

STANDARDS OF BUSINESS CONDUCT

Winning Ethically

Purpose

This document sets forth worldwide standards of conduct for employees and certain affiliates working in the Mentor Graphics business environment. It defines how we do business and is the basis for setting regional policies, guidelines and procedures. Keep in mind that policies, guidelines and procedures may differ somewhat from region to region according to local custom and law. You are responsible for familiarizing yourself with these standards, all related local laws and all relevant corporate and local policies, guidelines and procedures. "Mentor Graphics" and "Company" refer to Mentor Graphics Corporation, and its subsidiaries, affiliates and joint venture arrangements in which it has a majority interest, including any of its international operations. This is the second edition of these Standards of Business Conduct. The Company updates these standards periodically to account for changes in the way it is doing business, customary practices, and the laws.

Scope

"Mentor Graphics" and "Company" refer to Mentor Graphics Corporation, and its subsidiaries, affiliates and joint venture arrangements in which it has a majority interest, including any of its international operations. There exists a separate Code of Ethics for the Company's non-employee members of its Board of Directors.

The Company will update these standards from time to time to account for changes in the way it is doing business, customary practices, and the laws.

Letter from the President and CEO

To all Employees: Mentor Graphics enjoys an excellent reputation as an ethical and law-abiding company. We consider our reputation a valuable asset. We carry out our legal and ethical obligations guided by our corporate value of "Win, Ethically." We are committed to conducting our business ethically and legally. One of our greatest challenges is maintaining high ethical standards in a complex business and legal environment. Mentor Graphics operates in many countries and in a highly competitive environment, subject to a variety of local laws, regulations and cultures. We must constantly seek and implement flexible and creative ways of achieving our business objectives. Yet, within this environment, we must not waver from performing on a high ethical and legal level to maintain our reputation. The Company can only act through its employees and other agents. We expect you to use good judgment and common sense in the way you conduct our business. To do so, you must have a clear understanding of applicable law and the Company's ethical standards. These Standards of Business Conduct will help you meet our expectations. They summarize our business conduct policies and some of the more important laws that affect our business. By consistently abiding by the law and applying these standards to all of our global business relationships, you will support a successful work environment and help us maintain our good reputation.

Wally Rhines

Chairman and CEO

TABLE OF CONTENTS

- Compliance: Each Employee's Responsibility
- Compliance Officer
- Health and Safety
- No Drug or Alcohol Abuse
- Discrimination and Harassment
- Protection of Assets
- Mentor Graphics Information
- Information Owned by Others
- Inside Information
- Inadvertent Disclosure
- Public Release of Information
- Reporting Integrity
- Taxes
- Conflicts of Interest
- Gift Policy
- Contracts
- Acquiring Software
- Trademarks
- Competition Law
- Obtaining Competitive Information
- Commenting About Competitors
- Web Content
- Export Control
- Foreign Corrupt Practices Act
- Legal Disputes

Compliance: Each Employee's Responsibility

These Standards of Business Conduct give guidance about your basic ethical and legal responsibilities. They apply to every Mentor Graphics employee worldwide, including employees of subsidiary companies. We expect you to comply with the law, these Standards, and corporate and local policies, guidelines and procedures. As a company operating internationally, we encounter laws that may vary widely from those in the United States. Our policy is to comply with all laws that apply in the countries where we do business. In many cases, our own Standards may require conduct even more restrictive than that which the law requires. Conduct that violates the law, our Standards, or corporate and local policies or procedures is outside the scope of your employment and could be grounds for disciplinary action up to and including termination of employment and possible legal prosecution.

Compliance Officer

As part of our commitment to comply with the law and ethical standards, the Chair of the Audit Committee of the Board of Directors and the General Counsel will serve as the Company's Compliance Officers. If you have a question about interpreting or applying these Standards or applicable laws, or if you believe that the Company may be involved in improper conduct, you should bring the question or the particular situation to the attention of your manager or one of the compliance officers.

The Company will do its best to handle all employee communications promptly and confidentially. The Company will not retaliate against any employee for the conscientious and thoughtful reporting of possible illegal or unethical situations.

Health and Safety

You deserve to work in a safe environment. We are committed to providing you with a healthy, safe and productive workplace. We will adhere to all applicable health, safety and environmental laws and regulations. You should advise the Company promptly about possible adverse health, safety or environmental situations that come to your attention.

No Drug or Alcohol Abuse

A workplace polluted by illicit drugs, or the abuse of drugs or alcohol, would make our health and safety goals impossible to meet. No one may possess, use, purchase, sell or otherwise attempt to obtain or dispense any illegal drugs or controlled substances in the Mentor Graphics work environment. We are not concerned with the appropriate use of legal drugs prescribed by a licensed health care provider. However, you may not report to work on Mentor Graphics' premises or elsewhere (for example, a customer site) if you are impaired by drugs or alcohol. See the U.S. Human Resources Web site for a copy of the Company's comprehensive alcohol use policy.

