



## Corporate Governance Principles

### Introduction

The Board of Directors (the “Board”) of ADTRAN, Inc. (the “Company”) has adopted these principles to guide the Company and the Board on matters of corporate governance. These principles will be made available to stockholders, investors and the general public through publication on the Company’s website.

The Board formulates or approves policy and oversees and directs the overall management of the Company’s business by its executive officers. In so doing, the directors have important obligations to the stockholders. The primary responsibility of management and the Board to the stockholders is to maximize the long-term return on their investment in the Company. The Board must also establish a structure that ensures corporate accountability. The purpose of these Governance Principles is to set forth certain general principles and policies by which the Board will manage its affairs. These Governance Principles will be reviewed annually by the Nominating and Corporate Governance Committee.

### Composition of the Board

The Board will consist of a minimum of three “Independent Directors,” as defined below, or such greater number of directors to be set by resolution of the Board. The Board anticipates that the Company’s Chief Executive Officer (“CEO”) will be nominated annually to serve on the Board. At least a majority of the directors shall be Independent Directors. For purposes of these Governance Principles, the term “Independent Director” means a person who meets the requirements of “independent director” in the listing standards of the Nasdaq Stock Market (“Nasdaq”), and as otherwise may be required by the Company’s Bylaws, the provisions of the Securities Exchange Act of 1934, and the rules and regulations of the Securities and Exchange Commission. All directors shall stand for re-election, or election in the case of a new director, each year at the annual meeting of the stockholders of the Company.

### Role, Authority, Duties, and Responsibilities

The Board as elected by the stockholders is the ultimate decision-making body of the Company except with respect to matters reserved to the stockholders. The Board selects the Chief Executive Officer, who is charged with selection of senior management and the day-to-day conduct of the Company’s business.

In fulfilling its obligations, the Board shall have the right, authority, duty and responsibility to:

- Monitor the financial position and operating results of the Company;
- Approve significant transactions of the Company and its affiliates as necessary or appropriate;
- Review Compensation Committee and Nominating and Corporate Governance Committee decisions and recommendations and monitor actions relating to the selection and evaluation of the performance of the CEO, and taking appropriate action, including removal, when warranted;
- Monitor actions regarding succession plans and management development programs for

members of senior management;

- Review Nominating and Corporate Governance Committee decisions and recommendations and monitor actions regarding matters of corporate governance;
- Review Audit Committee decisions and recommendations and monitor actions related to the adoption of policies relating to the integrity of the Company's financial statements and the accounting, reporting and financial practices of the Company, including compliance with applicable laws and regulations and reviewing the adequacy of compliance systems; and
- Overseeing, monitoring, and making recommendations to management regarding risks that could materially affect the strategy, objectives, operations, regulatory and legal compliance, or financial condition or performance of the Company.

### **Board Committees**

The Board has established the following Board committees:

- Audit Committee
- Compensation Committee
- Nominating and Corporate Governance Committee

Each committee must have a charter approved by the Board. These charters, which are reviewed annually for their adequacy, will be published on the Company's website. In addition to the standing committees, the Board may establish *ad hoc* committees as the Board deems appropriate. Committee members are also subject to the requirements of the applicable committee charter. In particular, all members of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee shall be Independent Directors in accordance with the standards set forth above.

### **Chair**

The Board will elect a director as Chair of the Board who may or may not be the Chief Executive Officer. If the Chair is also the Chief Executive Officer, or if the Board otherwise determines that it is appropriate, the Board will also elect one Independent Director as the Lead Director. The role of the Chair will be to:

- Chair all meetings of the Board in a manner that utilizes the time of the Board effectively and that takes full advantage of the expertise and experience that each Director has to offer;
- Together with the Lead Director, if elected, establish an agenda for each Board meeting that covers all matters that should come before the Board in the proper exercise of its duties; and
- Facilitate and encourage constructive and useful communication between management and the Board.

