

TERADYNE, INC
Form DEF 14A
March 28, 2019
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

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

Teradyne, 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)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

TERADYNE, INC.

600 Riverpark Drive

North Reading, Massachusetts 01864

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS:

The Annual Meeting of Shareholders of Teradyne, Inc., a Massachusetts corporation, will be held on Tuesday, May 7, 2019 at 10:30 A.M. Eastern Time, at the offices of Teradyne, Inc. at 600 Riverpark Drive, North Reading, Massachusetts 01864, for the following purposes:

1. To elect the eight nominees named in the accompanying proxy statement to the Board of Directors to serve as directors for a one-year term.
2. To approve, in a non-binding, advisory vote, the compensation of the Company's named executive officers.
3. To ratify the selection of the firm of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2019.
4. To transact such other business as may properly come before the meeting and any postponements or adjournments thereof.

Shareholders entitled to notice of and to vote at the meeting shall be determined as of the close of business on March 14, 2019, the record date fixed by the Board of Directors for such purpose.

By Order of the Board of Directors,

Charles J. Gray, Secretary

March 28, 2019

Shareholders are requested to vote in one of the following three ways: (1) by completing, signing and dating the proxy card provided by Teradyne and returning it by return mail to Teradyne in the enclosed envelope or at the address indicated on the proxy card, (2) by completing a proxy using the toll-free telephone number listed on the proxy card, or (3) by completing a proxy on the Internet at the address listed on the proxy card.

Table of Contents

Table of Contents

	Page
<u>PROXY STATEMENT</u>	1
<u>PROPOSAL NO. 1: ELECTION OF DIRECTORS</u>	2
<u>PROPOSAL NO. 2: ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS</u>	6
<u>PROPOSAL NO. 3: RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	8
<u>CORPORATE GOVERNANCE AND BOARD OF DIRECTORS</u>	9
<u>Corporate Governance and Board Policies</u>	9
<u>Board Meetings</u>	12
<u>Board Committees</u>	12
<u>Director Compensation</u>	14
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	16
<u>AUDIT AND FINANCIAL ACCOUNTING OVERSIGHT</u>	17
<u>Audit Committee Report</u>	17
<u>Principal Accountant Fees and Services</u>	17
<u>OWNERSHIP OF SECURITIES</u>	19
<u>EXECUTIVE COMPENSATION</u>	21
<u>Compensation Discussion and Analysis</u>	21
<u>2018 Executive Compensation Summary</u>	21
<u>Executive Compensation Objectives</u>	24
<u>Executive Compensation Program</u>	25
<u>2018 Executive Compensation</u>	32
<u>2019 Executive Compensation</u>	35
<u>Compensation Committee Report</u>	38
<u>Executive Compensation Tables</u>	39
<u>Summary Compensation Table for 2018</u>	39
<u>Grants of Plan-Based Awards Table for 2018</u>	40
<u>Outstanding Equity Awards at Fiscal Year-End Table for 2018</u>	41
<u>Option Exercises and Stock Vested Table for 2018</u>	43
<u>Retirement and Post-Employment Tables</u>	43
<u>Post-Termination Compensation Table</u>	45
<u>CEO Pay Ratio</u>	47
<u>OTHER MATTERS</u>	48
<u>Shareholder Proposals for 2020 Annual Meeting of Shareholders</u>	48
<u>Expenses and Solicitation</u>	48
<u>Incorporation by Reference</u>	48
<u>Householding for Shareholders Sharing the Same Address</u>	49

Table of Contents

TERADYNE, INC.

600 Riverpark Drive

North Reading, Massachusetts 01864

PROXY STATEMENT

March 28, 2019

Proxies in the form provided by Teradyne, Inc. (Teradyne or the Company) are solicited by the Board of Directors (Board) of Teradyne for use at the Annual Meeting of Shareholders to be held on Tuesday, May 7, 2019, at 10:30 A.M. Eastern Time, at the offices of Teradyne, Inc. at 600 Riverpark Drive, North Reading, Massachusetts 01864.

Only shareholders of record as of the close of business on March 14, 2019 (the Record Date) will be entitled to vote at this annual meeting and any adjournments thereof. As of the Record Date, 173,177,196 shares of common stock were issued and outstanding. Each share outstanding as of the Record Date will be entitled to one vote, and shareholders may vote in person or by proxy. Delivery of a proxy will not in any way affect a shareholder's right to attend the annual meeting and vote in person. Any shareholder delivering a proxy has the right to revoke it only by written notice to the Secretary or Assistant Secretary delivered at any time before it is exercised, including at the annual meeting. All properly completed proxy forms returned in time to be cast at the annual meeting will be voted.

