

## CORPORATE GOVERNANCE

### Governance Principles

The Board of Directors (the "Board") of Vonage Holdings Corp. (the "Company") adopted these principles for establishing the corporate governance policies pursuant to which the Board conducts its oversight of Company management in accordance with its fiduciary responsibilities (the "Principles"). The Principles are applied in a manner consistent with all applicable laws, stock exchange rules, and the Company's Certificate of Incorporation and By-laws, each as amended and in effect from time to time. The Principles provide a framework for the conduct of the Board's business. The Board may modify or make exceptions to the Principles from time to time in its discretion and consistent with its duties and responsibilities to the Company and its stockholders.

#### **I. Director Responsibilities**

##### A. Oversee Management of the Company

The role of the Board is to manage and direct the affairs of the Company in the Company's best interests, including the interest of its stockholders, its long-term health, and overall success of the business. The Board delegates the day-to-day management of the Company to the Chief Executive Officer (the "CEO") and other senior executives of the Company, and provides guidance to and oversight of management.

The Board fulfills its responsibilities (directly or by delegating certain responsibilities to its committees) by:

- Providing oversight of the formulation of the long term strategic, financial, and organizational goals of the Company and the plans designed to achieve those goals.
- Reviewing and approving standards and policies to ensure that the Company is committed to achieving its objectives through the maintenance of high standards of responsible conduct and ethics.
- Evaluating the performance of the Company and its senior management and taking appropriate action, including removal, when warranted.
- Evaluating the Company's compensation programs on a regular basis and determining the compensation of its senior executives through its Compensation Committee.
- Requiring, approving and implementing senior executive succession plans.
- Establishing a corporate environment that promotes timely and effective financial reporting and other disclosure of information (including appropriate controls and procedures), accountability, and compliance with all applicable laws and regulations.

- Reviewing and approving material transactions and commitments not entered into in the ordinary course of business.
- Developing a corporate governance structure that facilitates the Board's fulfillment of its responsibilities.
- Providing advice and assistance to the Company's senior executives.
- Evaluating the overall effectiveness of the Board and its committees.
- Providing oversight of the Company's risk assessment and monitoring processes.
- Setting expectations about the tone and ethical culture of the Company, and reviewing management efforts to instill an appropriate tone and culture throughout the Company.
- Performing such other functions as the Board believes appropriate or necessary, or as otherwise prescribed by rules or regulations.

B. Exercise Business Judgment

The Board understands that effective Directors act on an informed basis after inquiry and review appropriate in the circumstances. In discharging their fiduciary duties of care, loyalty and candor, Directors shall exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its stockholders.

C. Reliance on Management and Advisors

The Directors are entitled to rely in good faith on the advice, reports and opinions of management, counsel and expert advisors and have the authority to hire outside advisors at the Company's expense if they believe it is necessary or appropriate.

D. Code of Conduct and Complaints Process

The Audit Committee shall review and approve the Company's finance code of ethics and Code of Conduct applicable to Directors, officers and employees. The Audit Committee shall also monitor compliance with such codes of conduct and ethics. Any waiver of the requirements of the Code of Conduct for any director must be approved by the Board and promptly disclosed on the Company's website.

The Audit Committee shall establish the Company's procedures for handling complaints regarding accounting or auditing matters.

E. Director Conflicts of Interest

Directors are expected to avoid any action or position that conflict with or may have the appearance of conflicting with an interest of the Company. The Company annually solicits information from Directors in order to monitor actual or apparent conflicts of

interest and Directors must fulfill their fiduciary obligations to the Company. Directors are encouraged to notify the Company on a timely basis of any actual or apparent conflicts of interest of which they are aware. When faced with a situation involving an actual or apparent conflict of interest, Directors shall promptly seek advice from the Chief Legal Officer. If the Chief Legal Officer determines that a conflict exists or the perception of a conflict is likely to be significant, the Audit Committee shall review and determine how to address the conflict in accordance with the Code of Conduct and Related Person Transaction Policy, as applicable.