Discrimination and Harassment

We have long been dedicated to the principle that Mentor Graphics does not discriminate against or tolerate harassment or other unfair treatment of any persons for any reason. Please carefully review the Mentor Graphics Employment Guidelines dealing with equal employment and harassment applicable to the region of the world where you do business.

Protection of Assets

All Mentor Graphics employees are responsible for protecting the Company's assets. These assets include our proprietary technology and confidential information, as well as our internal information and communication tools. The unauthorized use of Company assets, for personal gain or otherwise, is a misappropriation of those assets.

Mentor Graphics Information

Information is one of the Company's most important assets. As a Mentor Graphics employee, you probably have access to information that the Company considers sensitive and confidential. Generally, it is information that if made available to competitors or the public, could be advantageous to our competitors and/or detrimental to the Company and its shareholders, including employee and customer lists and other information concerning Mentor Graphics employees.

Unless otherwise required by law, you should not disclose confidential information or permit its release to any person outside Mentor Graphics. In some instances, such information may be so sensitive that you shouldn't disclose it even to other Mentor Graphics employees unless they have a legitimate business need to know.

On occasion, the Company must share information with outsiders for legitimate business reasons. You may not release any confidential information (whether orally, visually or in writing) to anyone outside the Company, unless the Company and the other parties have signed an agreement covering the terms of its use. See the Legal Department web site for a non-disclosure agreement. Contact your local contracts manager for assistance completing the appropriate agreement.

Information Owned By Others

Most companies we do business with have intellectual property they want to protect. Sometimes, they are willing to disclose their confidential information to us for a particular purpose. If you receive another party's confidential information, you must use it properly. You should not accept another party's confidential information unless Mentor Graphics and the other party have signed an agreement covering the terms of its use. You should then handle the information according to the terms of that agreement. See the Legal Department Web site for a non-disclosure agreement. Contact your local contracts manager for assistance completing the appropriate agreement.

Inside Information

You may become aware of information about the Company, and other companies we do business with, that is not available to the public. The use of this information for your benefit, or the benefit of a friend, spouse, relative or other person, is against Company policy. It may also be a violation of the securities laws of the United States or other countries, and could subject you or the Company to civil and criminal liability. The type of information covered includes any confidential and proprietary information and other information that might influence an investor to buy or sell a company's stock.

Inadvertent Disclosure

The unintentional disclosure of confidential information can be just as harmful as intentional disclosure. To avoid unintentional disclosure, only discuss confidential information with authorized persons. Furthermore, you should not discuss confidential information even with an authorized person if you are in the presence of others who are not authorized, e.g., at a trade show reception, in a public area of an airport, in a restaurant or in the locker room of an athletic facility (even at a Mentor Graphics facility). This also applies to discussions with family members or with friends who might innocently or inadvertently pass the information on to someone else.

Public Release of Information

As a public company, Mentor Graphics releases material information to the public from time to time. However, any release of such information must be consistent with both the need to maintain the confidentiality of information before we make final decisions and the need to avoid

endangering Mentor Graphics' business by providing information helpful to a competitor. All public statements, whether oral or written, must be accurate with no material omissions. If someone outside the Company asks you questions about Mentor Graphics or its business activities, either directly or through another person, do not attempt to answer them unless you have authority to do so. Keep in mind, though, that it is our policy not to respond to outside inquiries about rumors or business matters except to confirm facts already made public. If you receive such an inquiry, you should refer the questioner to the General Counsel or the Treasurer's office.

Reporting Integrity

All Company financial reports, accounting records, research reports, sales reports, expense reports, time sheets and other documents must accurately represent the facts and the true nature of a transaction and be in compliance with Company policy and all applicable laws. Improper or fraudulent accounting documentation or financial reporting is against Company policy and may also violate the law.

Taxes

You are responsible for paying your personal income taxes and the employee portion of other governmental social programs such as Social Security and National Insurance in all tax jurisdictions in which you reside or as required by your citizenship. In many instances, these payments are withheld by the Company and paid directly to the appropriate governmental agency. Whether or not the Company withholds, the taxes are your personal responsibility. This policy also applies to income you make on the exercise of stock options and the sale of stock bought under the Company's stock purchase plan.

Conflicts of Interest

You should avoid any situation that may involve, or appear to involve, a conflict between your personal interests and the interests of Mentor Graphics. In dealing with current or potential customers, suppliers, contractors, consultants and competitors, act in the best interests of the Company. You should not seek to gain personal advantage because of your position in the Company. Make prompt and full disclosure to your manager of any situation that may involve a conflict of interest.