**Important Notice Regarding the Availability of Proxy Materials for
the Shareholder Meeting to be Held on May 7, 2019**

This Proxy Statement and the Accompanying Annual Report on Form 10-K, Letter to Shareholders, and Notice, are available at www.proxyvote.com

At the meeting, the shareholders will consider and vote upon the following proposals put forth by the Board:

1. To elect the eight nominees named in this proxy statement to the Board of Directors to serve as directors for a one-year term.
2. To approve, in a non-binding, advisory vote, the compensation of the Company's named executive officers.
3. To ratify the selection of the firm of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2019.

The Board recommends that you vote **FOR** the proposals listed above.

On or about March 28, 2019, the Company mailed to its shareholders of record as of March 14, 2019 a notice containing instructions on how to access this proxy statement and the Company's annual report online and to vote.

Also on March 28, 2019, the Company began mailing printed copies of these proxy materials to shareholders that have requested printed copies.

If you received a notice by mail, you will not receive a printed copy of the proxy materials in the mail unless you request a copy. Instead, the notice instructs you on how to access and review all of the important information contained in the proxy statement and annual report. The notice also instructs you on how you may submit your proxy over the Internet. If you received a notice by mail and would like to receive a printed copy of the proxy materials, you should follow the instructions for requesting such materials included in the notice.

Table of Contents

If a shareholder completes and submits a proxy, the shares represented by the proxy will be voted in accordance with the instructions for such proxy. If a shareholder submits a proxy card but does not fill out the voting instructions, shares represented by such proxy will be voted FOR the proposals listed above.

Shareholders may vote in one of the following three ways:

1. by completing a proxy on the Internet at the address listed on the proxy card or notice,
2. by completing a proxy using the toll-free telephone number listed on the proxy card or notice, or
3. by completing, signing and dating the proxy card provided by Teradyne and returning it in the enclosed envelope or by return mail to Teradyne at the address indicated on the proxy card.

A majority of the outstanding shares represented at the meeting in person or by proxy shall constitute a quorum for the transaction of business. Abstentions and broker non-votes are counted as present or represented for purposes of determining the presence or absence of a quorum for the meeting. A non-vote occurs when a nominee holding shares for a beneficial owner votes on one proposal, but does not vote on another proposal because the nominee does not have discretionary voting power and has not received instructions from the beneficial owner. For this annual meeting, on all matters being submitted to shareholders, an affirmative vote of at least a majority of the shares voting on the matter at the meeting is required for approval. The vote on each matter submitted to shareholders is tabulated separately. Abstentions are not included in the number of shares present, or represented, and voting on each separate matter. Broker non-votes are also not included. An automated system administered by Teradyne's transfer agent tabulates the votes.

The Board knows of no other matter to be presented at the annual meeting. If any other matter should be presented at the annual meeting upon which a vote properly may be taken, shares represented by all proxies received by the Board will be voted in accordance with the judgment of those officers named as proxies and in accordance with the Securities and Exchange Commission's (SEC's) proxy rules. See the section entitled Shareholder Proposals for 2020 Annual Meeting of Shareholders for additional information.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Board presently consists of eight members, seven of whom are independent directors. Each director is elected annually for a one-year term. The terms of the directors expire at the 2019 Annual Meeting of Shareholders. The Board, based on the recommendation of the Nominating and Corporate Governance Committee, has nominated all current directors for re-election. Teradyne has no reason to believe that any of the nominees will be unable to serve; however, if that should be the case, proxies will be voted for the election of some other person (nominated in accordance with Teradyne's bylaws) or the Board will decrease the number of directors that currently serve on the Board. If elected, each director will hold office until the 2020 Annual Meeting of Shareholders.

The Board recommends a vote FOR the election to the Board each of Mses. Johnson and Matz and each of Messrs. Bradley, Gillis, Guertin, Jagiela, Tufano and Vallee.

The following table sets forth the nominees to be elected at this annual meeting, the year each person was first appointed or elected, the principal occupation of that person during at least the past five years, that person's age, any other public company boards on which the nominee serves or has served in the past five years, and the nominee's

qualifications to serve on the Board. In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led the Board to the conclusion that he or she should serve as a director, Teradyne also believes that all of its director nominees have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to Teradyne and the Board. Additionally, Teradyne values the directors' significant experience on other public company boards of directors and board committees.

