



## **Axon Enterprise, Inc.**

# **DISCLOSURE CONTROLS AND PROCEDURES**

*(Approved by the Audit Committee on April 18, 2003; Last Revised on August 22, 2017)*

### **STATEMENT OF POLICY**

The purpose of our disclosure controls and procedures is to ensure that information we are required to disclose in Exchange Act reports is recorded, processed, summarized and reported, in the time periods specified by the SEC.

#### **I. STATUTORY BACKGROUND**

##### **A. Definition of Disclosure Controls and Procedures.**

The SEC defines “disclosure controls and procedures” as those controls and procedures that are designed to ensure that information required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported, in the time periods specified by the SEC.

Disclosure controls and procedures relate to both financial and non-financial information. “Internal controls,” which relate only to accounting and financial information, are an important subset of disclosure controls and procedures.

##### **B. Certification Regarding Disclosure Controls and Procedures.**

SEC rules require our CEO and CFO to certify in quarterly and annual reports, among other things, that with respect to disclosure controls and procedures they:

- Are responsible for establishing and maintaining disclosure controls and procedures (pursuant to SEC Rules 13a-15 and 15d-15);
- Have designed the disclosure controls and procedures to ensure that material information relating to the company and its consolidated subsidiaries is made known to them, particularly during the preparation of periodic reports; and have evaluated the disclosure controls and procedures within 90 days of the periodic report (pursuant to SEC Rules 13a-15 and 15d-15) and have presented the conclusions of their evaluation in the periodic report (pursuant to Regulation S-K Item 307).

**C. Penalties for Noncompliance.**

Failure to comply with these requirements could result in an SEC enforcement action even where the failure did not lead to flawed disclosure.

**D. Auditor Testing of Internal Control Structure.**

We will require our independent auditor to report on its testing of our internal control structure and procedures in compliance with the rules to be enacted by the SEC and the Public Company Accounting Oversight Board.

**II. DISCLOSURE COMMITTEE**

**A. Composition of Disclosure Committee.**

Our Disclosure Committee is a management committee consisting of the following individuals:

- Chief Financial Officer,
- General counsel or other senior legal official with responsibility for disclosure matters,
- President, and
- Chief investor relations officer.

**B. Responsibilities of Disclosure Committee.**

Our Disclosure Committee reports to the CEO, who, in consultation with outside auditors and legal counsel, maintain ultimate decision making authority regarding our external disclosures. The Disclosure Committee's responsibilities are to assist the CEO to:

- Establish and maintain our disclosure controls and procedures;
- Consult with our internal audit function regarding our internal controls;
- Prepare our quarterly, annual and current reports and proxy statements, including the preparation of time and responsibility schedules for such documents;
- Certify our quarterly and annual reports; and

- Evaluate our disclosure controls and procedures within 90 days of filing a quarterly or annual report.
- Oversee the preparation and disclosure of registration statements, press releases [containing financial information], earnings guidance, material information, correspondence to our stockholders, and presentations to analysts, investors, rating agencies and lenders.

**C. Operation of the Disclosure Committee.**

The Disclosure Committee shall be chaired by the CFO. The chair's responsibilities shall be to coordinate the activities and internal communication of the Disclosure Committee, to call meetings of the Disclosure Committee as appropriate, to coordinate communication with outside legal counsel in a manner consistent with preserving the attorney-client privilege, and to serve as the principal liaison between the Disclosure Committee and the CEO.

**III. INTERNAL INFORMATION FLOW**

**A. Financial Information.**

Following is our financial information internal control and evaluation process:

- The Disclosure Committee holds regular business meetings with the CEO and management in which business, financial and operating information is reviewed and discussed
- The Disclosure Committee participates in the quarterly close process, including a schedule of key events and meetings
- The CFO conducts a financial review and approval process for all relevant financial data and information contained in public reports and releases, including internal/external audits, CFO review, CEO review, auditor's SAS 71 review, and audit committee review.
- The Disclosure Committee with the CEO conducts a discussion and evaluation of key financial information, such as reserves, possible impairments, significant matters involving management judgments, and other areas that are noted in our critical accounting policies
- The Disclosure Committee, CEO, outside counsel and auditors shall review and approve all Company public reports or releases.

Our objective is to achieve:

- Real-time access to information regarding our operations and operational metrics

- Information regarding our subsidiaries, divisions and geographies
- Consistency with other internal information
- Analytical tools
- Whistleblowing channels

**B. Non-financial Information.**

Non-financial information that the SEC requires to be disclosed includes information, among other things, regarding:

- Real property,
- Legal proceedings,
- Submission of matters to a vote of securityholders,
- Information regarding directors and officers, and
- Material contracts.

