

**SIGMA DESIGNS, INC.**  
**CORPORATE GOVERNANCE GUIDELINES**

(As adopted by the Board of Directors effective as of June 2012)

**A. The Roles of the Board of Directors and Management**

1. *The Board of Directors* — The business of Sigma Designs, Inc. (the “Company”) is conducted under the oversight of the Board of Directors (the “Board”). The Board selects the Chief Executive Officer (the “CEO”) and delegates to the CEO the authority and responsibility to manage the Company’s day to day operations. The Board serves as elected representatives of the stockholders, acts as an advisor and counselor to the CEO and senior management, and oversees management performance on behalf of stockholders.
2. *Management* — The CEO and senior management are responsible for running the Company’s business operations.

**B. Board Composition and Leadership**

1. *Chairman of the Board* — The Board shall appoint the Chairman. The Board has determined that, in light of all relevant and changing circumstances, the positions of Chairman and CEO should not be held by the same person and that the position of Chairman should be held by an independent director. The Board may from time to time in the future take into consideration then current and relevant circumstances to ensure that the separation of the positions of Chairman and CEO remains in the best interests of the Company and its shareholders.
2. *Lead Independent Director* – For so long as the Chairman of the Board is an independent director, then the Chairman of the Board shall also serve as the lead independent director. The lead independent director shall preside at all meetings of executive sessions of the independent directors.
3. *Size of the Board* — The Board’s policy is that the number of directors should not exceed a number that can function effectively. The Corporate Governance and Nominating Committee considers and makes recommendations to the Board concerning the appropriate size of the Board.
4. *Board Independence* — The Board believes in having a majority of independent directors on the Board. As such, a majority of the directors shall meet the independence standards that may be established from time to time by The NASDAQ Stock Market, and shall satisfy all applicable independence requirements under the federal securities laws or rules thereunder.
5. *Board Membership Criteria* — The Board’s objective is that its membership be composed of experienced and dedicated individuals with diversity of

backgrounds, perspectives, and skills. The Corporate Governance and Nominating Committee is responsible for identifying, evaluating, recruiting, and recommending qualified candidates to the Board for nomination or election. In identifying candidates for membership on the Board, the Corporate Governance and Nominating Committee takes into account all factors it considers appropriate, which may include consideration of (1) the current size and composition of the Board of Directors and the needs of the Board of Directors and the respective committees of the Board of Directors, and (2) such factors as issues of character, judgment, age, expertise, business experience, length of service, independence, other commitments and the like. Specific consideration shall also be given to candidates and nominees that reflect a Board that is comprised of directors who (A) are predominantly independent, (B) are of high integrity, (C) have broad, business-related knowledge and experience at the policy-making level in business or technology, including their understanding of the digital media processing industry and the Company's business in particular, (D) have qualifications that will increase overall Board of Directors effectiveness and (E) meet other requirements as may be required by applicable rules, such as financial literacy or financial expertise with respect to audit committee members. Candidates for membership on the Board will be reviewed in the context of the existing membership of the Board (including the qualities and skills of the existing directors), the operating requirements of the Company, and the long-term interests of stockholders. Although the Company has no formal diversity policy for board members, the Board and the Nominating and Corporate Governance Committee consider diversity of backgrounds and experiences and other forms of diversity when selecting nominees.

A director's qualifications in light of these criteria are considered at least each time the director is re-nominated for Board membership.

6. *Succession Policies of the Board of Directors* — When a director's principal occupation or business affiliation changes substantially during his or her tenure as a director, other than as a result of normal retirement, then the director should offer to resign from the Board so that the Corporate Governance and Nominating Committee may evaluate the appropriateness of the director's continued service and recommend to the Board acceptance or rejection of the resignation offer.
7. *Service on Other For-Profit Boards* — Independent directors are encouraged to evaluate carefully the time required to serve on other boards, taking into account board and committee meeting attendance, preparation, participation and effectiveness on these boards. Independent directors should advise the chair of the Corporate Governance and Nominating Committee before accepting an invitation to serve on another public company board to permit the Corporate Governance and Nominating Committee to evaluate whether any regulatory issues or potential conflicts are raised by the director accepting such an invitation and to confirm that the director will continue have the time required for preparation, participation and attendance at Board and Board committee meetings. Audit Committee members may not simultaneously serve on the audit committee

of more than two other public companies, unless the Board makes a determination that such simultaneous service would not impair the ability of such member to effectively serve on the Company's Audit Committee and all applicable disclosure obligations are satisfied by the Company.

8. *Board Compensation Review* — The Compensation Committee will periodically review the compensation of non-employee directors and is responsible for recommending to the Board compensation for non-employee directors. Directors who are employees of the Company shall receive no additional remuneration for serving on the Board.
9. *Risk Assessment* – The Board shall maintain oversight of the Company's risk management processes. The Corporate Governance and Nominating Committee shall periodically evaluate the Company's risk management process and system in light of the nature of the material risks the Company faces and the adequacy of the Company's policies and procedures designed to address risk, and recommend to the Board of Directors any changes deemed appropriate by such committee. The Compensation Committee shall periodically evaluate whether there are any risks arising from the Company's compensation policies for all employees and overall actual compensation practices which are reasonably likely to have a material adverse effect on the Company, and recommend to the Board of Directors any changes deemed appropriate by such committee. To the extent risk oversight is a focus of one or more committees of the Board, those committees shall report key findings periodically to the full Board.
10. *Board's Interaction With Stakeholders* — The CEO is responsible for establishing effective communications with the Company's stakeholders, including stockholders, customers, employees, communities, suppliers, creditors, governments, and corporate partners. It is the policy of the Board that management speaks for the Company. This policy does not preclude independent directors from meeting with stakeholders.
11. *Director Orientation and Continuing Education* — The Company shall provide directors with an orientation and education program to familiarize them with the Company's business operations and plans, industry trends and corporate governance practices.