While it is not possible to list all situations constituting unacceptable conflicts, some typical examples include:

- Outside employment or activities that might impair your ability to fulfill your obligations to Mentor Graphics.
- Competing with Mentor Graphics or having a significant interest, directly or indirectly, in a competitor.
- Having a significant interest, directly or indirectly, in a supplier to Mentor Graphics.
- Any other situation, including family or other personal relationships, that might dissuade you from acting in the Company's best interest.

Whether an interest in a competitor or supplier is "significant" will depend on the circumstances.

Gift Policy

Mentor Graphics does not seek to gain any advantage through the improper use of business favors or gifts. The Company prohibits offering, giving, soliciting or receiving any form of bribe or anything conditioned upon granting or receiving an individual or business benefit or an official action. A permissible gift to a third party should meet the following criteria:

- Gift is given as i) a courtesy, ii) an expression of gratitude or iii) relates to the demonstration or promotion of a product
- Gift is given unconditionally with only the generalized hope that a favorable business climate might exist
- Gift is for business use
- Gift is customary and does not violate local law
- Gift is of a nominal value – generally less than US \$250
- The expense is properly recorded

Gifts include goods, services and promotional premiums or discounts on personal purchases of goods or services. You may accept promotional premiums and discounts offered by transportation companies, hotels, auto rental agencies and restaurants, based on membership in bonus programs for individuals and offered to travelers generally.

When in doubt about the propriety of a gift, check with your manager or the General Counsel.

Contracts

The Company takes its contractual obligations seriously. The Legal Department (or your local contracts manager, if applicable) should review all contracts and arrangements between Mentor Graphics and other persons and companies, except i) as allowed below and ii) those standard arrangements already approved of by the local contracts' manager or the Legal Department. The Company has only given certain individuals signature authority. Except as allowed below, you should not sign or accept any agreement unless you are sure that you have that authority.

As an exception to the Company's policy on signing or accepting agreements, you may accept and download software utilities which require no licensing fee, provided i) you have read the agreement, ii) you agree to personally abide by the terms of the agreement, iii) the agreement will not obligate the Company in any manner other than customary licensing obligations, and iv) the software will not be incorporated into any Mentor Graphics product or otherwise distributed to a customer.

To protect the Company's rights in its software (including third party software we distribute), you must not distribute or ship any of the Company's products -- including loaned and demonstration products -- to any person or company for any reason without an approved, signed (or shrink-wrap/click-wrap) agreement. The Company has standard form agreements (which may vary locally according to local custom and usage) for the licensing of its software, for giving or receiving confidential information, and for other purposes. You should use these standard forms whenever possible to protect the Company, its customers, and its suppliers. Any changes to these forms or use of another form of agreement must be approved by the appropriate manager. If you

are not sure which licensing obligations are customary or who is authorized to approve changes, contact your local contracts manager or an attorney in the Legal Department.

Acquiring Software

You must take special care in acquiring software from others. As intellectual property, software is protected by copyright, and may also be protected by patent, trade secret or as confidential information. Such software includes computer programs, databases and related documentation owned by the party you are dealing with or by another party. It also includes software and computer programs that the Company has purchased for use on your Company-furnished personal computer or workstation (for example, commercial word processing, presentation and spreadsheet programs). You must strictly follow the terms and conditions of any license agreements such as provisions not to copy or distribute programs. If you buy software for your own equipment, you may not copy any part of that software for use in any Mentor Graphics development work. Further, your license for the software may prohibit you from placing that software on any Mentor Graphics-owned computer system or bringing the software onto Mentor Graphics' premises.

Trademarks

Mentor Graphics and many other companies have trademarks -- words, names, symbols, or devices -- that they use to identify and distinguish their respective products. We have registered some of our trademarks but some of our marks are not registered. For example, the stylized "Mentor Graphics" logo on our letterhead is a registered trademark of the Company, indicated by a ® symbol. The Company's unregistered trademarks are generally indicated by a ™ symbol. In all countries, it is important that we acknowledge Mentor Graphics' trademarks and the trademarks of other companies and use them properly. Specifically, you should always spell the trademark correctly and write it the way the owner of the mark writes it. Also, the first time you use a particular name or word in publications, you should indicate that it is a trademark of Mentor Graphics or another company. To ensure naming consistency and to establish brand identity, Corporate Marketing has established a Style Guide. The Style Guide should be consulted prior to creating any new trademarks. Guidelines concerning establishing and using trademarks and a complete listing of the Company's trademarks are located on the U.S. Legal Department's Web site.

Competition Law

The global activities of the Company are subject to the antitrust or competition laws of various countries and organizations, such as the European Union. These laws generally prohibit agreements or actions that may restrain trade or reduce competition. You may violate these laws if you agree with competitors to fix, control or otherwise affect prices; to boycott specified suppliers or customers; to allocate products, territories or markets; or to limit the development, production or sale of products. It makes no difference that an agreement may have a reasonable business purpose if it violates the law.