Non-financial information is collected internally through the Disclosure Committee and communicated through the CEO and CFO during regular management meetings and reviews.

**IV. EXTERNAL REPORTING AND DISCLOSURE**

External reports include the following: SEC Forms 8-K, Forms 10-Q, Forms 10-K, Annual Meeting Materials, Quarterly Earnings Releases and Guidance, Investor and Other Presentations, Routine Press Releases, Section 16 Disclosure, and Public Offering Prospectuses/Private Placement Memoranda. Attached as Exhibits, are procedures and checklists for our SEC forms.

- Drafting.** The Disclosure Committee has the responsibility for drafting all external company reports, including Company SEC filings. The CFO is in charge of coordinating all input and information needed for drafting such external reports and controls the draft report.
- Review.** Review the report by the Disclosure Committee, CEO and Audit Committee, allowing sufficient time in the report preparation process for this review and any comments.
- Meeting with Involved Parties.** Meet with the Disclosure Committee, outside auditors, internal and outside corporate counsel, internal accounting and auditing staff and other personnel who have information or are involved in the preparation of the report to confirm their understanding that the report contains no material misstatements or omissions, complies with SEC rules as required and fairly

presents, in all material respects, the business, financial condition and results of operations of the Company as it relates to their areas of oversight. Review the level of involvement in preparing the report of senior management and other key employees (such as business unit heads), auditors, outside counsel and the Audit Committee.

**D. Review of Processes.** Review with the financial reporting staff and outside auditors the processes used for preparing the financial statements (and other financial information) included in the report, paying particular attention to:

- The Company's financial reporting system employed to prepare the financial information, with particular focus on the adequacy of internal controls as well as the size and expertise of financial and auditing staff;
- The critical accounting policies employed, such as revenue recognition and capitalization policies, with particular focus on any variations from customary industry accounting practices and any changes in accounting practices;
- The important assumptions and estimates underlying the financial statements and other financial information;
- Business trends and significant developments;
- Issues raised in past SEC comment letters to the Company, analyst reports or other external documents regarding the Company's accounting or financial reporting;
- Any off-balance sheet, pro forma or other information not set forth in GAAP financials that may be material to an investor's understanding of the Company;
- Any goodwill impairment or other write-offs;
- Any related party transactions; and
- Any disagreements concerning accounting issues and their resolution.

**E. Discussion with Counsel.** Discuss filing deadlines and the text of the reports with CFO, internal and external legal counsel and other staff preparing the report, paying particular attention to:

- The Company's major risk exposures, including any pending litigation, the steps taken to monitor these risks, and the related disclosures in the report;

- The Company’s major contractual obligations and the related disclosures in the report, including a review of which contracts were filed as exhibits;
- The Company’s disclosures under MD&A, including the important trends and risks potentially affecting the Company’s business, financial performance and liquidity, with particular focus on any inconsistencies in the report with concurrent internal communications; and
- Any disagreements concerning disclosure issues and their resolution.

**F. Compliance Check.** Have appropriate personnel perform a thorough compliance check on the report against the requirements of Regulations S-K and S-X and discuss the results of this check with such personnel.

**G. Audit Committee.** Review the report, process and conclusions with the Audit Committee and ask for feedback.

**H. Final Draft.** Incorporate all comments and requested changes into the final draft and arrange for timely filing with Nasdaq Market Watch and SEC

**I. Documentation.** Document the steps taken in our review. This documentation should describe the process undertaken, but should not be a transcript of the conversations held.

**J. Problem Resolution.** If any potential material errors or omissions are uncovered in the diligence process, we stop and pursue them. At the first indication of a problem, we inform the CEO, CFO and general counsel, as well as outside disclosure counsel. Promptly thereafter, we inform the Audit Committee. Depending on what is found, an internal investigation may need to be undertaken.

## **V. PROCEDURES FOR EVALUATING DISCLOSURE CONTROLS AND PROCEDURES**

### **A. Background.**

SEC rules require us to evaluate, under the supervision of the CEO and CFO, the effectiveness of our disclosure controls and procedures at least every 90 days. The overall purpose of the evaluation is to determine whether our disclosure controls and procedures, as defined in SEC rules, are “effective.”

### **B. Evaluation Procedures.**

The evaluation includes the following:

- Interviews of participants in the internal information flow and external disclosure processes, including auditors.

- Review of relevant documents, including back-up documentation of previous periodic reports filed with the SEC.

