

COGNEX CORP
Form DEF 14A
March 13, 2019
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SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

COGNEX CORPORATION

(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.

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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:

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COGNEX CORPORATION
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on April 25, 2019

To our Shareholders:

The 2019 Annual Meeting of Shareholders of COGNEX CORPORATION will be held at 9:00 a.m. local time on Thursday, April 25, 2019, at Cognex's headquarters at One Vision Drive, Natick, Massachusetts 01760, for the following purposes:

1. To elect three Directors to serve for a term of three years;
2. To ratify the selection of Grant Thornton LLP as our independent registered public accounting firm for fiscal year 2019; and

3. To cast a non-binding advisory vote to approve executive compensation (say-on-pay).

In addition, we will consider any other business that may properly come before the meeting or any adjournments or postponements of the meeting.

The Board of Directors has fixed the close of business on March 6, 2019 as the record date for the meeting. All shareholders of record on that date are entitled to receive notice of and to vote at the meeting.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE VOTE YOUR SHARES BY TELEPHONE, VIA THE INTERNET, OR BY COMPLETING AND RETURNING A PROXY CARD. IF YOU ATTEND THE MEETING, YOU MAY CONTINUE TO HAVE YOUR SHARES VOTED AS INSTRUCTED IN THE PROXY OR YOU MAY WITHDRAW YOUR PROXY AT THE MEETING AND VOTE YOUR SHARES IN PERSON.

By Order of the Board of Directors,

Richard A. Morin, *Secretary*

Natick, Massachusetts

March 13, 2019

Important

Please note that due to security procedures, you may be required to show a form of picture identification to gain access to our headquarters. Please contact the Cognex Department of Investor Relations at (508) 650-3000 if you plan to attend the meeting.

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COGNEX CORPORATION

PROXY STATEMENT

INFORMATION ABOUT THE MEETING AND VOTING PROCEDURES

General

This proxy statement is being furnished to you in connection with the solicitation of proxies by the Board of Directors of Cognex Corporation (Cognex or the company) for use at the 2019 Annual Meeting of Shareholders to be held at 9:00 a.m. local time on Thursday, April 25, 2019, at our headquarters at One Vision Drive, Natick, Massachusetts 01760, and at any adjournments or postponements of that meeting. Our telephone number is (508) 650-3000. At this meeting, shareholders will consider and vote on the following proposals:

1. To elect three Directors to serve for a term of three years;
 2. To ratify the selection of Grant Thornton LLP as our independent registered public accounting firm for fiscal year 2019; and
 3. To cast a non-binding advisory vote to approve executive compensation (say-on-pay).
- The Board of Directors recommends you vote your shares **FOR** each proposal. The Board knows of no other matters to be presented at this meeting.

This proxy statement is first being made available to our shareholders on or about March 13, 2019.

Voting Rights and Quorum

Shareholders of record at the close of business on March 6, 2019 (the Record Date) are entitled to receive notice of and to vote at the meeting. As of the close of business on the Record Date, there were 171,361,704 shares of our common stock outstanding and entitled to vote. Each outstanding share of our common stock entitles the record holder to one vote. Our common stock is listed and trades on the NASDAQ Global Select Market.

The holders of a majority of our common stock outstanding on the Record Date are required to be present in person or be represented by proxy at the meeting to constitute a quorum for the transaction of business. Following the determination of a quorum, the vote required for approval of the matters to be considered at the meeting is as follows:

Nominees for Director will be elected if the votes cast for such nominee s election exceed the votes cast against such nominee s election. An incumbent director who does not receive more votes for than against his or her election will promptly offer to tender his or her resignation. The resignation would be considered by the Nominating and Corporate Governance Committee and acted upon by our Board of Directors (without participation by the incumbent Director who tendered his or her resignation) within 90 days of the election. Thereafter, the Board will promptly disclose its decision whether to accept the Director s resignation in a

Current Report on Form 8-K furnished to the U.S. Securities and Exchange Commission (the SEC).

Other matters presented at the meeting require the affirmative vote of a majority of votes cast on the matter.

