

## ***Corporate Governance Guidelines***

### **1. BOARD COMPOSITION**

#### **i. Size of the Board**

The Board of Directors has eight members, as specified in Zoran's Bylaws. The Board of Directors periodically reviews the appropriate size of the Board.

#### **ii. Independent Directors**

At least two-thirds of the members of the Board shall be independent directors. In the event the Board finds itself not in compliance with this commitment, it will take reasonable steps to return to compliance promptly. Each independent director shall confirm his or her status as an independent director annually, and shall inform the Board promptly of any change in his or her status that would disqualify him or her as an independent director or from serving as a member of the Audit Committee.

#### **iii. Definition of Independent Director**

Zoran defines an "independent" director to be a person who meets the Nasdaq definition of independent director (Nasdaq Marketplace Rule 4200). The definition includes a series of objective tests, such as that the director is not an employee of the company and has not engaged in various types of business dealings with the company, and a subjective determination by the Board that the director has no relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

#### **iv. Director Compensation**

It is the general policy of the Board that director compensation should be a mix of cash and equity-based compensation. The Nominating and Corporate Governance Committee is responsible for determining director compensation.

## **2. DIRECTOR CRITERIA AND SELECTION**

### **i. Board Membership Criteria**

When considering the nomination of directors for election at an annual meeting of stockholders, the Nominating and Corporate Governance Committee will review the needs of the Board of Directors for various skills, background, experience and expected contributions and the qualification standards established from time to time by the committee. When reviewing potential nominees, including incumbents, the committee will consider the perceived needs of the Board, the potential nominee's background, experience, skills and expected contributions to the Board, as well as the following factors:

- The appropriate size of the Board and its committees;
- Diversity, age and skills of directors, such as understanding of relevant technology, manufacturing operations, finance, marketing and international operations;
- The relevant skills, background, reputation and business experience of nominees compared to the skills, background, reputation and business experience of other Board members;
- Independent director status;
- Regulatory and stock exchange listing requirements;

- Benefits of a constructive working relationship among directors; and
- Balancing the benefits of continuity of Board membership with the benefits of new members' fresh perspectives.

The Nominating and Corporate Governance Committee will seek appropriate input from Zoran's Chief Executive Officer from time to time in assessing the needs of the Board for members with particular backgrounds, experience and skills.

The goal of the Nominating and Corporate Governance Committee is to assemble a Board that brings to Zoran a diversity of experience at policy-making levels in business and technology, and in areas that are relevant to Zoran's global activities.

Directors should possess the highest personal and professional ethics, integrity and values and be committed to representing the long-term interests of Zoran stockholders. They must have an inquisitive and objective outlook and mature judgment. They must have experience in positions with a high degree of responsibility and be leaders in the companies or institutions with which they are affiliated. Director candidates must have sufficient time available, in the judgment of the Nominating and Corporate Governance Committee, to perform all Board and committee responsibilities that will be expected of them. Members of the Board are expected to rigorously prepare for, attend and participate in all Board of Directors and applicable committee meetings.

The Nominating and Corporate Governance Committee believes that it is preferable that at least one member of the Board of Directors should meet the criteria for an "audit committee financial expert" as defined by SEC rules. The committee also believes it appropriate for

one or more key members of the Company's management, including the Chief Executive Officer, to serve as members of the Board of Directors.

Other than the foregoing, there are no specific minimum criteria for director nominees.

## **ii. Selection of New Directors**

The Nominating and Corporate Governance Committee will consider candidates for director who are proposed by directors or management, and will evaluate any such candidates against the criteria and pursuant to the policies and procedures set forth above. If the committee believes that the Board requires additional candidates for nomination, the committee may engage a search firm to assist in identifying qualified candidates.

All incumbent directors and all new nominees are required to submit a completed background questionnaire as part of the nominating process. The process for new nominees may also include interviews and additional background and reference checks, at the discretion of the committee.

The Nominating and Corporate Governance Committee will consider candidates for director recommended by stockholders, provided that any such recommendation is sent in writing to General Counsel, Zoran Corporation, 1390 Kifer Road, Sunnyvale, CA 94086, at least 120 days prior to the anniversary of the date definitive proxy materials were mailed to stockholders in connection with the prior year's annual meeting of stockholders and contains the following information:

- The candidate's name, age, contact information and present principal occupation or employment; and

- A description of the candidate’s qualifications, skills, background and business experience during at least the last five years, including his or her principal occupation and employment and the name and principal business of any company or other organization where the candidate has been employed or has served as a director.