Directors shall recuse themselves and not participate in the discussion and voting on any matter presented at a Board or committee meeting if they believe that they have a personal interest in, or any other conflict of interest with respect to, such matter.

If a significant actual or apparent conflict of interest with a Director exists and cannot be resolved, the Director shall tender his or her resignation to the Chairman of the Board. The Board shall review whether it would be appropriate for the director to continue serving on the Board and determine, in light of the circumstances, if the Board should accept the proposed resignation or request that the director continue to serve.

F. Director Attendance at Annual Stockholder Meeting

The Company encourages, but does not require, Directors to attend the annual meeting of stockholders.

G. Confidentiality of Information; Communications

Each Director has an obligation to preserve the confidentiality of all non-public Company information, which includes all discussions and deliberations that take place during all Board and committee meetings and all related materials and minutes. In addition, each Director has an obligation to refrain from discussions with outsiders (including investors, potential investors, analysts, and the media) regarding the Company (including its strategy, business operations, financial performance, leadership, and any matters discussed at Board or committee meetings) unless specifically requested to do so by the CEO or the Board, or as required by law. Where it is necessary for independent Directors to speak on behalf of themselves or the Company on matters discussed during Board or committee meetings, the Board shall designate the Lead Independent Director or, in the event there is no Lead Independent Director or the Lead Independent Director is unavailable, one or more other independent Directors as spokesperson(s). In all cases regarding suspected breaches of this obligation of confidentiality, the Board shall decide, with the advice of counsel, on an appropriate course of action.

H. Oversight of Risk Management

The Board is involved in oversight of the Company's risk assessment and monitoring processes, although much of the Board's oversight efforts are conducted through its committees. Management reviews significant risks with the Board throughout the year, as necessary and/or appropriate, and conducts a formal review of its assessment and

management of the most significant risks with the Board on a periodic basis. The Audit Committee has primary responsibility for overseeing management's risk assessment and risk management policies, including the policies and guidelines used by management to identify, monitor and manage the Company's exposure to risk. The Audit Committee (i) reviews and discusses with management and its internal and outside auditors the risks facing the Company and management's plan to manage the risks identified through the enterprise risk management process, and (ii) reports on its review to the full Board. The Compensation Committee reviews risks arising from the Company's compensation policies and practices and reports on its review to the full Board.

## **II. Director Qualification Standards**

### **A. Size of the Board**

The current size of the Board is established by the Board, in accordance with the Company's By-laws. The size of the Board may be varied after taking into account the needs of the business, the availability of qualified candidates and other factors the Board believes relevant. Board size shall facilitate active interaction and participation by all Board members. The Board will review from time to time the appropriateness of its size.

### **B. Board Composition and Independence Standards**

Except as may otherwise be permitted by Nasdaq Stock Market rules, a majority of the members of the Board shall be independent Directors. To be considered independent: (i) a Director must be independent as determined under Section 5605 of the Nasdaq Listing Rules and (ii) in the Board's judgment, has no relationship which would interfere with the exercise of independent judgment.

The Board has established principles to assist it in determining whether a Director has a material relationship with the Company. Under these principles, a Director will not be considered to have a material relationship with the Company if (1) he or she is independent as determined under Section 5605 of the Nasdaq Listing Rules and, where applicable, (2) he or she is an executive officer of another company which is indebted to the Company, or to which the Company is indebted, unless the total amount of either company's indebtedness to the other is more than one percent of the total consolidated assets of the company for which he or she serves as an executive officer.

In addition, ownership of a significant amount of the Company's stock, by itself, does not constitute a material relationship for purposes of determining Director independence.

For relationships not covered by the principles set forth above, the determination of whether a material relationship exists shall be made by the other members of the Board of Directors who are independent as defined above.

