

## NAPATECH CORPORATE GOVERNANCE POLICY

### 1. INTRODUCTION TO THE CORPORATE GOVERNANCE POLICY

The Board of Directors of Napatech A/S (the "Company") has prepared this corporate governance policy document (the "Policy").

As the Company is a Danish public limited liability company listed on Oslo Børs, Napatech intends to report on the Group's policies and practice for corporate governance in accordance with section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance of 30 October 2014. There is further information about the Code of Practice published by the Norwegian Corporate Governance Board (NUES) at [www.nues.no](http://www.nues.no).

This Policy addresses the framework of guidelines and principles regulating the interaction between the Company's shareholders, the Board of Directors (the "Board"), the Chief Executive Officer (the "CEO"), the Company's executive management team (the "Executive Management Team" consisting of the "CEO" and the "CFO"), and the Company's management team (the "Management Team" consisting of the CEO and the managers reporting directly to the "CEO"). Each year, Napatech's Executive Management and Board of Directors review the Company's corporate governance principles and evaluate how they are working in practice.

There are only minor deviations from the recommendations. These are discussed under the individual sections below.

The Company will maintain a high ethical standard in its business concept and relations with customers, suppliers and employees. The following ethical guidelines shall be practiced in the Company, and shall apply to all employees of the Company:

1. *Personal conduct:* All employees and representatives of the Company shall behave with respect and integrity towards business relations and partners, customers and colleagues. The Management Team has a particular responsibility to promote openness, loyalty and respect.
2. *Strict adherence.* The Company's employees or representatives shall act in strict accordance with any export regulations imposed by legislation and/or other recommendations relevant to the overall business of the Company.
3. *Conflict of Interests:* The Company's employees or representatives shall avoid situations wherein a conflict between their own personal and/or financial interests and the Company's interests may occur.
4. *Confidential Information:* Employees or representatives of the Company possessing confidential information related to the Company, shall conduct themselves and safeguard such information with great care and loyalty, and comply with any and all signed confidentiality statements.
5. *Influence:* The Company's employees or representatives shall neither directly nor indirectly offer, promise, request, demand or accept illegal or unjust gifts of money or any other remuneration in order to achieve a commercial benefit.
6. *Competition:* The Company supports fair and open competition. The Company's employees or representatives shall never take part in any activities that may constitute a breach of competition legislation.

7. *Breach of Ethical Guidelines:* Any breach of these ethical guidelines may inflict severe consequences for the Company, and any breach may imply consequences for the person in question.

Non-conformance with the recommendations: None

## 2. BUSINESS ACTIVITY

The Company's business as set out in the Articles of Association is to carry out business in the fields of engineering, development and manufacturing of network components as well as business related thereto.

In accordance with the above, the Company's business activities will consist of sales and development of intelligent Ethernet accelerators, functionality for those including software utilizing the unique capacity of the Ethernet accelerators, as well as platform products including accelerators and software. The Company will focus on supporting increasing networks speeds, and functionality that will open new segments.

Engaging in the activities described above, the Company's long-term objective is to become the de-facto standard in any network management and security appliance.

The Company will pursue the following main strategies to reach its overall objective:

- Further develop current and new customer base,
- Develop business in new verticals and geographies,
- Expand product portfolio; and
- Further enhance brand leadership.

The Company has formulated the following main values to form a guideline for the Company's business operations:

- Quality and reliability in all our actions
- Product performance is essential
- Leading edge development

Non-conformance with the recommendations: None

### 3. COMPANY CAPITAL AND DIVIDEND

The Board aims to maintain a satisfactory equity ratio in the Company in light of the Company's goals, strategy and risk profile, thereby ensuring that there is an appropriate balance between equity and other sources of financing. The Board shall continuously assess the Company's capital requirements in light of the Company's strategy and risk profile.

The Board's authorities to increase the share capital and to buy own shares shall be granted for periods no longer than until the next Annual General Meeting of the Company.

It is an objective for the Company to generate return to the shareholders in the form of dividends and capital appreciation, at a level which is at least equal to other investment possibilities with comparable risk. However, in a short-term perspective this might not be the case.

Mandates granted to the Board of directors to increase the Company's share capital should be restricted to defined purposes. If the general meeting is to consider mandates to the board of directors for the issue of shares for different purposes, the Company aims to present each purpose for consideration separately by the meeting. Mandates granted to the Board should be limited in time to no later than the date of the next annual general meeting. This should also apply to mandates granted to the Board for the Company to purchase its own shares.

