,584,524
Restricted Stock Awards Granted by Synopsys(3)	19,624
Stock Options Cancelled	145,054
Restricted Stock Units Cancelled(4)	239,968
Restricted Stock Awards Cancelled	2,622
Weighted-Average Common Stock Outstanding	150,457,250
Common Stock Outstanding at Fiscal Year End	150,444,705

(1) Granted under the 2006 Employee Plan.

(2) Granted under the 2006 Employee Plan, and represents the actual number of restricted stock units granted, prior to the application of the fungible share reserve ratio.

(3) Granted under the 2017 Directors Plan, which does not contain a fungible share reserve ratio. Represents the actual number of restricted stock awards granted.

(4) Represents the actual number of restricted stock units cancelled, prior to the reverse application of the fungible share reserve ratio.

Description of the 2006 Employee Plan, as Amended

The material terms and provisions of the 2006 Employee Plan, as amended, are summarized below. This summary, however, does not purport to be a complete description of the 2006 Employee Plan. The following summary of the 2006 Employee Plan is qualified in its entirety by reference to the complete text of the 2006 Employee Plan, a copy of which is included as an appendix to this Proxy Statement. Any stockholder that wishes to obtain a paper copy of the plan document may do so by written request to: Corporate Secretary, Synopsys, Inc., 690 East Middlefield Road, Mountain View, California 94043.

As further described in this Proposal 2, the 2006 Employee Plan has been amended to provide for:

- an increase of 3,000,000 shares in the share reserve and incentive stock option limits; and

- certain clarifying amendments to ease administration, eliminate potential ambiguities in plan interpretation and reflect recent changes in law.

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General

The 2006 Employee Plan was originally adopted by our Board of Directors in March 2006 and approved by stockholders in April 2006 as a successor plan to prior stock option plans for our employees. The 2006 Employee Plan provides for the grant of incentive stock options, non-statutory stock options, restricted stock awards, restricted stock units, stock appreciation rights, and other forms of equity compensation (collectively referred to in this Proxy Statement as equity awards). The 2006 Employee Plan also provides the ability to grant performance equity awards and performance cash awards (together referred to in this Proxy Statement as performance awards), which enable our Compensation Committee to use performance criteria in establishing specific targets to be attained as a condition to the vesting of awards.

Incentive stock options granted under the 2006 Employee Plan are intended to qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code (referred to in this Proxy Statement as the Code). Non-statutory stock options granted under the 2006 Employee Plan are not intended to qualify as incentive stock options under the Code. See U.S. Federal Income Tax Information below for a discussion of the tax treatment of equity awards.

Purpose

The 2006 Employee Plan is intended to create an incentive for our eligible employees and consultants to exert maximum efforts toward our success and provides such individuals with the opportunity to benefit from increases in the value of our common stock, thereby aligning their interests with the interests of our stockholders.

Administration

The 2006 Employee Plan provides that our Board of Directors has the authority to construe and interpret the 2006 Employee Plan and to determine the persons to whom and the dates on which equity awards will be granted, the number of shares of common stock to be subject to each equity award, the time or times during the term of each equity award within which all or a portion of the award may be exercised, the exercise, purchase, or strike price of each equity award, the type of consideration permitted to exercise or purchase each equity award, and other terms of the equity awards.

Our Board of Directors has the authority to delegate some or all of the administration of the 2006 Employee Plan to a committee or committees composed of members of our Board. In the discretion of our Board of Directors, a committee may consist solely of two or more non-employee directors within the meaning of Rule 16b-3 under the Exchange Act or solely of two or more outside directors within the meaning of Section 162(m) of the Code. The 2006 Employee Plan also permits delegation of administration of the plan to one or more executive officers with respect to grants to employees of Synopsys and its subsidiaries. Our Board of Directors has delegated to the Compensation Committee administration of the 2006 Employee Plan. Our Board of Directors has also delegated to each of our co-Chief Executive Officers, as both officers and members of our Board of Directors, administration of the 2006 Employee Plan with respect to stock option awards to employees other than executive officers, subject to specified limitations and restrictions.

Eligibility

General. As of January 22, 2018, Synopsys had 10,782 eligible participants under the 2006 Employee Plan. Our non-employee directors are not eligible to receive any awards under the 2006 Employee Plan.

Incentive Stock Options. Incentive stock options may be granted under the 2006 Employee Plan only to employees (including executive officers) of Synopsys and its affiliates. The aggregate maximum number of shares of common stock that may be issued pursuant to the exercise of incentive stock options will be 91,597,248 shares of common stock. Stockholder approval of this Proposal 2 will constitute approval of this maximum limit for incentive stock options.

No incentive stock option may be granted under the 2006 Employee Plan to any person who, at the time of the grant, owns (or is deemed to own) stock possessing more than 10% of the total combined voting power of Synopsys or its affiliates, unless the exercise price of such stock option is at least 110% of the fair market value of the stock subject to the stock option on the date of grant and the term of the stock option does not exceed five years from the date of grant. In addition, the aggregate fair market value, determined on the date of grant, of the shares of common stock with respect to which incentive stock options are exercisable for the first time by a participant during any calendar year (under the 2006 Employee Plan and any other equity plans of Synopsys and its affiliates) may not exceed $100,000 (any excess of such amount shall be treated as non-statutory stock options).

Non-Statutory Stock Options, Restricted Stock, Restricted Stock Units and Other Awards. Non-statutory stock options, restricted stock, restricted stock units and all other types of equity awards and performance awards authorized under the 2006 Employee Plan may be granted to employees (including executive officers) and consultants of Synopsys and its affiliates.

Individual Limit. No person may be granted stock options or stock appreciation rights under the 2006 Employee Plan covering more than 1,000,000 shares of common stock during any calendar year. The 2006 Employee Plan also includes annual limits on grants of performance awards to individuals, as described below.