Table of Contents**Nominees for Directors**

Name	Year Became Director	Background and Qualifications
Michael A. Bradley	2004	<p>Mr. Bradley, 70, served as the Company's Chief Executive Officer from May 2004 until February 2014. He was President of Teradyne from May 2003 until January 2013, President of the Semiconductor Test Division from April 2001 until May 2003 and Chief Financial Officer from July 1999 until April 2001. From 1992 until 2001, he held various Vice President positions at Teradyne. Mr. Bradley has been a director of Entegris, Inc., and its predecessor company Mykrolis Corporation, since 2001 and of Avnet, Inc. since November 2012.</p> <p>Mr. Bradley contributes valuable institutional knowledge and executive experience from his 40 years with Teradyne, including 10 years as Chief Executive Officer.</p>
Edwin J. Gillis	2006	<p>Mr. Gillis, 70, has worked as a business consultant and private investor since January 2006. From July 2005 to December 2005, he was the Senior Vice President of Administration and Integration of Symantec Corporation, following the merger of Veritas Software Corporation and Symantec Corporation. He served as Executive Vice President and Chief Financial Officer of Veritas Software Corporation from November 2002 to June 2005, as the Executive Vice President and Chief Financial Officer of Parametric Technology Corporation from September 1995 to November 2002, and as the Chief Financial Officer of Lotus Development Corporation from 1991 to September 1995. Prior to joining Lotus, Mr. Gillis was a Certified Public Accountant and partner at Coopers & Lybrand L.L.P. Mr. Gillis has been a director of LogMeIn, Inc. since November 2007. Mr. Gillis was a director of Responsys Inc. from March 2011 to January 2014 and a director of Sophos Plc. from November 2009 to September 2017.</p> <p>Mr. Gillis contributes extensive experience relating to the issues confronting global technology companies and financial reporting expertise as a former Chief Financial Officer of several publicly traded technology companies.</p>
Timothy E. Guertin	2011	<p>Mr. Guertin, 69, has served as a director of Varian Medical Systems, Inc. (Varian) since 2005. He served as Chief Executive Officer of Varian from February 2006 to September 2012 and as President from August 2005 to</p>

September 2012. He served as Chief Operating Officer from October 2004 to February 2006 and as Corporate Executive Vice President from October 2002 to August 2006. Prior to that time, he was President of Varian's Oncology Systems business unit from 1992 to January 2005 and a Corporate Vice President from 1992 to 2002.

Mr. Guertin contributes significant executive experience at a global technology and manufacturing company with issues similar to those confronting Teradyne.

Table of Contents

Name	Year Became Director	Background and Qualifications
Mark E. Jagiela	2014	<p>Mr. Jagiela, 58, has served as a director and as the Company's Chief Executive Officer since February 2014. He has served as the President of Teradyne since January 2013 and the President of the Company's Semiconductor Test Division from 2003 to February 2016. Mr. Jagiela was appointed a Vice President of Teradyne in 2001. He has held a variety of senior management roles at the Company including General Manager of Teradyne's Japan Division.</p> <p>Mr. Jagiela contributes valuable executive experience from his 37 years in multiple management roles, including as President and Chief Executive Officer, within Teradyne.</p>
Mercedes Johnson	2014	<p>Ms. Johnson, 65, served as Interim Chief Financial Officer of Intersil Corporation from April 2013 to September 2013 and as the Senior Vice President and Chief Financial Officer of Avago Technologies Limited from December 2005 to August 2008. Prior to joining Avago, Ms. Johnson was Senior Vice President, Finance, of Lam Research Corporation from June 2004 to January 2005 and Chief Financial Officer of Lam from May 1997 to May 2004. Ms. Johnson has been a director of Juniper Networks, Inc. since May 2011 and a director of Synopsys, Inc. since February 2017. Ms. Johnson was a director of Intersil Corporation from August 2005 to February 2017 and a director of Micron Technology, Inc. from June 2005 to January 2019.</p> <p>Ms. Johnson contributes valuable industry experience as a former senior financial executive at semiconductor and semiconductor equipment companies as well as a current member of the boards of directors of global technology companies.</p>
Marilyn Matz	2017	<p>Ms. Matz, 65, is a co-founder of Paradigm4, Inc. and has served as its Chief Executive Officer and Chair of the Board of Directors since December 2009. Previously, Ms. Matz was a co-founder of Cognex Corporation where she held a variety of leadership positions in engineering and business operations from March 1981 to December 2008 including her final role as Senior Vice President and Business Unit Manager of its PC Vision Products Group. Ms. Matz served on the Board of Directors for LogMeIn, Inc. from September 2014 to February 2017.</p>

Ms. Matz contributes valuable technical expertise and leadership experience from more than 37 years in automation, machine vision and software analytics related industries.