Treatment of Abstentions and Broker Non-Votes

We will count both abstentions and broker non-votes as present for the purpose of determining the existence of a quorum for the transaction of business. A broker non-vote refers to shares held by a broker or

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nominee that does not have the authority, either express or discretionary, to vote on a particular matter. For the purpose of determining the number of shares voting on a particular proposal, we will not count abstentions and broker non-votes as votes cast or shares voting. As a result, abstentions and broker non-votes, if any, will have no effect on the voting for Director elections, the ratification of the selection of our independent registered public accounting firm or the non-binding advisory proposal regarding executive compensation.

Voting Your Shares

If you received a paper copy of the proxy materials, you may vote your shares by submitting the proxy card accompanying the material for use at the meeting. Please complete, date, sign and submit the proxy card as instructed on the card. You may also vote your shares by telephone or via the Internet by following the instructions included on the proxy card or on the Notice of Internet Availability of Proxy Materials. The Internet and telephone voting facilities for shareholders of record will close at 1:00 a.m. Eastern time on April 25, 2019.

The Board recommends an affirmative vote on all proposals described in the notice for the meeting. Proxies will be voted as specified. If your proxy is properly submitted, it will be voted in the manner that you direct. **If you do not specify instructions with respect to any particular matter to be acted upon at the meeting, proxies will be voted in favor of the Board of Directors' recommendations as set forth in this proxy statement.**

You may revoke your proxy at any time before your proxy is voted at the meeting by:

Giving written notice of revocation of your proxy to the Secretary of Cognex;

Completing and submitting a new proxy card relating to the same shares and bearing a later date;

Properly casting a new vote through the Internet or by telephone at any time before the closure of the Internet or telephone voting facilities; or

Voting in person at the meeting, although meeting attendance will not, by itself, revoke a proxy.

Expense of Solicitation

The cost of this solicitation will be borne by Cognex. It is expected that the solicitation will be made primarily by delivery of these materials, but regular employees or representatives of Cognex (none of whom will receive any extra compensation for their activities) may also solicit proxies by telephone, email, fax and in person and arrange for brokerage houses and other custodians, nominees and fiduciaries to send proxy materials to their principals at our expense.

How to Obtain an Annual Report on Form 10-K

Our Annual Report on Form 10-K, including the financial statements and schedules to such report, required to be filed with the SEC for our most recent fiscal year is available on our website at www.cognex.com under Company Investor Information Financial Information SEC Filings. Shareholders can send a written request to Investor Relations at Cognex Corporation, One Vision Drive, Natick, Massachusetts 01760 or by email at

IR@cognex.com and we will provide a printed copy to such person without charge.

Householding of Annual Meeting Materials

Some banks, brokers and other nominee record holders may send only one copy of our proxy statement and annual report to multiple shareholders in the same household unless contrary instructions were received. To

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obtain a copy of either document, please contact Cognex Investor Relations at the mailing address or email address noted above. To receive a copy of either document in the future, or if you are receiving multiple copies and want to receive only one copy per household, you should contact your bank, broker, or other nominee record holder, or you may contact us at the above mailing or email address.

Investor Contact

If you have any questions about the meeting or your ownership of our common stock, please contact Cognex Investor Relations at the above mailing or email address.

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The following table shows as of the Record Date, any person who is known by us to be the beneficial owner of more than five percent of our common stock. For purposes of this proxy statement, beneficial ownership is defined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act). Accordingly, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, agreement, understanding, relationship or otherwise has or shares the power to vote such security or to dispose of such security.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership of Common Stock	Percent of Class(1)
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	17,571,440(2)	10.3%
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	15,067,954(3)	8.8%
Brown Capital Management, LLC 1201 N. Calvert Street Baltimore, MD 21202	9,824,183(4)	5.7%
The Bank of New York Mellon Corporation 240 Greenwich Street New York, NY 10286	8,789,118(5)	5.1%

- (1) Percentages are calculated on the basis of 171,361,704 shares of our common stock outstanding as of March 6, 2019.
- (2) Information regarding BlackRock, Inc. is based solely upon a Schedule 13G filed by BlackRock with the SEC on January 24, 2019, which indicates that BlackRock held sole voting power over 16,497,693 shares and sole dispositive power over 17,571,440 shares.
- (3) Information regarding The Vanguard Group, Inc. is based solely upon a Schedule 13G filed by The Vanguard Group with the SEC on February 11, 2019, which indicates that The Vanguard Group held sole voting power over 126,465 shares, shared voting power over 39,329 shares, sole dispositive power over 14,908,560 shares and shared dispositive power over 159,394 shares. Per the Schedule 13G, Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 76,065 shares as a result of its serving as investment manager of collective trust accounts. Also, Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 133,729 shares as a result of its serving as investment manager of Australian investment offerings.
- (4) Information regarding Brown Capital Management, LLC is based solely upon a Schedule 13G filed by Brown Capital Management with the SEC on February 14, 2019, which indicates that Brown Capital Management held sole voting power over 6,418,642 shares and sole dispositive power over 9,824,183 shares.