The committee will evaluate candidates recommended by stockholders against the same criteria and pursuant to the same policies and procedures applicable to the evaluation of candidates proposed by directors or management. In addition, stockholders may nominate directors for election at an annual meeting, provided the advance notice requirements set forth in our Bylaws have been met. Under our Bylaws, written notice of such nomination, including certain information and representations specified in the Bylaws, must be delivered to our principal executive offices, addressed to the General Counsel, at least 120 days prior to the anniversary of the date definitive proxy materials were mailed to stockholders in connection with the prior year’s annual meeting of stockholders, except that if no annual meeting was held in the previous year or the date of the annual meeting has been advanced by more than 30 days from the date contemplated at the time of the previous year’s proxy statement, such notice must be received not later than the close of business on the 10th day following the day on which the public announcement of the date of such meeting is first made.

### **iii. Directors Who Change Their Present Job Responsibility**

The Board does not believe that directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. However, the Nominating and Corporate

Governance Committee may take any such change of status into account in determining whom to nominate for election as a member of the Board of Directors.

### **3. DIRECTOR RESPONSIBILITIES**

#### **i. Oversight**

The Board of Directors is the ultimate decision-making body of Zoran except with respect to those matters reserved to the stockholders. It selects the Chief Executive Officer of Zoran ("**CEO**") who in turn selects Zoran's senior management team, subject to Board approval. Together, the CEO and senior management are responsible for the conduct of Zoran's business, subject to Board oversight.

The primary responsibilities of the Board of Directors are oversight, counseling and direction to Zoran's management in the interest and for the benefit of Zoran's stockholders. Board responsibilities include:

- Selecting, evaluating the performance of, and approving the compensation of the CEO and other senior officers;
- Planning for succession with respect to the position of CEO and monitoring management's succession planning for other senior executives;
- Reviewing and, where appropriate, approving Zoran's major financial objectives, strategic and operating plans and actions;
- Overseeing the conduct of Zoran's business to evaluate whether the business is being properly managed; and

- Overseeing the processes for maintaining the integrity of Zoran’s financial statements and other public disclosures, and compliance with law and ethics.

**ii. Selection of Chairman and CEO**

The Board shall be responsible for selecting the Chairman of the Board of Directors and appointing the Chief Executive Officer. It is the Board’s policy that Zoran’s Chief Executive Officer shall not simultaneously serve as the Chairman of the Board.

Among other duties, the Chairman of the Board shall seek input from all directors about agenda items for Board and committee meetings, including reports on Zoran’s progress in implementing these initiatives

**4. BOARD MEETINGS AND MATERIALS**

**i. Meeting Attendance**

Meetings of the Board shall be held a minimum of six times a year. Except in extenuating circumstances, each member of the Board will be expected to attend all meetings of the Board and of the committees to which he or she is appointed. Directors should carefully review Board and committee meeting agendas and related materials in advance of meetings to enable them to participate in an informed manner. Meetings are held at Zoran’s headquarters in Sunnyvale, California unless otherwise noticed.

**ii. Review of Financial and Other Information**

Zoran will send each member of the Board financial and other information on a regular basis, including quarterly and annual reports, proxy statements and press releases. Each director should review this information carefully, note any questions and ask them at the

appropriate Board or committee meeting. A director should not hesitate to ask questions, to request additional information, or to ask for the facts and assumptions underlying conclusions and opinions presented to the Board.

**iii. Operating Plans**

The Board will annually review and approve Zoran's annual operating plan. The Board will also annually review Zoran's performance against the previous year's operating plan goals and review long-term strategic planning annually.

**iv. Director Ability to Engage Independent Advisors**

The Board and any of its committees may hire independent advisors, including lawyers, accountants and financial experts in order to assist such entities in carrying out their duties. Zoran shall pay the reasonable expenses of any such advisors.

**v. Board Interaction with Institutional Investors, the Press, Customers, etc.**

Directors are not expected or generally requested to speak for Zoran or otherwise communicate with the various constituencies of Zoran.

**vi. Director Orientation and Continuing Education**

The Chief Executive Officer in conjunction with management are responsible for new-director orientation programs and for director education programs. The orientation programs are designed to familiarize new directors with Zoran's business, strategies and challenges and to assist new directors in developing and maintaining skills necessary or appropriate for the performance of their

responsibilities. Director education programs may include a mix of in-house and third-party presentations and programs.

The Company shall update directors on corporate governance, disclosure, compensation or other regulatory developments annually, by way of outside counsel presentations at board meetings or reimbursement for directors' attendance at Stanford Directors College or similar programs.

The Company shall provide (in consultation with outside counsel, auditors and other advisors, or through reimbursement for attendance at an appropriate certification or education program) an annual update to appropriate Finance staff on recent accounting developments or pronouncements, including developments related to accounting and disclosure for stock options and equity compensation.