### **C. Consulting Agreements with Independent Directors**

The Board believes that the Company should not enter into paid consulting arrangements with independent Directors.

D. Independence Standards for Audit Committee Members

To be eligible to serve on the Audit Committee, a Director (i) must qualify as “independent” as set forth in Section II.B above and (ii) may not, other than in his or her capacity as a member of the Audit Committee of the Board or any other committee of the Board, accept any consulting, advisory or other compensatory fee from the Company or be an affiliated person of the Company or any of its subsidiaries.

E. Independence Standards for Compensation Committee Members

To be eligible to serve on the Compensation Committee, a Director must qualify as “independent” as set forth in Section II.B above. In affirmatively determining the independence of any Director who will serve on the Compensation Committee, the Board must consider all factors specifically relevant to determining whether such Director has a relationship to the Company which is material to his or her ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to: (i) the source of compensation of such Director, including any consulting, advisory or compensatory fee paid by the Company to such Director; and (ii) whether such Director is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company.

F. Selection of New Director Candidates

To be eligible to serve on the Nominating and Governance Committee, a Director must qualify as “independent” as set forth in Section II.B above. The Nominating and Governance Committee shall review on an annual basis, in the context of recommending a slate of Directors for stockholder approval, the composition of the Board, including issues of character, judgment, expertise, corporate experience, length of service and independence. Except where the Company is legally required by contract, bylaw or otherwise to provide third parties with the ability to nominate Directors, the Nominating and Governance Committee shall be responsible for (i) identifying individuals qualified to become Board members, consistent with criteria approved by the Board, and (ii) recommending to the Board candidates to be elected by the Board to the full Board in the event of a vacancy or expansion of the Board between annual meetings of stockholders, or to be nominated for election as Directors at any meeting of stockholders.

G. Extending the Invitation to Join the Board to a New Director

An invitation to join the Board shall be extended by the Chairman of the Board and/or the CEO, on behalf of the entire Board.

Prior to being appointed or nominated for election to the Board for the first time, the prospective Director must provide to the Board a written undertaking to comply with (i) all applicable laws and regulations and (ii) all of the policies, processes, procedures, codes, rules, standards and guidelines applicable to members of the Board.

#### H. Director Resignation Procedures and Directors Changing Their Present Job Responsibilities

Except as otherwise provided in this Section II.H or in Section II.M below, in order for a Director's resignation, retirement, or refusal to stand for re-election to be considered effective, such Director tendering his or her resignation must provide written notice directly to the corporate secretary, with courtesy copy to the Chairman of the Board or the Lead Independent Director.

The Board expects that a Director who substantially changes his or her present job responsibilities or undergoes a change of circumstance that would, in fact or appearance, reasonably be expected to impair his or her independence or objectivity as a Director (whether because of a relationship with a stockholder or other third party, or otherwise) or reflect adversely on the reputation of the Company, to tender his or her resignation to the Chairman of the Board or the Lead Independent Director, who will refer it to the Nominating and Governance Committee for review. The Board, upon the recommendation of the Nominating and Governance Committee, shall determine whether to accept the resignation. In cases in which a Director is uncertain as to whether he or she ought to tender his or her resignation, the Board expects such Director to consult with the Chair of the Nominating and Governance Committee. The Nominating and Governance Committee shall consider a Director's other job responsibilities and changes of circumstance in its annual deliberations concerning the Director's standing for re-election.