Table of Contents

Name	Year Became Director	Background and Qualifications
Paul J. Tufano	2005	<p>Mr. Tufano, 65, served as President and Chief Executive Officer of Benchmark Electronics, Inc. from September 2016 to March 2019. He currently serves as an advisor to Benchmark Electronics. Mr. Tufano served as the Chief Financial Officer of Alcatel-Lucent from December 2008 to September 2013 and Chief Operating Officer of Alcatel-Lucent from January 2013 to September 2013. He was Executive Vice President of Alcatel-Lucent from December 2008 to January 2013. He also served as a consultant for Alcatel-Lucent from September 2013 to April 2014. Mr. Tufano was the Executive Vice President and Chief Financial Officer of Solectron Corporation from January 2006 to October 2007 and Interim Chief Executive Officer from February 2007 to October 2007. Prior to joining Solectron, Mr. Tufano worked at Maxtor Corporation where he was President and Chief Executive Officer from February 2003 to November 2004, Executive Vice President and Chief Operating Officer from April 2001 to February 2003 and Chief Financial Officer from July 1996 to February 2003. From 1979 until he joined Maxtor Corporation in 1996, Mr. Tufano held a variety of management positions in finance and operations at International Business Machines Corporation. Mr. Tufano served on the Board of Directors of Benchmark Electronics, Inc. from February 2016 to March 2019. Mr. Tufano has been a director of EnerSys since April 2015.</p> <p>Mr. Tufano contributes widespread knowledge of the issues confronting complex technology and manufacturing companies and extensive financial reporting expertise.</p>
Roy A. Vallee	2000	<p>Mr. Vallee, 66, served as Executive Chairman of the Board of Directors of Avnet, Inc. from July 2011 to November 2012 and as a director of Avnet, Inc. from 1991 to 2012. From July 1998 to July 2011, he was Chairman of the Board of Directors and Chief Executive Officer of Avnet, Inc. He also was Vice Chairman of the Board of Directors from November 1992 to July 1998 and President and Chief Operating Officer from March 1992 until July 1998. Since 2003, Mr. Vallee has been a director of Synopsys, Inc. and currently serves as lead independent director. He is a former Chairman of the Board of Directors of the Federal Reserve Bank of San Francisco.</p> <p>Mr. Vallee contributes valuable executive experience within the global technology industry as well as extensive knowledge of the issues affecting complex technology companies.</p>

Table of Contents

PROPOSAL NO. 2

ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS

The Company is providing shareholders with the opportunity at the 2019 Annual Meeting to vote on the following advisory resolution, commonly known as Say-on-Pay :

RESOLVED, that the shareholders of the Company approve, in a non-binding, advisory vote, the compensation of the Company's named executive officers as disclosed in the Company's proxy statement under the headings Compensation Discussion and Analysis and Executive Compensation Tables pursuant to Item 402 of Regulation S-K.

The Company's Board of Directors has implemented an executive compensation program that rewards performance. The Board of Directors fosters a performance-oriented environment by tying a significant portion of each executive officer's cash and equity compensation to the achievement of short-term and long-term performance objectives that are important to the Company and its shareholders. The Board of Directors has designed the Company's executive compensation program to attract, motivate, reward and retain the senior management talent required to achieve the Company's corporate objectives and increase shareholder value. The Company believes that its compensation policies and practices reflect a pay-for-performance philosophy and are strongly aligned with the long-term interests of shareholders. The Company recommends shareholders read the sections of this proxy statement entitled Compensation Discussion and Analysis and Executive Compensation Tables before voting on this Say-on-Pay advisory proposal.

The performance-based executive compensation program resulted in compensation for the Company's named executive officers that reflects the Company's challenging performance goals for 2018 and performance in achieving those goals. For the second consecutive year, the Company earned revenues of \$2.1 billion, generated significant free cash flow and increased earnings per share, while producing record gross margins, all as described in the section of this proxy statement entitled Compensation Discussion and Analysis. The Company delivered record memory and analog revenues in its semiconductor test business, which lessened the impact from lower mobility test sales, while growing sales in its wireless test and system test businesses. Additionally, the Company grew its industrial automation business by 54% year over year, supported by the acquisitions of Mobile Industrial Robots ApS and Energid Technologies Corporation and the hiring of former employees of Rethink Robotics, all in 2018.

The Company's sustained profitability and free cash flow allowed the Company in 2018 to return \$891 million to shareholders through payment of quarterly dividends and share repurchases. The Company plans to repurchase \$500 million of shares in 2019 and continue its quarterly dividend program.