### **Lead Director**

The Lead Director will be elected by and from the independent directors. Each term of service in the Lead Director position is one year. The Lead Director shall have the following roles and responsibilities:

- Preside at all meetings or sessions of meetings at which the Chair is not present, including executive sessions of Independent Directors;

- Call as needed and preside at meetings or executive sessions of the Independent Directors;
- Provide the Chair with input as to an appropriate schedule of Board meetings and preparation of agendas for Board meetings, including assuring there is sufficient time to discuss all agenda items;
- Provide the Chair with input regarding information from Company's management that is necessary for the Independent Directors to effectively and responsibly perform their duties and to request specific information as needed;
- Act as a liaison between the Independent Directors and the Chair;
- Preside over the annual evaluation of the CEO;
- If requested by major shareholders, ensures that he or she is available, as necessary after discussions with the Chair and Chief Executive Officer, for consultation and direct communication.

### **Functioning of the Board**

- **Regular Meetings:** The Board will meet at least quarterly according to a schedule of regular Board meetings for each calendar year. Additional sessions and special meetings may be held from time to time as appropriate. Each Director is expected to attend all meetings of the Board, each meeting of a committee on which the Director is a member and the Annual Meeting of Stockholders.
- **Executive Sessions of the Independent Directors:** Executive sessions of Independent Directors without the participation of non-independent directors and chaired by the Lead Director will be held at regularly scheduled Board meetings at least two times a year and may be called at any other time as necessary to fulfill their responsibilities.
- **Board Materials:** The agenda for each regular meeting and Board materials related to the agenda items will generally be provided to directors at least three days in advance, or such other timeframe to allow directors to prepare for discussion of the materials at the meeting. All directors are free to suggest items for a Board agenda and to raise items for consideration at any meeting which are not on the agenda for that meeting.
- **Minutes:** The Secretary of the Company or such other person appointed by the Board will prepare the minutes of each meeting of the Board and send them to all directors for review.
- **Access to Senior Management Experts:** Directors have complete access to the management of the Company and the Company's outside advisors, including counsel and auditors. Directors will use judgment to assure that contact is not distracting to the business operation of the Company and that the CEO is advised, as appropriate, of any such contact. The Board may retain outside advisors, including counsel, to assist it in fulfilling its duties.
- **Attendance of Non-Directors:** The Chair, CEO or Lead Director may invite senior management or advisors to the company to attend specific Board or committee meetings to provide insight or assistance on particular matters.

## Board Evaluation

The Board shall conduct a self-evaluation at least annually to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee will administer the evaluation process and prepare a report on the results thereof for consideration by the full Board.

## Director Matters

- **Board Membership Criteria:** The Nominating and Corporate Governance Committee reviews candidates for Board membership on a regular basis and whether such nominees have the appropriate skills and characteristics required of Board members in the context of the current makeup of the Board. The Nominating and Corporate Governance Committee shall establish criteria for the selection of potential directors, taking into account the following desired attributes: leadership; independence; interpersonal skills; financial acumen; business experiences; industry knowledge; and diversity of viewpoints.

- **Selection of New Director Candidates:** The Nominating and Corporate Governance Committee shall establish standards for selecting new board members. The Nominating and Corporate Governance Committee shall also recommend the director nominees for the next annual meeting of the stockholders of the Company, taking into consideration any qualified director candidates recommended by a stockholder or board member that complies with the procedural requirements as specified in the Company's Bylaws and other governing policies and laws.

- **Director Orientation and Continuing Education:** New directors will be provided an orientation to familiarize them with the Company and its operations and its principles of corporate governance. Directors are encouraged to attend at least one course of continuing education each year on the duties and responsibilities of directors as approved by the Nominating and Corporate Governance Committee. The costs of such continuing education will be borne by the Company.

- **Compensation:** Employee directors will not receive compensation as directors. Non-employee directors will receive compensation as determined by the Compensation Committee.