#### I. Lead Independent Director

The Board may appoint a Lead Independent Director based upon what the Board believes to be in the best interests of the Company and its stockholders. The Lead Independent Director shall be nominated by the Nominating and Governance Committee and approved by a majority of the independent Directors. If appointed, the Lead Independent Director will (i) have the responsibility to schedule and prepare agendas for and to chair meetings of non-management or independent Directors, (ii) preside at all meetings of the Board at which the Chairman of the Board is not present, (iii) coordinate with the Chairman of the Board and the CEO, and other Directors, to determine the frequency and length of Board meetings, and coordinate with the Chairman of the Board and the CEO to set the agenda for each Board meeting, (iv) facilitate communication and be the primary point of contact between the Chairman of the Board, the CEO and the other Directors (however, Directors are encouraged to communicate issues directly with the Chairman of the Board, and in the event of a conflict, the Lead Independent Director or the CEO at such Director's discretion), (v) cause the dissemination of information to the other members of the Board, (vi) raise issues on behalf of non-management or independent Directors when appropriate, (vii) have the authority to call meetings of non-management or independent Directors, (viii) speak on behalf of the independent Directors when necessary, (ix) discuss Board and committee evaluations with the Nominating and Governance Committee (x) conduct evaluations of the CEO and other executive officers in coordination with the Compensation Committee, and (xi) coordinate with the Chairman of the Board and the CEO to monitor communications from stockholders and other interested parties.

J. Term of Service

The Board believes that it must periodically refresh its membership to ensure that its composition remains appropriate given the Company's needs over time. Directors are elected annually for a one-year term, subject to any phase-in term following the elimination of the Company's classified structure. The Board may renominate a director, based on the recommendation of the Nominating and Governance Committee. The Nominating and Governance Committee formally reviews the performance of each director in determining whether to renominate directors for election.

K. Service on Outside Boards

The CEO and other executive officers shall obtain the approval of the Board prior to accepting an invitation to serve on the board of a public company or on the board of any private company. The Board does not expect to approve service by such executive officers on more than two public company boards, including the Company's. The CEO and other executive officers shall advise the Board of service on the board of a non-profit organization.

Prior to accepting an invitation to serve on another public company board, non-executive Directors should advise the Board and the Board should review the proposed appointment. Because of the time commitment associated with Board service, Directors are expected to limit the number of other public company boards on which they serve to no more than five.

L. Stock Ownership by Directors

Non-management Directors must maintain a stock ownership level equal to five times the annual board cash retainer. Shares included in the calculation to assess compliance with this requirement include shares owned outright and the in-the-money value of vested stock options. Each non-management Director must retain 50% of (i) net shares resulting from the exercise of stock options and (ii) shares of restricted stock until the ownership requirement is met. Non-management Directors may be exempted from the ownership requirement and/or the retention ratio due to financial hardship as determined by the Compensation Committee in its discretion.

M. Majority Voting and Director Resignation Policy

The Company's By-laws provide for majority voting in the uncontested election of directors. Accordingly, in uncontested elections, directors are elected by a majority of the votes cast, which means that the number of shares voted "for" a director must exceed the number of shares voted "against" that director.

The Board shall nominate for election or re-election as directors only candidates who have agreed to tender a resignation that will be effective upon (i) the failure of the candidate to receive the required vote at an annual meeting at which he or she is nominated for election or re-election, and (ii) Board acceptance of the tendered resignation. The Board shall fill director vacancies and new directorships only with candidates who have agreed to

tender a resignation in accordance with this guideline. A director who fails to receive the required number of votes for re-election in accordance with the Company's By-laws is expected to tender within 10 days of the certification of the election results, his or her resignation from the Board, which resignation may be conditioned upon Board acceptance of the resignation.

The Nominating and Governance Committee will consider the tendered resignation of a director who fails to receive the required number of votes for re-election and recommend to the Board whether to accept or reject the resignation, or whether other action should be taken. The Nominating and Governance Committee may in deciding what action to recommend, and the Board in deciding what action to take, consider any factors they deem relevant. The director whose resignation is under consideration shall abstain from participating in any decision of the Nominating and Governance Committee or the Board regarding such resignation. If the Board does not accept the resignation, the director will continue to serve until his or her successor is elected and qualified.