Non-conformance with the recommendations: None

### 4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The Company has only one class of shares.

Any transactions, agreements or arrangements between the Company and its shareholders, members of the Board, members of the Management Team or close associates of any such parties shall only be entered into as part of the ordinary course of business and on arm's length market terms. All such transactions shall comply with the procedures set out in the applicable law. Unless the transaction, agreement or arrangement in question is considered immaterial, the Board shall arrange for a valuation to be obtained from an independent third party. The Company's financial statements shall provide further information, when considered necessary, about transactions with related parties.

In the event that a share increase is carried out without pre-emption rights, the reasons for deviating from the pre-emption rights will be substantiated. Any transaction in the company's own shares will be made at market price.

No person or company mentioned in the above paragraph shall vote or otherwise participate in any decision by the Company regarding a transaction, agreement or arrangement with such person or company as a counterparty.

Board Members and members of the Management Team shall immediately notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

Non-conformance with the recommendations: None

#### 5. FREELY NEGOTIABLE SHARES

The shares are freely transferrable and not subject to any transfer restrictions, rights of first refusal, or drag along / tag along or other special rights or restrictions.

Non-conformance with the recommendations: None

#### 6. THE GENERAL MEETING

All shareholders have the right to participate in the General Meetings of the Company, which exercise the highest authority of the Company. The Annual General Meeting shall normally be held before 30<sup>th</sup> April every year. The person chairing a General Meeting should be independent of the Company and the Board.

The notice for General Meetings shall be made available to the shareholders with applicable advance notice and as governed by applicable law. The notices for such meetings shall include documents providing the shareholders with sufficient detail in order for the shareholders to assess all the cases to be considered as well as all relevant information regarding procedures of attendance and voting. Representatives of the Board and the Company's auditor shall be present at Annual General Meetings.

Notices for General Meeting shall provide information on the procedures shareholders must observe in order to participate in and vote at the General Meeting. The notice should also set out: (i) the procedure for representation at the meeting through a proxy, including a form to appoint a proxy, and (ii) the right for shareholders to propose resolutions in respect of matters to be dealt with by the General Meeting.

The cut-off for confirmation of attendance shall be set as short as practically possible and the Board will arrange matters so that the shareholders, who are unable to attend in person, will be able to vote by proxy. The form of proxy will be distributed with the notice.

Non-conformance with the recommendations: None

#### 7. NOMINATION COMMITTEE

The Company has a General Assembly elected Nomination Committee, with a set of working instructions which has also been approved by the General Assembly.

Non-conformance with the recommendations: None

#### 8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

In appointing members to the Board, it is emphasized that the Board shall have the requisite competency to independently evaluate the cases presented by the Management Team as well as the Company's operation. It is also considered important that the Board can function well as a body of colleagues. Board Members shall be elected for periods not exceeding two years at a time, with the possibility of re-election. Board Members is encouraged to own shares in the Company.

The composition of the Board shall comply with the Recommendation.

The Company does not have a corporate assembly.

Non-conformance with the recommendations: The company does not have a corporate assembly due to the size of the company.

#### 9. THE WORK OF THE BOARD OF DIRECTORS

The Board has an annual plan for its work with special emphasis on goals, strategy and implementation. The Board's primary responsibility shall be (i) participating in the development and approval of the Company's strategy, (ii) performing necessary monitoring functions and (iii) acting as an advisory body for the Management Team. Its duties are not static, and the focus will depend on the Company's ongoing needs. The Board is also responsible for ensuring that the operation of the Company complies with the Company's values and ethical guidelines. The Chairman of the Board shall be responsible for ensuring that the Board's work is performed in an effective and correct manner.

The Board shall ensure that the Company has a good management with clear internal distribution of responsibilities and duties. A clear division of work has been established between the Board and the Management Team (the Managers). The CEO is responsible for the executive management of the Company.

All members of the Board shall regularly receive information about the Company's operational and financial development. The Company's strategies shall regularly be subject to review and evaluation by the Board.

The Board has prepared an annual evaluation of its work.

The Company has a remuneration committee appointed by the Board. The remuneration committee administers the Company's bonus incentive program and provide general compensation related advice to the Board.

The Company has an audit sub-committee.

Non-conformance with the recommendations: None

10. RISK MANAGEMENT AND INTERNAL CONTROL

It is the Board's responsibility to ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. The internal control and the systems shall also encompass the Company's corporate values and ethical guidelines. The objective of the risk management and internal control shall be to manage exposure to risks in order to ensure successful conduct of the Company's business and to support the quality of its financial reporting.

The Board shall carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements.

The Board shall provide an account in the annual report of the main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting.

The Company shall prepare a statement of its financial policy, providing details of the Company's handling of financial risks, hedging, funding policies, etc.