The Company's performance-based variable compensation for 2018 was tied to the Company's rate of profitability, revenue growth and the achievement of strategic business objectives, including market share gains, revenue and bookings goals, profit and gross margin targets, strategic customer wins and new product launches the achievement of which positively impact the Company's long-term performance. In 2016, after multiple years of achieving profitability goals at sustained revenue levels, the Company added a two-year rolling revenue growth rate metric as an element of the variable cash compensation plan to reinforce the importance of achieving short- and long-term revenue growth as well as achieving its profitability goals. In 2018, the Company increased the profit rate before interest and taxes (PBIT) target for variable cash compensation from 15% to 17% and increased the percentage PBIT required for maximum variable cash compensation payout from 25% to 30%. Due to the Company's rate of profitability, revenue growth and achievement of certain strategic goals in 2018, executive officers received variable cash compensation payouts ranging from 149% to 158% of target.

In 2018, the Company's long-term performance criteria for performance-based stock awards included both a relative total shareholder return component and a cumulative PBIT component, each measured at the end of a three-year performance period, consistent with the Company's long-term goal to deliver profitability and superior

Table of Contents

return to shareholders. The relative total shareholder component is based on a comparison of the Company's total shareholder return to the performance of the NYSE Composite Index. In 2018, the Company increased the three-year cumulative PBIT rate component of the long term performance criteria for performance-based stock awards from 15% to 17% and increased the percentage PBIT required for maximum vesting of PBIT determined performance-based stock awards from 25% to 30%. The determination of the final number of shares to be received for these performance-based stock awards will not be determined until January 2021.

In January 2019, the executive officers achieved (a) 200% of their target performance-based stock awards granted in 2016 based on Teradyne's relative total shareholder return performance measured against the NYSE Composite Index during the three-year performance period from January 2016 to January 2019 and (b) 191% of their target performance-based stock awards granted in 2016 based on three-year cumulative PBIT rate from January 1, 2016 to December 31, 2018.

The Company's shareholders voted to approve the Say-on-Pay advisory proposal at the 2018 Annual Meeting of Shareholders with 96% of the votes cast approving the proposal. Notwithstanding this result, the Board of Directors continues to assess the Company's executive compensation program to ensure it remains aligned with both short-term and long-term performance. For example, in 2019, the Company increased the PBIT rate target for variable cash compensation from 17% to 19%, increased the target two-year rolling revenue growth rate for variable cash compensation from 3% to 5%, increased the revenue growth rate that results in the maximum payout for the revenue growth metric for variable cash compensation from 10% to 15%, and increased the three-year cumulative PBIT rate component of the long term performance criteria for performance-based stock awards from 17% to 19%.

The performance-based variable cash compensation and equity awards are described in detail in the Compensation Discussion and Analysis section of this proxy statement.

The Company will report the results of the Say-on-Pay vote in a Form 8-K following the 2019 Annual Meeting of Shareholders. The Company also will disclose in subsequent proxy statements how the Company's compensation policies and decisions take into account the results of the shareholder advisory vote on executive compensation.

The Board recommends a vote FOR the advisory resolution approving the compensation of the Company's named executive officers as described in this proxy statement.

Table of Contents

PROPOSAL NO. 3

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected (and the Board of Directors has approved) PricewaterhouseCoopers LLP to serve as Teradyne's independent registered public accounting firm for the fiscal year ending December 31, 2019. PricewaterhouseCoopers LLP, or its predecessor Coopers & Lybrand L.L.P., has served as Teradyne's independent registered public accounting firm since 1968. The appointment of PricewaterhouseCoopers LLP is in the best interest of Teradyne's shareholders. Teradyne expects that a representative from PricewaterhouseCoopers LLP will be at the annual meeting, will have the opportunity to make a statement if so desired and will be available to respond to appropriate questions. The ratification of this selection is not required by the laws of The Commonwealth of Massachusetts, where Teradyne is incorporated, but the results of this vote will be considered by the Audit Committee in selecting an independent registered public accounting firm for future fiscal years.

The Board recommends a vote FOR ratification of the selection of PricewaterhouseCoopers LLP.

Table of Contents

CORPORATE GOVERNANCE AND BOARD OF DIRECTORS

Corporate Governance and Board Policies

Teradyne is committed to good, transparent corporate governance to ensure that the Company is managed for the long-term benefit of its shareholders. The Board of Directors has adopted Corporate Governance Guidelines (Guidelines) to provide a framework for the effective governance of Teradyne. The Nominating and Corporate Governance Committee periodically reviews the Guidelines and recommends changes, as appropriate, to the Board of Directors for approval. The Board of Directors has also adopted written charters for its standing committees (Audit, Compensation, and Nominating and Corporate Governance), and the Company has a Code of Conduct applicable to all directors, officers and employees. Copies of the Guidelines, committee charters, and Code of Conduct are available on the Company's web site at www.teradyne.com under the Corporate Governance section of the Investors link. Teradyne posts additional information on its web site from time to time as the Board makes changes to Teradyne's corporate governance policies.