- (5) Information regarding The Bank of New York Mellon Corporation is based solely upon a Schedule 13G filed by The Bank of New York Mellon Corporation with the SEC on February 4, 2019, which indicates that The Bank of New York Mellon Corporation held sole voting power over 7,506,322 shares, sole dispositive power over 7,506,252 shares and shared dispositive power over 1,280,766 shares.

Table of Contents**Security Ownership of Directors and Executive Officers**

The following information is furnished as of the Record Date, with respect to our common stock beneficially owned within the meaning of Rule 13d-3 of the Exchange Act by each of our Directors, each Director nominee, each of the named executive officers (as defined in Item 402(a)(3) of Regulation S-K) and by all of our Directors and executive officers as a group. Unless otherwise indicated, the individuals named held sole voting and investment power over the shares listed below. The address for each individual is c/o Cognex Corporation, One Vision Drive, Natick, Massachusetts 01760.

Name	Amount and Nature of Beneficial Ownership of Common Stock(1)	Percent of Class(2)
Robert J. Shillman	7,660,800(3)	4.5%
Robert J. Willett	903,000	*
Anthony Sun	531,362	*
Theodor Krantz	167,600	*
Patrick A. Alias	137,250	*
Sheila M. DiPalma	107,500	*
John J. Curran	60,000	*
Eugene Banucci	49,600	*
Dianne M. Parrotte	30,600	*
Jerry A. Schneider	17,600	*
All Directors and Executive Officers as a group (10 persons)	9,665,312(4)	5.6%

* Less than 1%

- (1) Includes the following shares which the specified individual has the right to acquire upon the exercise of outstanding options, exercisable currently or within 60 days of March 6, 2019: Dr. Shillman, 0 shares; Mr. Willett, 903,000 shares; Mr. Sun, 207,100 shares; Mr. Krantz, 132,100 shares; Mr. Alias, 137,250 shares; Ms. DiPalma, 107,500 shares; Dr. Banucci, 19,100 shares; Dr. Parrotte, 10,000 shares; Mr. Schneider, 15,600 shares; and Mr. Curran, 60,000 shares.
- (2) Percentages are calculated on the basis of 171,361,704 shares of our common stock outstanding as of March 6, 2019. The total number of shares outstanding used in this calculation also assumes that the currently exercisable options or options which become exercisable within 60 days of March 6, 2019 held by the specified person are exercised but does not include the number of shares of our common stock underlying options held by any other person.
- (3) Includes 7,660,800 shares held in a trust with respect to which Dr. Shillman serves as trustee.
- (4) Includes 1,591,650 shares which certain Directors and executive officers have the right to acquire upon the exercise of outstanding options, exercisable currently or within 60 days of March 6, 2019.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers and Directors and persons owning more than 10% of our outstanding common stock to file reports of ownership and changes in ownership with the SEC. Our executive officers, Directors and greater than 10% holders of our common stock are required by SEC regulations to furnish us with copies of all forms they file with the SEC under Section 16(a).

Based solely on copies of such forms furnished to us as provided above, we believe that during fiscal year 2018, our executive officers, Directors and owners of greater than 10% of our common stock complied with the applicable Section 16(a) filing requirements.

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CORPORATE GOVERNANCE

Code of Business Conduct and Ethics

We have a Code of Business Conduct and Ethics that applies to our Board of Directors and our employees, including our named executive officers. Pre-dating this code are our company's ten corporate values, which include integrity and are the basis for ensuring that we maintain the highest ethical standards in all that we do. Copies of our company's Code of Business Conduct and Ethics and ten corporate values are available on our website at www.cognex.com under Company Investor Information Governance. We intend to disclose on our website any amendment to, or waiver of, any provision of this code applicable to our directors and named executive officers that would otherwise be required to be disclosed under the rules of the SEC or The NASDAQ Stock Market LLC (Nasdaq).