**vii. Executive Sessions**

The independent directors shall meet in executive session at each regular quarterly meeting of the Board of Directors.

**viii. Attending Annual Meetings of Shareholders**

It is company policy that a majority of the members of the Board attend annual shareholder meetings. All independent directors are encouraged to attend; all employee members of the Board are required to attend except in extraordinary circumstances.

Shareholders who attend annual meetings shall have the opportunity to ask questions at the meeting orally or in writing and to receive answers from management or the directors present.

**ix. Minutes**

Board and committee minutes must be drafted and circulated to directors as soon as reasonably possible (for example, within one week

after the meeting). Directors will have two weeks to comment on minutes; which will be approved at the next scheduled Board or committee meeting.

## **5. BOARD COMMITTEES**

### **i. Number of Committees**

The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. From time to time, the Board may form a new committee or disband a current committee depending upon the circumstances. The Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee shall be composed entirely of independent Directors.

The Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee shall each have a written charter, approved by the Board, and those charters will be posted on Zoran's website. Each committee will undertake an annual review of its charter, and will work with the Nominating and Corporate Governance Committee and the Board to make such revisions as are considered appropriate.

Each committee will regularly report to the Board about its activities.

### **ii. Audit Committee**

The Audit Committee is responsible for: selection and oversight of our independent auditor, and for review and oversight of our financial reporting, policies and processes. The committee also reviews our risk management, related party transactions and legal compliance and ethics.

### **iii. Compensation Committee**

The Compensation Committee is responsible for reviewing and approving all compensation paid to our Chief Executive Officer and other executive officers. The committee also reviews and approves all grants of stock options and other equity awards.

### **iv. Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee is responsible for identifying and considering candidates for appointment and nomination for election to the Board of Directors and for making recommendations concerning such candidates, recommending corporate governance principles, director compensation, compliance mechanisms and Board evaluation.

### **v. Appointment of Committee Members**

The Board is responsible for the appointment of committee members and committee chairmen.

### **vi. Frequency and Length of Committee Meetings and Committee Agenda**

The committee chairman, in consultation with the Chairman of the Board and appropriate members of management, will determine the frequency and length of committee meetings and develop the committee's agenda. The agendas and meeting minutes of the committees will be shared with the full Board, and other Board members are welcome to attend committee meetings.

## **6. MANAGEMENT AND BOARD EVALUATIONS**

### **i. Succession Planning and Management Development**

The Chief Executive Officer will review succession planning and management development with the Board on an annual basis.

## **ii. Director Assessment, Board Evaluation**

The Nominating and Corporate Governance Committee is responsible for the annual Director assessment and Board evaluation. The committee is responsible for reviewing and evaluating the performance of all Board committees on an annual basis.

## **7. DIRECTOR STOCK OWNERSHIP GUIDELINES**

Not later than three (3) years from the later of (i) May 26, 2005 and (ii) the date which an individual initially becomes a non-employee director, such individual should beneficially own a number of share of the Company's common stock with a value not less than three times (3x) the annual cash retainer paid by the Company to such non-employee director, and thereafter such individual should continue to beneficially own a number of shares with such value until he or she is no longer a non-employee director.

For purposes of determining such minimum beneficial ownership levels, the Board will take into account beneficial ownership of the Company's common stock from all sources, including personal and trust holdings, restricted stock, restricted stock units, stock options and stock appreciation rights. At its discretion, the Board may evaluate whether these guidelines should be waived in the case of any individual who, because of his or her personal circumstances, would incur a hardship by complying with these stock ownership guidelines.

The Nominating and Corporate Governance Committee will continue annually to evaluate the stock ownership guidelines then in effect.

## **8. MISCELLANEOUS**

### **i. Disclosure Committee**

The Company shall appoint a Disclosure Committee consisting of members of management, which shall have the opportunity to comment on draft earnings announcements and periodic reports filed with the SEC (Forms 10-K, 10-Q and 8-K).

**ii. Monitoring Compliance**

The Company's General Counsel or other designated compliance officer shall be responsible for monitoring compliance with the Company's insider trading policies and procedures and shall report to the Board on this subject at least annually.

**iii. Stock Repurchase Limitations**

During the first 15 calendar days of any Company-funded open market stock repurchase program, no director or executive officer shall be permitted to sell shares of Company common stock, except pursuant to a previously-adopted Rule 10b5-1 trading plan.

**iv. Ratification of Selection of Auditor**

The Company shall submit its selection of auditor for approval by the shareholders within twelve months of final approval of this settlement and annually thereafter.