Teradyne has instituted a variety of policies and practices to foster and maintain good corporate governance. The Board reviews these practices on a regular basis. Teradyne's current policies and practices include the following:

Independent directors constitute majority of Board and all members of the Board Committees;

Independent Board Chair;

All directors elected annually for one-year term with majority voting for uncontested Board elections;

Adoption of Poison Pill requires shareholder approval;

Recoupment of incentive compensation from executives for fraud resulting in financial restatement;

Director and executive officer stock ownership guidelines;

Annual Board and Committee self-assessments;

Executive sessions of independent directors at Board meetings;

Board access to management and independent advisors;

Independent registered public accounting firm and internal auditor meet regularly with Audit Committee without management present;

Nominating and Corporate Governance Committee review of Board composition, skills, diversity and succession plan;

Review by Nominating and Corporate Governance Committee of director's change in position;

Annual Board review of executive succession plan;

Policy prohibiting employees, executives and directors from hedging Teradyne stock (through short selling or the use of financial instruments such as exchange funds, equity swaps, puts, calls, collars or other derivative instruments) and pledging Teradyne stock as collateral for loans (including through the use of margin accounts);

No director may serve on more than four other public company boards;

Directors must be 74 years or younger as of the date of their election or appointment;

Annual review of non-employee director compensation and cap on value of annual equity awards;

Annual Board evaluation of CEO performance; and

Policy promoting equal opportunity for all employees, including gender pay equity.

Table of Contents

Board Nomination Policies and Procedures

The Nominating and Corporate Governance Committee is responsible for identifying, evaluating and recommending candidates for election to the Board and does not distinguish between nominees recommended by shareholders and other nominees. All nominees must meet, at a minimum, the Board membership criteria described below.

Director nominees are evaluated on the basis of a range of criteria, including (but not limited to): integrity, honesty and adherence to high ethical standards; business acumen, experience and ability to exercise sound judgments and contribute positively to a decision-making process; commitment to understanding Teradyne and its industry, and to regularly attend and participate in Board and Committee meetings; ability to ensure that outside commitments do not materially interfere with duties as a Board member; absence of a conflict of interest or appearance of a conflict of interest; and other appropriate considerations. Nominees shall be 74 years or younger as of the date of election or appointment. No director may serve on more than four other public company boards.

The Board seeks nominees with a broad diversity of viewpoints, professional experience, education, geographic representation, backgrounds and skills. The backgrounds and qualifications of directors, considered as a group, should provide a significant composite mix of backgrounds, expertise and experience that will allow the Board to fulfill its responsibilities. The Board values ethnic, cultural, gender, economic, professional and educational diversity in evaluating new candidates and seeks to incorporate a wide range of those attributes in Teradyne's Board of Directors. Board composition is reviewed regularly to ensure that Teradyne's directors reflect the knowledge, experience, skills and diversity required for the needs of the Board.

Shareholders wishing to suggest candidates to the Nominating and Corporate Governance Committee for consideration as potential director nominees may do so by submitting the candidate's name, experience, and other relevant information to the Nominating and Corporate Governance Committee, 600 Riverpark Drive, North Reading, MA 01864. Shareholders wishing to nominate directors may do so by submitting a written notice to the Secretary at the same address in accordance with the nomination procedures set forth in Teradyne's bylaws. Additional information regarding the nomination procedure is provided in the section below captioned "Shareholder Proposals for 2020 Annual Meeting of Shareholders".

Director Independence

Teradyne's Corporate Governance Guidelines require that at least a majority of the Board shall be independent. To be considered independent, a director must satisfy the definitions pursuant to the SEC rules and the listing standards of The Nasdaq Stock Market LLC (Nasdaq), and, in the Board's judgment, not have a material relationship with Teradyne. The standards for determining director independence are set forth in Teradyne's Corporate Governance Guidelines which are available on Teradyne's web site at www.teradyne.com under the "Corporate Governance" section of the "Investors" link.