Stock Subject to the 2006 Employee Plan

As of January 22, 2018, 11,741,304 shares of common stock were available for future grants under the 2006 Employee Plan. If this Proposal 2 is approved by our stockholders, an additional 3,000,000 shares will be available for future grants under the 2006 Employee Plan. Assuming the stockholders approve this Proposal 2, 91,597,248 of our common stock will have been reserved for issuance under the 2006 Employee Plan.

The number of shares of common stock available for issuance under the 2006 Employee Plan is currently reduced by one share for each share of common stock issued pursuant to a stock option or a stock appreciation right and by 1.70 shares for each share of common stock issued on or after March 29, 2016 pursuant to restricted stock awards, restricted stock unit awards or other awards (excluding options and stock appreciation rights).

If a stock option or stock appreciation right award expires or otherwise terminates without being fully exercised, if shares subject to a restricted stock award or restricted stock unit award are forfeited to or repurchased by us, or if an equity award is settled in cash, the shares not issued under those awards, or the shares forfeited to or repurchased by us, become available for subsequent issuance under the 2006 Employee Plan. Such returning shares increase the number of shares available for issuance under the 2006 Employee Plan by one share if they were issued pursuant to a stock option or stock appreciation right and, by 1.70 shares if they were issued pursuant to restricted stock awards, restricted stock unit awards or other awards (excluding options and stock appreciation rights).

If shares subject to an award granted under the 2006 Employee Plan are not delivered to a participant because:

- an equity award is exercised through a reduction in the number of shares subject to the equity award (a net exercise),

- the appreciation distribution upon exercise of a stock appreciation right is paid in shares of common stock, or

shares are withheld in satisfaction of applicable withholding taxes,
then those shares do not become available for subsequent issuance under the 2006 Employee Plan. If the exercise price of an award is satisfied by a participant tendering previously held shares, the tendered shares do not become available for subsequent issuance under the 2006 Employee Plan.

Terms of Stock Options

We may grant stock options under the 2006 Employee Plan pursuant to stock option agreements adopted by our Board of Directors or a duly authorized committee. The following is a description of the permissible terms of stock options under the 2006 Employee Plan. Individual stock option agreements may be more restrictive as to any or all of the permissible terms described below.

Exercise Price. The exercise price of incentive stock options and non-statutory stock options may not be less than 100% of the fair market value of the stock subject to the stock option on the date of grant and, in some cases (see Eligibility above), may not be less than 110% of such fair market value.

As of February 9, 2018, the closing price of our common stock as reported on the NASDAQ Global Select Market was $84.34 per share.

Consideration. The stock option exercise price may, at the discretion of our Board of Directors, be paid in cash or by check, pursuant to a broker-assisted cashless exercise, by delivery of other shares of Synopsys common stock, pursuant to a net exercise arrangement, or in any other form of legal consideration reasonably acceptable to our Board of Directors.

Vesting. Stock options granted under the 2006 Employee Plan vest, or become exercisable, as determined by our Board of Directors. Vesting typically occurs during the optionholder s continued service with Synopsys or an affiliate, whether such service is in the capacity of an employee, director or consultant (collectively referred to as service) and regardless of any change in the capacity of the optionholder, or upon achievement of quantitative or qualitative goals determined by the plan administrator. Shares covered by different stock options may be subject to different vesting terms.

Term. Under the current 2006 Employee Plan, the maximum term of a stock option is seven years, except that in certain cases (see Eligibility above) the maximum term is five years.

Termination of Service. Stock options generally terminate three months after termination of a participant s service unless:

- the stock option agreement by its terms specifically provides otherwise,
- termination is due to the participant s disability, in which case the stock option may be exercised (to the extent the stock option was exercisable at the time of the termination of service) at any time within 12 months of termination,
- the participant dies while in service, or the participant dies within a specified period after termination of service, in which case the stock option may be exercised (to the extent the stock option was exercisable at the time of the participant s death) within 12 months of the participant s death by the person or persons to whom the rights to such stock option have passed, or
- the participant is terminated for cause (as defined under the 2006 Employee Plan), in which case the stock option will terminate and cease to be exercisable (whether vested or unvested) at the time of such termination.

The stock option term may be extended in the event that exercise of the stock option following termination of service is prohibited by applicable securities laws. In no event, however, may a stock option be exercised beyond the expiration of its term.

Restrictions on Transfer. A participant generally may not transfer a stock option other than by will, by the laws of descent and distribution, or pursuant to a domestic relations order. During the lifetime of the participant, only the participant may exercise a stock option (except in instances pursuant to a domestic relations order). A participant may also designate a beneficiary who may exercise a stock option following the participant s death.

Terms of Restricted Stock

We may grant restricted stock awards under the 2006 Employee Plan pursuant to restricted stock award agreements adopted by our Board of Directors or a duly authorized committee. Restricted stock awards are shares of our common stock that may be subject to restrictions, such as vesting requirements.

Consideration. Our Board of Directors may grant restricted stock awards in consideration for past or future services rendered to Synopsys or an affiliate, or any other form of legal consideration acceptable to our Board.

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Vesting. Shares of stock acquired under a restricted stock award may, but need not, be subject to a repurchase option in favor of Synopsys or forfeiture to Synopsys in accordance with a vesting schedule as determined by our Board of Directors.

Termination of Service. Upon termination of a participant s service, Synopsys may repurchase or otherwise reacquire any forfeited shares of stock that have not vested as of such termination under the terms of the applicable restricted stock award.

Terms of Restricted Stock Units

We may grant restricted stock unit awards under the 2006 Employee Plan pursuant to restricted stock unit award agreements ado