The evaluation is broad and asks at least the following questions:

- What, if any, changes have occurred in the Company since the last evaluation that might affect the functioning of the disclosure controls and procedures?
- What, if any, issues arose in the Company's prior external disclosures that might have been avoided through changes in the disclosure controls and procedures?
- What changes in the legal requirements for disclosure have occurred since the last evaluation?
- Is our internal information flow and process adequate to produce consistent, accurate information and reduce the risk of fraud?
- Have any parties identified irregularities or deficiencies in our disclosure procedures and controls?
- Are sufficient procedures in place to test the accuracy of our financial and non-financial information?
- For periodic filings with the SEC, and considering our SEC form and Regulations S-K and S-X checklists, are the appropriate personnel still involved?
- Are the appropriate personnel participating in the drafting of MD&A and risk factors?
- Are the appropriate internal and external personnel reviewing our external disclosures, and is ample time provided for their review and the incorporation of their comments?
- Do all participants understand their responsibilities in the process?

If any potential material errors or omissions are uncovered in the evaluation process, we pursue them under the supervision of the CEO, General Counsel and CFO, and we involve outside counsel if necessary.

If necessary, we update our disclosure controls and procedures based on the results of the evaluation.

## VI. PROCEDURES REGARDING CEO AND CFO CERTIFICATIONS OF PERIODIC REPORTS

- A. Background.** Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, as well as SEC rules, require our CEO and CFO to certify each quarterly and annual report. Among other things, the certifications require certain statements regarding our disclosure controls and procedures, as well as our evaluation of those controls and procedures. At a minimum, the CEO and CFO follows the following procedures as part of their “due diligence” preparation to make the required certifications.
- B. Review.** Review the report to be certified, allowing sufficient time in the report preparation process for this review and any comments.
- C. Meeting with Involved Parties.** Meet with the Disclosure Committee, outside auditors, internal and outside corporate counsel, internal accounting and auditing staff and other personnel who are involved in the preparation of the report to confirm their understanding that the report contains no material misstatements or omissions, complies with SEC rules as required and fairly presents, in all material respects, the business, financial condition and results of operations of the Company as it relates to their areas of oversight. Review the level of involvement in preparing the report of senior management and other key employees (such as business unit heads), auditors, outside counsel and the Audit Committee.
- D. Discussion of Processes.** Discuss with the financial reporting staff and outside auditors the processes used for preparing the financial statements (and other financial information) included in the report, paying particular attention to:
- The Company’s financial reporting system employed to prepare the financial information, with particular focus on the adequacy of internal controls as well as the size and expertise of financial and auditing staff;
  - The critical accounting policies employed, such as revenue recognition and capitalization policies, with particular focus on any variations from customary industry accounting practices and any changes in accounting practices;
  - The important assumptions and estimates underlying the financial statements and other financial information;
  - Business trends and significant developments;
  - Issues raised in past SEC comment letters to the Company, analyst reports or other external documents regarding the Company’s accounting or financial reporting;

- Any off-balance sheet, pro forma or other information not set forth in GAAP financials that may be material to an investor’s understanding of the Company;
  - Any goodwill impairment or other write-offs;
  - Any related party transactions; and
  - Any disagreements concerning accounting issues and their resolution.
- E. Discussion with Counsel.** Discuss the text of the reports with legal and other internal and external staff responsible for preparing the report, paying particular attention to:
- The Company’s major risk exposures, including any pending litigation, the steps taken to monitor these risks, and the related disclosures in the report;
  - The Company’s major contractual obligations and the related disclosures in the report, including a review of which contracts were filed as exhibits;
  - The Company’s disclosures under MD&A, including the important trends and risks potentially affecting the Company’s business, financial performance and liquidity, with particular focus on any inconsistencies in the report with concurrent internal communications; and
  - Any disagreements concerning disclosure issues and their resolution.
- F. Compliance Check.** Have appropriate personnel perform a thorough compliance check on the report against the requirements of Regulations S-K and S-X and discuss the results of this check with such personnel.
- G. Audit Committee.** Review the steps taken and conclusions reached with the Audit Committee
- H. Documentation.** Document the steps taken in our review. This documentation should describe the process undertaken, but should not be a transcript of the conversations held.
- I. Problem Resolution.** If any potential material errors or omissions are uncovered in the diligence process, we stop and pursue them. At the first indication of a problem, we involve the general counsel, as well as outside disclosure counsel. Promptly thereafter, we inform the Audit Committee. Depending on what is found, an internal investigation may need to be undertaken.