The Board has determined that the following directors are independent using the criteria identified above: Michael A. Bradley, Edwin J. Gillis, Timothy E. Guertin, Mercedes Johnson, Marilyn Matz, Paul J. Tufano and Roy A. Vallee. In determining the independence of Teradyne's directors, the Board reviewed and determined that the following did not preclude a determination of independence under Teradyne's standards: Ms. Johnson's position as a director of Juniper Networks, Inc. and, until her retirement in January 2019, Micron Technology, Inc., each a Teradyne customer; until his retirement in March 2019, Mr. Tufano's position as President, Chief Executive Officer and director of Benchmark Electronics, Inc., one of Teradyne's customers (Mr. Tufano is currently an advisor to Benchmark Electronics); Mr. Bradley's position as a director of Avnet, Inc., one of Teradyne's suppliers; and each of Ms. Johnson's and Mr. Vallee's position as a director of Synopsys, Inc., one of Teradyne's suppliers. Teradyne's business with Micron

Technology, Avnet, Juniper Networks, Benchmark Electronics and Synopsys during 2018 was immaterial to Teradyne and to the other companies. Teradyne will

Table of Contents

continue to monitor its business relationships to ensure they have no impact on the independence of its directors. The Board has determined that Michael A. Bradley met the standards for independence on February 1, 2018 because, as of that date, he had not received compensation from Teradyne related to his employment as the Company's Chief Executive Officer during a twelve-month period within the last three years. The Board has determined that Mark E. Jagiela is not independent because he is Teradyne's Chief Executive Officer.

All members of the Company's three standing committees—the Audit, Compensation and Nominating and Corporate Governance Committee—are required to be independent and have been determined by the Board to be independent pursuant to the SEC rules and the listing standards of Nasdaq, as well as Teradyne's standards.

The independent directors of the Board and its standing committees periodically meet without management present.

Board Leadership Structure and Self-Assessment

Since May 2014, Mr. Vallee has served as an independent Chair of the Board. The Board believes that having an independent Chair is the preferred corporate governance structure for the Company because it strikes an effective balance between management and independent leadership participation in the Board process.

The Board and each of its committees annually undertake a self-assessment, including an evaluation of its composition, mandate and function.

Code of Ethics

The Code of Conduct is Teradyne's ethics policy. The Board has established a means for anyone to report violations of the ethics policy on a confidential or anonymous basis. Teradyne's Code of Conduct is available on Teradyne's web site at www.teradyne.com under the Corporate Governance section of the Investors link.

Teradyne maintains an insider trading policy as part of its Code of Conduct. Among other things, the insider trading policy prohibits trading on material non-public information and provides that directors, executive officers and certain other employees are prohibited from buying or selling Teradyne securities during the Company's non-trading periods, also called "blackout periods", except pursuant to an approved trading plan.

Teradyne shall disclose any change to or waiver from the Code of Conduct granted to an executive officer or director within four business days of such determination by disclosing the required information on its web site at www.teradyne.com under the Corporate Governance section of the Investors link.

Corporate Responsibility and Sustainability

Teradyne's Board of Directors is committed to promoting, creating and maintaining a safe and healthy workplace, environment and society. Teradyne is committed to employee health, safety and welfare, on managing its activities that impact the environment in a responsible and effective manner, and on supporting the communities where its employees live and work. Teradyne strives to be a leader in driving improvements in environmental sustainability, supply chain responsibility, diversity and inclusion, and positive social impact. Detailed information regarding Teradyne's corporate responsibility and sustainability activities is available on its website at www.teradyne.com under the Corporate Social Responsibility link.

Board Oversight of Risk

Management is responsible for the day-to-day management of risks to the Company, while the Board of Directors, as a whole and through its committees, has responsibility for the oversight of risk management. Management attends regular Board and committee meetings and discusses with the Board and committees

Table of Contents

various risks confronting the Company, including operational, legal, market and competitive risks. Management and the Board have not identified any risks arising from Teradyne's compensation plans, policies and practices for the executives or employees that are reasonably likely to have a material adverse effect on the Company.

Related Party Transactions

Under Teradyne's written Conflict of Interest Policy, which is part of Teradyne's Code of Conduct, the General Counsel notifies the Audit Committee of any investment or other arrangement to be entered into by Teradyne that could or would be perceived to represent a conflict of interest with any of the executive officers or directors. Every year Teradyne makes an affirmative inquiry of each of the executive officers and directors as to their existing relationships. Teradyne reports any potential conflicts identified through these inquiries to the Audit Committee.

Shareholder Communications with Board of Directors

Shareholders and other interested parties may communicate with one or more members of the Board, including the Chair, or the non-management directors as a group by writing to the Non-Management Directors, Board of Directors, 600 Riverpark Drive, North Reading, MA 01864 or by electronic mail at nonmanagementdirectors@teradyne.com. Any communications that relate to ordinary business matters that are not within the scope of the Board's responsibilities, such as customer complaints, will be sent to the appropriate executive. Solicitations, junk mail, computer viruses, and obviously frivolous or inappropriate communications will not be forwarded, but will be made available to any director who wishes to review them.