It also is possible for a company to violate competition laws without acting jointly with another company. If one of the leaders of an industry unilaterally takes any of the actions described above, it may be illegally monopolizing or attempting to monopolize its industry or unlawfully abusing its dominant position. For example, prices that such a company sets for its products or services may violate competition laws if they are proven to be predatory or otherwise unfair.

In all contacts with competitors, avoid discussing matters such as price or other terms of sale, costs, inventories, product plans, market surveys and of course, any other confidential or proprietary information. If you are involved in trade association activities or other situations that

allow for less formal communications among competitors, suppliers or customers, you must be especially alert to the requirements of the law. Competition law standards can be imprecise. When you are considering any action of competitive significance, you should consult with an attorney in the Legal Department.

Obtaining Competitive Information

In the normal course of business, it is not unusual to acquire information about many other organizations, including competitors. Doing so is a normal business activity and is not necessarily unethical. The Company collects information on competitors from a variety of legitimate sources to evaluate the relative merits of its own products, services and marketing methods. This activity is proper and necessary in a competitive environment.

While collecting data on our competitors, you may use legitimate resources and take advantage of any relevant public information. However, you must avoid actions that are illegal, unethical or that could embarrass Mentor Graphics. Such actions include industrial espionage, inducing a competitor's present or former personnel or customers to disclose confidential information, and any other means that are not open and aboveboard.

Managers must be particularly careful in dealing with current Mentor Graphics employees who may have previously worked for a competitor. Managers must not ask those employees to divulge information that the competitor reasonably could consider proprietary or about which an employee has a continuing confidentiality obligation to a previous employer.

Commenting About Competitors

It is Mentor Graphics' policy to emphasize the quality of its products and to avoid negative comments about competitors or their products. If you make statements (oral or written) concerning a competitor or its products, your statements must be fair, factual and complete. Remember that in some countries negative or disparaging comments about a competitor, even if true, may be against the law.

Web Content

In developing Web sites, you should use only material that is created by or on behalf of the Company, is licensed to the Company by a third party or is otherwise authorized for use by the Company. While including URLs for the home pages of other sites is generally acceptable, "deeper" third party Web sites should only be done with that party's express written consent. References to Mentor Graphics and its products should include appropriate trademarks. Home pages should link to the Company's privacy policy and its terms and conditions of use statement. Home pages should also contain appropriate copyright notices. Company and third party confidential information should not be used in external Web sites. Products licensed and/or delivered from external Company Web sites must comply with established licensing requirements. If you have any questions regarding Web site content, please contact the Legal Department.

Export Control

Mentor Graphics must comply with all applicable national and multinational export control laws. U.S. export control laws apply to the export and re-export of U.S. goods and technology, and failure to comply with these laws can result in adverse publicity, loss of export privileges, fines, and imprisonment. Under certain circumstances, these laws prohibit subsidiaries of U.S. companies, including those located outside the U.S., from dealing directly or indirectly with particular countries, companies or individuals. For more information about how the export laws apply to our business, visit our Export Compliance Program WebPages.

Foreign Corrupt Practices Act

The U.S. Foreign Corrupt Practices Act ("FCPA") applies to every Mentor Graphics employee worldwide and prohibits offering, promising, paying or authorizing the payment, directly or indirectly, anything of value (including an offer of employment) to a person affiliated with a foreign government (including employees of state-owned enterprises and public international organizations) to obtain any improper advantage. The FCPA also requires that companies maintain accurate accounting records that correctly reflect all expenses.

Payments related to travel, entertainment and nominal gifts are permissible, provided these expenses i) are legal under the written laws of the foreign official's country, ii) have a legitimate business purpose, iii) in the case of travel and entertainment, must conform to Mentor Graphics' current expense guidelines, and iv) in the case of gifts, comply with Mentor Graphics' gift policy as stated in these Standards.

Under Mentor Graphics' FCPA Compliance Program, all third parties who assist Mentor Graphics to obtain business outside the U.S., including sales representatives, agents, independent contractors and distributors, are required to undergo FCPA screening and to contractually commit to abide by the FCPA. The FCPA Compliance Program is administered by the Company's General Counsel. All inquires concerning FCPA compliance and exceptions to the FCPA should be addressed to the General Counsel.

In addition to the U.S., a number of countries have established their own anti-bribery laws. It is your responsibility to understand and abide by the local laws, as well as the FCPA, in the countries where you conduct business on behalf of Mentor Graphics.

Legal Disputes

If you are involved with a lawsuit or other legal dispute between the Company and another entity or person, you should not discuss it with either outsiders or other Mentor Graphics employees without the prior approval of your manager and an attorney in the Legal Department.