Director Independence

Our Board of Directors has determined that all of the Director nominees and incumbent Directors are independent as such term is defined in the applicable listing standards of Nasdaq, except for Robert J. Shillman and Robert J. Willett, who are executive officers of Cognex, and Patrick A. Alias, who is a non-executive employee of Cognex.

Board Leadership Structure

The positions of Chief Executive Officer and Chairman of the Board of Directors were separated in March 2011. At that time, Mr. Willett was promoted to become our Chief Executive Officer. Dr. Shillman retained his position as Chairman of the Board of Directors.

Because Dr. Shillman continues to serve as an executive officer of Cognex, our Board has appointed Anthony Sun to serve in the role of Lead Independent Director. As Lead Independent Director, Mr. Sun presides at all meetings of our Board of Directors at which the Chairman is not present, and Mr. Sun chairs the executive sessions of independent Directors, who regularly meet in executive sessions at which only independent Directors are present. Mr. Sun may also provide input regarding meeting agendas and bear such further responsibilities as our Board may designate from time to time.

Our Board believes this leadership structure promotes unified leadership and direction for the Board and management that, together with having a Lead Independent Director, assists the Board in the administration of its risk oversight responsibilities.

The Board's Role in Risk Oversight

The role of our Board of Directors in our company's risk oversight process includes receiving regular reports from management on areas of material risk to our company, including operational, financial, legal and regulatory, as well as strategic and reputational risks. The full Board (or the appropriate committee in the case of risks that are under the purview of a particular committee) receives these reports from the appropriate risk owner within our company so that it can understand our risk identification, risk management and risk mitigation strategies. When a committee receives the report, the Chairman of the relevant committee reports on the discussion to the full Board. This enables the Board and its committees to coordinate the risk oversight role. Our Board of Directors also administers its risk oversight function through the required approval by the Board (or a committee of the Board) of significant transactions and other material decisions, and regular periodic reports

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from our company's independent registered public accounting firm and other outside consultants regarding various areas of potential risk, including, among others, those relating to our cybersecurity, internal controls and financial reporting. As part of its charter, the Audit Committee discusses with management and our independent registered public accounting firm significant risks and exposures and the steps management has taken to minimize those risks.

On December 4, 2008, the Board put in place a Shareholder Rights Agreement to provide our shareholders with the opportunity to benefit from the long-term prospects and value of the company and to ensure that shareholders receive fair and equal treatment in the event of any proposed takeover of the company. The Board allowed the Shareholder Rights Agreement and associated rights to expire in accordance with their terms on December 5, 2018 without renewal.

Policy on Pledging, Hedging and Trading of Cognex Stock

Our insider trading policy governs the timing and type of transactions in Cognex stock by our Board of Directors and certain Cognex employees who have regular access to material non-public information, including our executive officers. Among other provisions, the policy:

prohibits our Directors and any Cognex employee, including our executive officers, from engaging in short sales of Cognex stock (with violators subject to immediate termination);

prohibits our Directors and executive officers from trading in exchange-traded options for Cognex stock or any other derivative security designed to hedge or offset risk of a decline in the market value of Cognex stock; and

prohibits our Directors and executive officers from pledging Cognex stock as collateral for a loan without the approval of the Compensation/Stock Option Committee of the Board of Directors.

Communications to Directors

Shareholders who wish to communicate with our Board of Directors or with a particular Director may send a letter to the Secretary of Cognex Corporation at One Vision Drive, Natick, Massachusetts 01760. The mailing envelope should contain a clear notation indicating that the enclosed letter is a Shareholder-Board Communication or

Shareholder-Director Communication. The letter should clearly state whether the intended recipients are all members of our Board or certain specified individual Directors. The Secretary will make copies of all letters and circulate them to the appropriate Director(s).

Board Meetings, Committees and Attendance

Our Board of Directors held nine meetings during 2018. During 2018, each Director attended at least 75% of the total number of meetings of the Board of Directors and meetings of the committees of which such Director was a member. Our Directors are strongly encouraged to attend the annual meeting of shareholders or the special meeting in lieu of the annual meeting; however, we do not have a formal policy with respect to attendance at that meeting. All of our Directors attended the 2018 Annual Meeting of Shareholders held on April 25, 2018.