### **III. Assessing the Board's Performance**

The Nominating and Governance Committee should oversee annually a self-evaluation by the Board of its performance during the prior year. As part of this process, the Nominating and Governance Committee will conduct an evaluation to review the progress and effectiveness of the Board and its committees, and will submit comments to the Lead Independent Director (or the Chairman of the Board if there is no Lead Independent Director). Following discussion with the Lead Independent Director or the Chairman of the Board, as the case may be, the Nominating and Governance Committee will then report back to the Board, and the full Board will consider and discuss the committee's report. The Nominating and Governance Committee may engage an outside advisor to conduct the annual self-evaluation.

### **IV. Board Meetings**

#### **A. Frequency and Length of Meetings**

The Chairman of the Board and the CEO and, if one has been appointed, the Lead Independent Director, in consultation with the other members of the Board, shall jointly determine the frequency and length of the Board meetings, provided, that the Board shall meet no less than quarterly each year. Special meetings may be called from time to time as determined by the needs of the business.

#### **B. Selection of Agenda Items**

The Chairman of the Board and the CEO and, if one has been appointed, the Lead Independent Director, shall jointly set the agenda for each Board meeting. Each Board member is free to suggest inclusion of items on the agenda and to raise subjects at meetings that are not on the agenda. The Board shall review the Company's long-term strategic plans during at least one Board meeting per year.

C. Advance Distribution of Board Materials

To the extent possible, information and data which is important to the Board's understanding of matters to be discussed at the meeting and the current status of the Company's business shall be distributed to the Board sufficiently in advance of the meeting to permit meaningful preparation. Directors are expected to prepare for, attend, and actively participate in all Board and applicable committee meetings. If the subject matter is too sensitive to be disclosed in materials to be distributed, the subject will have to be introduced at the meeting.

D. Regular Attendance of Non-Directors at Board Meetings

It is anticipated that certain members of management (e.g., the Chief Financial Officer, Chief Legal Officer and such other executive officers as the CEO may from time to time designate) will attend Board meetings on a regular basis. Other members of management and staff will attend meetings and present reports from time to time. Specifically, the Board encourages management to schedule managers to be present at Board meetings who can provide additional insight into the items being discussed because of personal involvement in these areas. It is understood that Company personnel and others attending Board meetings may be asked to leave the meeting in order for the Board to meet in executive session.

E. Executive Sessions

The independent Directors, as defined by the Nasdaq Listing Rules, may meet in executive session following each Board meeting to discuss such matters as they deem appropriate, which meetings shall occur at least twice per year. The independent Directors will meet in executive session at other times at the request of any independent Director. The Director who presides at these meetings shall be the Lead Independent Director, if there is one, or, if not, then such other Director as shall be chosen by the independent Directors. The independent Directors may invite members of management, legal counsel, or other expert advisors to participate in executive sessions as they deem appropriate.

**V. Director Access to Management and Independent Advisors**

A. Access to Company Employees

Board members shall have unrestricted access to members of senior management and other officers and employees of the Company, either as a group or individually. The Directors shall use their judgment to ensure that any such contact or communication is not disruptive to the business operations of the Company.

B. Access to Advisors

The Board and its committees may consult with and retain such legal, financial or other advisors as they deem necessary or desirable. Such advisors may be the regular outside advisors to the Company or advisors that are not otherwise retained by the Company. The Board or any committee is empowered, without further action by the

Company, to cause the Company to pay the compensation of such advisors as established by the Board or any such committee.

## **VI. Board Interaction with Investors, the Media, Customers, etc.**

The Board has determined that management and management designees speak for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company (including investors, potential investors, analysts, the media, customers or other third parties), but only with (i) prior notice to the Company and (ii) the prior approval of the Chairman of the Board, CEO or Lead Independent Director. The Board will review significant written communications that are submitted by stockholders and other interested parties, and will respond if and as appropriate. Absent unusual circumstances or as contemplated by the committee charters, the Chairman of the Board, CEO and Lead Independent Director (if one is appointed) shall jointly, subject to advice and assistance from the Chief Legal Officer: (i) monitor communications from stockholders and other interested parties, and (ii) provide copies or summaries of such communications to the other Directors as they consider appropriate. The Company's Directors shall not accept any gift of value that indicates an intent to improperly influence the normal business relationship between the Company and any supplier, customer, or competitor.