- **Directors Who Change Their Job Responsibility or Status:** Employee directors will tender to the Board their resignations from the Board coincident with their termination, resignation or retirement as employees, such tender to be accepted or declined by the Board in its discretion. Individual directors other than employee directors who experience a significant change (including retirement) in the principal position, job responsibility or status they held when they were most recently elected to the Board are expected to provide written notice of such change to the Chair of the Board and the Chairperson of the Nominating and Corporate Governance Committee. The Board does not believe that a director in this circumstance should necessarily be required to leave the Board. Rather, the Board believes the Nominating and Corporate Governance Committee should have the opportunity to assess each situation, based on the individual circumstances, and make a recommendation to the Board. The Board would determine whether it is appropriate for the director to continue Board membership under these circumstances.

**Term Limits and Retirement:** Term limits should not be established for Board membership.

Term limits hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole. There is no set mandatory retirement for directors. The Nominating and Corporate Governance Committee may in the future establish a mandatory retirement age if it deems it appropriate and in the best interests of the Company.

- **Director Emeritus:** The Board may appoint to the position of Director Emeritus any retiring director who has served not less than three years as a director of the Corporation. Such person so appointed shall have the title of “Director Emeritus” and shall be entitled to receive notice of, and to attend all meetings of the Board, but shall not in fact be a director, shall not be entitled to vote, shall not be counted in determining a quorum of the Board and shall not have any of the duties or liabilities of a director under law.

- **Service on Other Boards and Conflicts:** Directors of the Company must limit their external directorships of other publicly-traded corporations to four (4). Additionally, any director that is currently the Chief Executive Officer of a publicly-traded corporation must limit his or her external directorships of other publicly-traded corporations to two (2). (For clarity, the foregoing limits do not apply to directorships of non-profit or charitable entities.) The Nominating and Corporate Governance Committee must be notified of the intention of any director and the Chief Executive Officer of the Company to serve on another board, so that the committee can review the possibility for conflicts of interest or time constraints. The Nominating and Corporate Governance Committee may waive the limits on service on other board, on a case by case basis, where the Committee concludes such service would not negatively affect the director’s service on the Company’s Board. While serving on another board, each director and the Chief Executive Officer is responsible for notifying the Nominating and Corporate Governance Committee of any conflicts caused by such service.

- o **Officers:** All Officers of the Company other than the Chief Executive Officer and the Chairman of the Board must obtain the approval of the Chief Executive Officer prior to accepting membership on any other boards of directors to ensure that outside directorships do not interfere with their duties and responsibilities as Officers of the Company.

- o **Chief Executive Officer:** The Chief Executive Officer of the Company must seek the approval of the Nominating and Corporate Governance Committee before accepting any external public company directorships.

- **Formal Evaluation of the Chief Executive Officer:** The performance evaluation of the Chief Executive Officer by the Board is coordinated on an annual basis by the Lead Director. The evaluation is based on objective criteria including, without limitation, the performance of the Company and the accomplishment of short-term operating and long-term strategic objectives.

- **Management Development and Succession Planning:** On a regular basis, Board members are made aware of the development of senior management, including those members of senior management that are elected officers by the Board. The members of the Board on an annual basis will discuss the Company’s plans for succession of the Chief Executive Officer upon his retirement or in the event he is unable to serve in such capacity, and from time to time will perform a similar analysis for other senior management positions.

- **Interaction with Investors, Lenders, the Press, and Other Constituencies:** The Board

believes that the Chief Executive Officer should speak for the Company. Individual directors may, from time to time, receive requests for comment from various constituencies who are involved with the Company. The directors should refer all inquiries to the Chief Executive Officer.

### **Conflicts of Interest and Code of Conduct**

The Board has adopted a Code of Business Conduct and Ethics, which includes the Company's policy on conflicts of interest and which will be reviewed at least annually by the Audit Committee. Violations and proposed waivers of the Code of Conduct must be reported to the head of Internal Audit, who is responsible for reporting material violations to the Audit Committee, and any waiver of such a violation or of such policy for executive officers or directors will be reported to stockholders as required by law.