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The Board has three standing committees: The Compensation/Stock Option Committee, the Audit Committee and the Nominating and Corporate Governance Committee. Each committee acts according to a written charter approved by the Board. The charters are available on our website at www.cognex.com under Company Investor Information Governance. Each Director who served on a Board committee during 2018

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was independent as such term is defined in the applicable listing standards of Nasdaq and SEC rules. The agenda for committee meetings is determined by its Chairman in consultation with the other members of the committee and management. The Chairman reports the actions and determinations of the committee to the full Board on a regular basis.

The following table provides current committee membership information for each of the Board committees:

Name	Compensation/ Stock Option	Audit	Nominating and Corporate Governance
Eugene Banucci		X	*
Theodor Krantz	X	*	
Dianne M. Parrotte	X		
Jerry A. Schneider		X	X
Anthony Sun	*		X

* Committee Chairman

X Committee Member

During 2018, J. Bruce Robinson, who resigned from our Board of Directors effective February 23, 2018, served on the Compensation/Stock Option Committee through his resignation date. Further, Jeffrey B. Miller, whose term on the Board of Directors ended on April 25, 2018, served on the Audit and Nominating and Corporate Governance Committees through the end of his term.

Compensation/Stock Option Committee

In accordance with its written charter, the Compensation/Stock Option Committee:

Discharges the Board's responsibilities relating to the compensation of Cognex's executives, including the determination of the compensation of our Chief Executive Officer and other executive officers;

Oversees our overall compensation structure, policies and programs;

Administers our stock option and other equity-based plans;

Reviews and makes recommendations to the Board regarding the compensation of our Directors; and

Is responsible for producing the annual report included in this proxy statement.

Our Chief Executive Officer, other Cognex executives, and the Cognex Employee Services department support the Compensation/Stock Option Committee in its duties and may be delegated authority to fulfill certain administrative

duties regarding Cognex's compensation programs. In addition, our Chief Executive Officer makes recommendations to the Compensation/Stock Option Committee on an annual basis regarding salary increases, potential bonuses, and stock option grants for each of our other executive officers. Our Chief Executive Officer also has been delegated the authority to approve stock options and other equity-based awards to non-executive employees of Cognex not to exceed 80,000 shares to any one individual in the aggregate per calendar year.

The Compensation/Stock Option Committee has sole authority under its charter to retain, approve fees for, determine the scope of the assignment of, and terminate advisors and consultants as it deems necessary to assist in the fulfillment of its responsibilities. The Compensation/Stock Option Committee typically does not retain compensation consultants, but may utilize independent third-party benchmarking surveys acquired by Cognex.

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Committee meetings are regularly attended by our Chief Executive Officer, except when his compensation is being discussed, and may also include other executives at the invitation of the Committee. The Compensation/Stock Option Committee also meets in executive session as appropriate. The Compensation/Stock Option Committee met four times in 2018.

The full Board determines the compensation of our Directors, after considering any recommendations of the Compensation/Stock Option Committee.

Further information regarding the processes and procedures of the Compensation/Stock Option Committee for establishing and overseeing our executive compensation programs is provided under the heading Compensation Discussion and Analysis.

Audit Committee

In accordance with its written charter, the Audit Committee's general responsibilities include, among other things, the following:

Being directly responsible for the appointment, compensation, retention and termination, and oversight of the work of, Cognex's independent registered public accounting firm;

Reviewing the qualifications, performance and independence of Cognex's independent registered public accounting firm;

Reviewing our audited and unaudited financial statements;

Reviewing the adequacy and effectiveness of our internal control over financial reporting with management and our independent registered public accounting firm;

Reviewing and authorizing both audit and non-audit services to be provided to Cognex by its independent registered public accounting firm and related fees;

Reviewing and approving related party transactions; and

To the extent deemed necessary by the Audit Committee to carry out its responsibilities, engaging independent counsel and other advisers and determining the compensation payable to them.

For 2018, among other functions, the Audit Committee reviewed with our independent registered public accounting firm the scope of the audit for the year, the results of the audit when completed and the independent registered public accounting firm's fees for services performed. The Audit Committee also appointed the independent registered public accounting firm and reviewed with management various matters related to our internal controls. The Audit Committee held five meetings during 2018.