Non-conformance with the recommendations: None

11. BOARD COMPENSATION

Remuneration of Board Members shall be reasonable and based on the Board's responsibilities, work, time invested and the complexity of the enterprise. The compensation shall be a fixed annual amount reflecting that Board members shall not have stock options. The Chairman of the Board may receive a higher compensation than the other Board Members. The Board shall be informed if individual Board Members perform other tasks for the Company than exercising their role as Board Members. Work in sub-committees may be compensated in addition to the remuneration received for Board membership.

Board Members shall not receive stock options as remuneration.

The Company's financial statements shall provide further information about the Board's compensation.

Non-conformance with the recommendations: None

12. COMPENSATION TO EMPLOYED MANAGEMENT

The Board decides the salary and other compensation to the Management team. The Management team salaries and bonuses shall be determined on the basis of an evaluation with emphasis on (not exhaustive) financial results, business development, positioning of the Company, shareholder values and employee and customer satisfaction. Any fringe benefits shall be in line with market practice, and should not be substantial in relation to the Management team basic salaries. The Board shall annually carry out an assessment of the salary and other remuneration to the Management team .

The Company's financial statements should provide further information about salary and other compensation to the Management team as required in Denmark.

The Board shall (through the Remuneration Committee) issue guidelines for the remuneration of the Executive Management Team and the Management Team. The guidelines shall lay down the main principles for the Company's management remuneration policy, and they will be presented for approval by the shareholder meeting. The salary level should not be of a size that could harm the Company's reputation, or above the norm in comparable companies. The salary level should, however, ensure that the Company can attract and retain key employees with the desired expertise and experience. There should be a limitation on the maximum individual annual gain for the individual employee under share option programs.

Non-conformance with the recommendations: None

13. INFORMATION AND COMMUNICATION

The Board and the Executive Management Team assign considerable importance to giving the shareholders quick, relevant and current information about the Company and its activity areas. Emphasis is put on ensuring that the shareholders receive identical and simultaneous information.

Sensitive information will be handled internally in a manner that minimises the risk of leaks. All contracts to which the Company becomes a party, shall contain confidentiality clauses.

The Company shall have clear routines for who is allowed to speak on behalf of the Company on different subjects, and who shall be responsible for submitting information to the market and investor community. The CEO (and the CFO) shall be the main contact persons of the Company in such respects.

The Board must be aware of matters of special importance to the shareholders. The Board must therefore ensure that the shareholders are given the opportunity to make known their points of view at and outside the General Meeting.

Non-conformance with the recommendations: None

14. TAKE-OVERS

The Company is partly subject to the mandatory take-over provisions set out in Part 8 of the Danish Securities Trading Act, and partly the mandatory take-over provisions set out in the Norwegian Securities Trading act chapter 6. Matters of a legal nature related to the information to be provided to the employees of the Company and matters relating to company law, including matters concerning the thresholds at which mandatory bid obligations are triggered, possible exemptions from the obligation to present a bid and exceptions from the mandatory bid obligation, will be subject to Danish law and be monitored by the Danish Financial Supervisory Authority.

"The Company has no defense mechanism that can prevent take-over bids. The guiding principles of the Company entails, i.a., that the Board of Directors will assess a potential offer for the Company's shares in accordance with applicable legislation in due course, and in compliance with legal requirements.

Any transaction that effectively will constitute a disposal of a majority of the Company's activities will be decided by the General Meeting."

Non-conformance with the recommendations: None

15. AUDITOR

Each year the auditor shall present to the Board a plan for the implementation of the audit work and a written confirmation that the auditor satisfies established requirements as to independence and objectivity.

The auditor shall be present at Board meetings where the annual accounts are on the agenda. Whenever necessary, the Board shall meet with the auditor to review the auditor's view on the Company's accounting principles, risk areas, internal control routines etc.

The auditor may only be used as a financial advisor to the Company provided that such use of the auditor does not have the ability to affect or question the auditors' independence and objectiveness as auditor for the Company. Only the Company's CEO and/or CFO shall have the authority to enter into agreements in respect of such counselling assignments.

At the Annual General Meeting, the Board shall present a review of the auditor's compensation as paid for auditory work required by law and remuneration associated with other concrete assignments.

In connection with the auditor's presentation to the Board of the annual work plan, the Board should specifically consider if the auditor to a satisfactory degree also carries out a control function.



The Board shall arrange for the auditor to attend all Annual General Meetings.

Non-conformance with the recommendations: None

This Corporate Governance policy is approved by the Board of Directors on 16<sup>th</sup> March 2016