## **VII. Board Compensation Review**

The Nominating and Governance Committee shall conduct an annual review of the compensation of the non-executive Board members. This review will include input from the Company's Human Resources department and/or an independent third party compensation consultant chosen and retained by the Nominating and Governance Committee to evaluate the Company's Director compensation using appropriate benchmarks. Any change in Board compensation shall be approved by the full Board. The Nominating and Governance Committee shall consider that Director independence questions may be raised if Director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a Director is affiliated or if the Company enters into consulting contracts or business arrangements with (or provides other indirect forms of compensation to) a Director or an organization with which the Director is affiliated.

## **VIII. Director Orientation and Continuing Education**

### **A. Director Orientation**

The Board and the Company's management shall develop an appropriate orientation program for new directors that includes background materials, management presentations, meetings with senior management, and visits to Company facilities (as appropriate).

### **B. Continuing Education**

Each Director is expected to be involved in continuing director education on an ongoing basis to enable him or her to better perform his or her duties and to recognize and

deal appropriately with issues that arise. Each director will be reimbursed for the cost of up to \$7,500 in total per year for one or more continuing education programs (including reasonable travel and hotel expenses associated with attending such programs). To the extent such fees and expenses exceed \$7,500, such costs shall be approved and/or ratified by the Lead Independent Director.

## **IX. Board Committees**

### **A. Standing Committees**

The Board shall at all times have the following four standing committees: an Audit Committee, a Compensation Committee, a Nominating and Governance Committee, and a Technology Committee. The Board has also established a Transactions Committee to serve on an ad hoc basis in order to carry out its responsibilities. New committees may be formed as determined by the Board. Except as otherwise permitted by the applicable rules of the Nasdaq Stock Market, each member of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee shall be an "independent director" as defined by such rules.

### **B. Assignment and Rotation of Committee Members**

Annually, committees of the Board shall be appointed, and chairs of each committee designated, by the full Board upon recommendation by the Nominating and Governance Committee. Composition of the committees shall be reviewed each year. Generally, each committee member shall be considered for rotation every three to five years of continuous service on a particular committee and each committee chair shall be considered for rotation every three to five years of continuous service as committee chair. In making the decision for rotation of committee membership and the appointment of a new committee chair, the Board will take into consideration the expertise of the individual committee member and the expertise of the other Directors available for these positions.

### **C. Frequency and Length of Committee Meetings**

Each committee chair, in consultation with committee members, will determine the frequency, times and length of the meetings of his or her committee and whether a particular meeting should be face-to-face or telephonic. Absent unusual circumstances, committee meetings should be held in conjunction with regular Board meetings. Meetings should be scheduled so that there is sufficient time for consideration of the items on the agenda.

### **D. Committee Charters and Agendas**

Each standing committee shall have its own written charter, which will set forth the principles, policies, objectives, and responsibilities of the committee in accordance with the applicable requirements of the Nasdaq Stock Market and applicable laws and regulations. Annually, the chair of each committee shall schedule a review of the existing committee charter and the committee shall determine whether any amendments are required. Committee charters shall be within the scope of authority granted to the committee by the

Board and shall be approved by the Board. The chair of each committee, in consultation with appropriate members of management and staff, shall develop the overall annual agenda to the extent it can be foreseen. In addition, after consulting with appropriate members of management, the Chairman, and the Lead Independent Director, each committee chair shall set an agenda prior to each committee meeting. Any committee of the Board is authorized to engage its own outside advisors at the Company's expense, including legal counsel or other consultants, as required, provided that the committee shall obtain Board approval (authorizations in the charters of the respective committees being deemed Board approval) of each such engagement.