The Board of Directors has determined that all members of the Audit Committee are financially literate, and that each of Messrs. Krantz and Schneider qualifies as an audit committee financial expert under the rules of the SEC.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for identifying individuals qualified to serve as members of the Board and recommending to the Board nominees for election as Directors at each annual meeting of shareholders and when vacancies in the Board occur for any reason. The Nominating and

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Corporate Governance Committee is also responsible for developing and recommending to the Board a set of corporate governance guidelines to assist and guide the Board in the exercise of its responsibilities, periodically reviewing these guidelines and recommending changes deemed appropriate, and coordinating any evaluations of the Board and its committees. The Nominating and Corporate Governance Committee met one time during 2018.

In 2017, our Board amended our corporate governance guidelines to implement a policy addressing board diversity when identifying potential director nominees. The policy provides that our Nominating and Corporate Governance Committee will include women and individuals from minority groups who meet the required qualifications on the initial list of director candidates from which new board nominees are chosen. In addition, any search firm retained by the Nominating and Corporate Governance Committee will be required to abide by these guidelines.

In February 2019, the Nominating and Corporate Governance Committee met and recommended the Director nominees for election at the meeting. Robert J. Shillman, Anthony Sun and Robert J. Willett have been nominated for re-election to the Board.

Compensation/Stock Option Committee Interlocks and Insider Participation

During 2018, Mr. Krantz, Dr. Parotte and Mr. Sun served on the Compensation/Stock Option Committee. Mr. Robinson also served on the Compensation/Stock Option Committee during 2018 through his resignation date on February 23, 2018. No member of the Compensation/Stock Option Committee served as an officer or employee of Cognex or any of its subsidiaries, nor had any business relationship or affiliation with Cognex or any of its subsidiaries during 2018 other than his or her service as a Director.

Certain Relationships and Related Transactions

In accordance with its written charter, the Audit Committee conducts an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis, and the approval of the Audit Committee is required for all related party transactions. Under our Code of Business Conduct and Ethics, any transaction or relationship engaged in by our employees that reasonably could be expected to give rise to a conflict of interest should be reported promptly to our Compliance Officer (currently, Mr. Curran), who may notify our Board of Directors or a committee thereof as he deems appropriate. Actual or potential conflicts of interest involving a Director or executive officer are required to be disclosed directly to the Chairman of our Board of Directors.

Director Nominees

When considering a potential candidate for membership on our Board of Directors, the Nominating and Corporate Governance Committee will consider any criteria it deems appropriate, including, among other things, the experience and qualifications of any particular candidate as well as such candidate's past or anticipated contributions to our Board and its committees. At a minimum, each nominee is expected to have high personal and professional integrity and demonstrated ability and judgment to be effective, with the other Directors and management, in collectively serving the long-term interests of our shareholders. Each nominee is expected to be personable and support our "Work Hard, Play Hard, Move Fast" culture. Further, each nominee is expected to have direct and significant experience in one or more industries or markets in which our company does, or plans to do, business, and/or significant senior-level management experience in functions or roles which are helpful to our company. This includes, for example, finance, accounting, legal, human resources, engineering, manufacturing, and sales and marketing.

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In addition to the minimum qualifications set forth above, when considering potential candidates for our Board of Directors, the Nominating and Corporate Governance Committee seeks to ensure that the Board of Directors is comprised of a majority of independent Directors, that the committees of the Board are comprised entirely of independent Directors, and that at least one member of the Audit Committee qualifies as an audit committee financial expert under SEC rules. The Nominating and Corporate Governance Committee may also consider any other standards that it deems appropriate.

The Nominating and Corporate Governance Committee and our Board seek the talents and backgrounds that would be most helpful to Cognex when selecting Director nominees. In particular, the Committee, when recommending Director candidates to the full Board for nomination, may consider whether a Director candidate, if elected, assists in achieving a mix of Board members that represents a diversity of background and experience.

In 2017, our Board amended our corporate governance guidelines to implement a policy addressing board diversity when identifying potential director nominees. The policy provides that our Nominating and Corporate Governance Committee will include women and individuals from minority groups who meet the required qualifications on the initial list of director candidates from which new board nominees are chosen. In addition, any search firm retained by the Nominating and Corporate Governance Committee will be required to abide by these guidelines.

At our 2019 Annual Meeting of Shareholders, Robert J. Shillman, Anthony Sun and Robert J. Willett have been nominated for re-election to the Board.

In practice, the Nominating