### **C. Board Operations**

1. *Selection of Agenda Items for Board Meetings* — The Chairman, in consultation with the CEO, sets the agenda for each Board meeting. At least once each year, the Board will focus on the Company's strategic plan and on the following year's capital and operating budgets. Members of the Board are encouraged to suggest the inclusion of items on any Board or committee agenda.
2. *Board and Committee Materials Distributed in Advance* — Board members should receive materials related to agenda items sufficiently in advance of Board

and Board committee meetings so that the directors may prepare to discuss the items at the meeting. When appropriate, sensitive subject matters may be discussed at a meeting without advance distribution of written materials to the Board or Board committee.

3. *Director Responsibilities* — Directors must exercise their business judgment to act in the best interests of the stockholders and the Company. In discharging this obligation, directors reasonably may rely on the Company's senior executives and its advisors and auditors. Directors are expected to attend and participate in all meetings of the Board and of committees on which they serve and to spend the time needed and prepare for and meet as frequently as necessary to discharge their responsibilities. The Board shall make the determination that at least one of the members of the Audit Committee meets the Audit Committee financial expert requirements.
4. *Board Presentations and Access to Employees* — Members of senior management may be invited to attend part or all of a Board meeting in order to participate in discussions. Generally, the executive responsible for an area of the Company's operations the Board is to consider makes the presentation. Board members have complete access to all other members of management and Company employees.
5. *Board Access to Independent Advisors* — The Board and its committees may seek advice from outside advisors as appropriate.
6. *Executive Sessions of Independent Directors* — Independent directors regularly meet outside the presence of non-independent directors. For so long as the Chairman of the Board is an independent director, then the Chairman of the Board shall also serve as the lead independent director. Independent director discussions may include such topics as the independent directors determine. The independent directors generally do not take formal action at these sessions but make recommendations for consideration by the full Board. In addition, director meetings are held with the CEO, but not other members of management, for a general discussion of relevant subject matters.

#### **D. Board Committees**

1. *Committees* — The current committees are the Audit, Compensation and Corporate Governance and Nominating Committees. Other committees may be established from time to time as appropriate.
2. *Assignment and Term of Service of Committee Members* — The Board is responsible for the appointment of committee members and chairs, based on recommendations of the Corporate Governance and Nominating Committee. Every year, at the first meeting following the Annual Meeting of Stockholders, the Board shall elect the members of each committee.
3. *Agenda, Frequency, Length and Reports of Committee Meetings* — The chair of each committee approves the agenda, length of and attendance at each committee

meeting and determines the frequency of meetings. The committee chairs report a summary of their meetings to the Board at the next regularly scheduled Board meeting following such committee meetings.

4. *Membership* — Only independent directors may serve on the Audit, Compensation, and Corporate Governance and Nominating Committees, subject to any available exemptions under the applicable rules that the Board deems appropriate under the circumstances.
5. *Responsibilities* — The Board periodically reviews the responsibilities of each committee and has adopted written charters for each of the Audit, Compensation, and Corporate Governance and Nominating Committees, which set forth the full authority and responsibilities of those committees.
6. *Charter Review* — Every year the members of each committee shall review and assess the adequacy of their respective charters. At its meeting, the Corporate Governance and Nominating Committee shall also review and assess the adequacy of the Audit Committee Charter, the Compensation Committee Charter and the Insider Trading and Communications Policy, and any other charter or policy as such committee may be directed by the Board.

#### **E. Board and Management Evaluation**

1. *Formal Evaluation of the CEO and Other Officers* — The Compensation Committee shall review and approve corporate goals and objectives relevant to the compensation of the Company's CEO and other executive officers of the Company. The Compensation Committee shall also evaluate the CEO's and the other executive officers' performance in light of such goals and objectives at least annually and communicate the results to the CEO and the Board. Based on such evaluation, the Compensation Committee shall establish and approve the compensation for the CEO and set the compensation for the other executive officers as set forth in the Compensation Committee Charter. The CEO may not be present during discussion of his compensation, but may be present during discussion of, but may not vote on, compensation of the other executive officers.
2. *Board Self-Assessment* — The Corporate Governance and Nominating Committee shall review on an annual basis the functioning and effectiveness of the Board and its committees. That Committee oversees the self-evaluation of the Board and its committees on an annual basis and, to the extent the Committee deems appropriate, recommends changes to increase the effectiveness of the Board and its committees.
3. *Succession Planning* — The Board, with the assistance of the Compensation Committee, plans the succession to the position of CEO and certain other senior management positions. To assist the Board and the Compensation Committee, the CEO annually assesses senior managers and their succession potential. The CEO also provides the Board and the Compensation Committee with an

assessment of persons considered potential successors to certain senior management positions.

4. *Management Development* — The CEO should report periodically to the Board on the Company's program for management development.

**F. Periodic Review of Guidelines**

These Corporate Governance Guidelines are subject to periodic review and update by the Corporate Governance and Nominating Committee and the Board.