E. Committee Attendance

Members of each committee are expected to attend all applicable committee meetings. The Chairman of the Board and/or the Lead Independent Director may attend any committee meeting at their discretion. Other directors have the option to attend committee meetings, as an observer, subject to advance notice to the relevant committee chair. Committee chairs are empowered to invite some or all of their Board colleagues, or management, to attend based on relevant topics at their discretion.

F. Committee Executive Sessions

The Audit Committee, Compensation Committee, Nominating and Governance Committee, and Technology Committee shall meet regularly in executive session and shall make regular reports to the Board. The chair of any such committee, the Chairman, or the Lead Independent Director may request an executive session. The committees may invite members of management, legal counsel, or other expert advisors to participate in executive sessions as they deem appropriate. The Audit Committee shall meet with each of the Chief Financial Officer, the internal auditor, the Company's outside auditors, and such other parties as it shall deem appropriate, at such times as it deems appropriate, but not less than quarterly. Absent unusual circumstances, executive sessions of the committees shall be held in conjunction with regular committee meetings.

X. **Chairman of the Board, Chief Executive Officer, and Other Executive Officers**

A. Selection of Chairman of the Board and CEO

The Board shall fill the Chairman of the Board and CEO positions based upon what the Board believes to be in the best interests of the Company and its stockholders at any point in time. Currently, the Board has determined that the positions of the Chairman of the Board and CEO should be held by different persons. The Board permits non-independent Directors to serve in the position of Chairman of the Board.

B. Formal Evaluation and Compensation of the Chief Executive Officer and Other Executive Officers

The formal evaluation of the CEO and the other executive officers shall be made in the context of an annual compensation review by the Lead Independent Director (if any) and the Compensation Committee, with appropriate input from other Board members, and shall

be communicated to the CEO by the Lead Independent Director (if any) and the Chair of the Compensation Committee. The evaluation shall be based on objective criteria, including performance of the business and accomplishment of long-term strategic objectives.

**C. Succession Planning**

The Compensation Committee, in consultation with the full Board, is primarily responsible for CEO succession planning. In addition, the Compensation Committee shall monitor and annually review management's succession plans for other key executives. Succession planning may be critical in the event the CEO or other key executives cease to serve for any reason, including resignation or unexpected disability. The Board believes that establishment of a strong management team is the best way to prepare for an unanticipated departure of a key executive.

**D. Selection and Interview of Other Executive Officers**

Prior to appointing any new executive officer to the Company, the CEO shall present the candidate to the Chair and Lead Independent Director. The Chair, Lead Independent Director, and at least two other independent directors selected by the Chair and Lead Independent Director shall have the opportunity to conduct interviews with such candidate prior to the executive officer's appointment.

**XI. Recoupment of Incentive Compensation**

In addition to any other remedy available to the Company, subject to applicable law, the Board may seek to recoup incentive compensation paid or awarded to executive officers of the Company where (i) such payment or award was predicated upon the achievement of certain financial results that were subsequently the subject of a material restatement of the Company's financial statements filed with the SEC (other than as a result of a change in accounting rules, principles or interpretations), (ii) such restatement was caused or substantially caused by the misconduct of such executive officer, and (iii) a lower incentive payment would have been made to the executive officer based upon the restated financial results. If triggered, the Compensation Committee may seek to recoup the portion of incentive awards paid or awarded to executive officers in excess of the awards that would have been paid or awarded based on the restated financial results to the extent permitted by applicable law. In the case of equity awards that vested based on the achievement of financial results that were subsequently modified, the Compensation Committee and Board may also seek to recover improper gains from the sale or disposition of vested equity awards.

**XII. Periodic Review of Principles**

The Nominating and Governance Committee and the Board shall review and reassess the adequacy of these Principles at least annually and recommend any proposed changes to the Board for approval.

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