Under Teradyne's Corporate Governance Guidelines, each director is expected to attend each annual meeting of shareholders. All directors attended the 2018 Annual Meeting of Shareholders held on May 8, 2018.

Board Meetings

The Board met six times during the year ended December 31, 2018. The non-employee directors, all of whom are independent, held executive sessions in which they met without management after its regularly scheduled meetings during 2018. The Chair of the Board presides over all Board meetings and each executive session. During 2018, each director attended at least 75% of the total number of meetings of the Board and committee meetings held while such person served as a director. Teradyne's Corporate Governance Guidelines, which are available at www.teradyne.com under the Corporate Governance section of the Investors link, provide a framework for the conduct of the Board's business.

Board Committees

The Board has three standing committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. In accordance with the listing standards of Nasdaq, all of the committees are comprised of independent directors. The members of each committee are appointed by the Board based on the recommendation of the Nominating and Corporate Governance Committee. Each committee performs a self-evaluation and reviews its charter annually. Actions taken by any committee are reported to the Board, usually at the next Board meeting following the action. The table below shows the current membership of each of the standing committees:

Audit Committee

Compensation Committee

**Nominating and Corporate
Governance Committee**

Edwin J. Gillis*
Mercedes Johnson
Paul J. Tufano

Timothy E. Guertin*
Marilyn Matz
Roy A. Vallee

Timothy E. Guertin
Marilyn Matz*
Roy A. Vallee

* Committee Chair

Table of Contents

The Board will appoint committee members for the 2019-2020 term following the election of directors at the 2019 Annual Meeting of Shareholders.

Audit Committee

The Audit Committee has three members, all of whom have been determined by the Board to be independent pursuant to SEC rules and the listing standards of Nasdaq, as well as Teradyne's independence standards. In addition, the Board determined that each member of the Audit Committee is financially literate and an audit committee financial expert as defined in the rules and regulations promulgated by the SEC. The Audit Committee's oversight responsibilities, described in greater detail in its charter, include, among other things:

overseeing matters relating to the financial disclosure and reporting process, including the system of internal controls;

reviewing the internal audit function and annual internal audit plan;

supervising compliance with legal and regulatory requirements;

reviewing and approving the appointment, compensation, activities, and independence of the independent registered public accounting firm including the selection of the lead audit partner who is rotated every 5 years; and

conducting a financial risk assessment.

The Audit Committee met eleven times during 2018. The responsibilities of the Audit Committee and its activities during 2018 are more fully described in the Audit Committee Report contained in this proxy statement.

Compensation Committee

The Compensation Committee has three members, all of whom have been determined by the Board to be independent pursuant to SEC rules and the listing standards of Nasdaq, as well as Teradyne's independence standards. The Compensation Committee's primary responsibilities, discussed in greater detail in its charter, include, among other things:

oversight of and assessment of the risks associated with Teradyne's compensation programs, policies and practices;

recommending changes and/or recommending the adoption of new compensation plans to the Board, as appropriate;

reviewing and recommending to the Board each year the compensation for non-employee directors;

evaluating and recommending to the independent directors of the Board the annual cash and equity compensation and benefits to be provided for the Chief Executive Officer; and

reviewing and approving of the cash and equity compensation and benefit packages of the other executive officers.

The Compensation Committee has the authority to and does engage the services of independent advisors, experts and others to assist it from time to time. Teradyne's compensation and benefits group in the Human Resources Department supports the Compensation Committee in its work and assists in administering the compensation plans and programs.

The Compensation Committee met six times during 2018.

The Compensation Committee has retained Compensia, Inc. (Compensia), an executive compensation consulting firm, to assist it in carrying out its duties and responsibilities regarding executive and non-employee

Table of Contents

director compensation. In 2018, this engagement involved preparing (1) an executive officer compensation competitive analysis; (2) a director compensation competitive analysis; (3) a peer group analysis; and (4) a tally sheet analysis for executive officers. To maintain the independence of its advice, Compensia has provided no services to Teradyne other than the services provided to the Compensation Committee. In addition, the Compensation Committee conducts annually a conflict of interest assessment for Compensia and any other independent advisors engaged during the year using the factors applicable to compensation consultations under SEC rules and the listing standards of Nasdaq, and, for 2018, no conflict of interest was identified.

The Compensation Committee also uses proprietary compensation surveys prepared by Radford, a global compensation consultant focused on technology companies.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is comprised entirely of independent directors in accordance with SEC rules and the listing standards of Nasdaq, as well as Teradyne's independence standards. None of Teradyne's executive officers serves on the Compensation Committee of any of the companies in which the directors are officers.

Nominating and Corporate Governance Committee

The Nominating and