



SCIENCE APPLICATIONS INTERNATIONAL CORPORATION

CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (“Board”) of Science Applications International Corporation (the “Company”) recognizes the importance of strong corporate governance as a means of addressing the various needs of the Company’s stockholders, employees, customers and other stakeholders. As a result, the Board has adopted the following guidelines which, together with the Company’s certificate of incorporation, bylaws, committee charters and other key governance practices and policies, provide the framework for the Company’s corporate governance.

The Board recognizes that ensuring that the Company observes good corporate governance practices is an ongoing endeavor. As a result, the following guidelines are subject to annual review by the Board to determine whether they continue to promote the best interests of the Company and its stockholders and comply with all applicable laws, regulations and stock exchange requirements.

ROLE AND STRUCTURE OF BOARD OF DIRECTORS

Role of the Board

The Board governs and provides oversight over the affairs of the Company for the benefit of its stockholders, as well as the Company’s other stakeholders, particularly its employees, customers and the communities in which the Company does business.

The Board recognizes the central role that the Company’s culture has played in the growth and development of the Company and is committed to sustaining a culture that motivates its employees to think and act as owners.

The Board seeks to promote the success and continuity of the Company’s business by continuing to promote employee engagement, elect qualified management, oversee the Company’s business and activities, and develop a succession planning process and strategic plan. A fundamental goal of the Board is to build long-term value for the Company’s stockholders. The Board is committed to conducting the Company’s business in a legally responsible and ethical manner.

Board Structure

The Board has determined that the optimal Board size is not less than seven (7) and not more than fourteen (14) members. The size of the Board may change from time to time depending upon the needs of the Board and the availability of qualified candidates.

Election of Directors at Annual Meeting and Failure to Receive the Required Vote

Directors are elected annually by the stockholders of the Company at the annual meeting. In an uncontested election (i.e., an election in which the number of nominees does not exceed the number of directors to be elected), a nominee for director shall be elected upon receiving a majority of votes cast with respect to his or her election. For election of directors, a majority of the votes cast means that the number of votes cast “for” a nominee exceeds the votes cast “against” that nominee, without counting abstentions as votes cast. In a contested election, directors shall be elected by a plurality of votes cast

such that the nominees receiving the greatest number of “for” votes up to the number of authorized director slots shall be elected “for” his or her election.

In order for any incumbent director to become a nominee of the Board for further service on the Board, such person must submit an irrevocable resignation, contingent on (i) that person not receiving a majority of the votes cast in an election that is not a contested election and (ii) acceptance of that resignation by the Board. In the event an incumbent director fails to receive a majority of the votes cast in an election that is not a contested election, the Nominating and Corporate Governance Committee of the Board (the “Nominating and Corporate Governance Committee”) will consider whether or not to accept the resignation or to take some other action, taking into account the best interests of the Company and its stockholders, and communicate such recommendation to the Board. The Board will consider the Nominating and Corporate Governance Committee’s recommendation and take action within ninety (90) days from the date of the certification of the election results. Thereafter, the Board will promptly disclose its decision as to whether or not to accept the tendered resignation (and the reasons for rejecting the tendered resignation, if applicable) to the public in a press release, current report on Form 8-K filed with the Securities and Exchange Commission (the “SEC”) or some other public announcement.

While the Board is considering a director’s resignation, he or she shall remain active and engaged in Board and applicable committee activities, but will not participate in any Nominating and Corporate Governance Committee or Board action regarding whether or not to accept the tendered resignation or to take some other action. In the event that a majority of members of the Nominating and Corporate Governance Committee have offered to resign, the remaining independent directors on the Board (as determined pursuant to these guidelines) will consider the tendered resignations and communicate their recommendation to the Board.

Membership Criteria

The Board has delegated to the Nominating and Corporate Governance Committee the responsibility for recommending nominees for membership on the Board consistent with the criteria established by the Board. In discharging this responsibility, the Nominating and Corporate Governance Committee receives input from the Chair of the Board and Chief Executive Officer of the Company (the “Chief Executive Officer”) and shall consider candidates recommended by stockholders. The Board believes its membership should reflect a broad range of experience, knowledge and judgment beneficial to the broad business diversity of the Company. The Company expects a high level of commitment from the directors and will review a candidate’s other commitments and service on other boards to ensure that the candidate has sufficient time to devote to the Company. In recommending nominees for membership on the Board, the Nominating and Corporate Governance Committee shall observe the following principles:

- A majority of directors must meet the independence criteria set forth below, subject to any applicable transition period.
- Based upon the desired Board size of seven (7) to fourteen (14) directors, no more than three (3) directors may be employees of the Company (each, an “Employee Director”).
- Only full-time employees who serve as either the Chief Executive Officer or a direct report to the Chief Executive Officer will be considered as candidates for an Employee Director position.
- No director may be a consultant to the Company.

Independence

The Company defines an “independent” director in accordance with Rule 5605 of the rules of The Nasdaq Stock Market LLC (“Nasdaq”), which is included as Appendix A to these guidelines for reference. No director will qualify as independent unless the Board affirmatively determines that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The Nasdaq independence definition also includes a series of objective tests, such as that the director is not an employee of the Company and does not have certain relationships with the Company. As required by SEC rules, the Company will describe in its proxy statement for the annual meeting of stockholders any transactions, relationships or arrangements that were considered by the Board in determining that a director is independent.

Board Leadership

The Board does not have a policy on whether the roles of Chair and Chief Executive Officer should be separate. The Board believes that it is in the best interests of stockholders for the Board to have the flexibility to determine the most qualified and appropriate individual to serve as Chair of the Board, whether that person is an independent director or the Chief Executive Officer. The Board determines the appropriate leadership structure based on its assessment of the Board’s and the Company’s needs and the people and situation involved. When the positions are combined, or if the Chair of the Board is not otherwise an independent director, the Nominating and Corporate Governance Committee shall nominate an independent director to serve as “Lead Director,” who shall be approved by a majority of the independent directors. The independent Chair or the Lead Director, as the case may be, shall have such duties and responsibilities assigned by the Board to maintain effective Board independence and oversight of management.

Limit on the Number of Other Board Memberships

Independent directors should not serve on more than three (3) other boards of publicly traded companies in addition to the Board. In addition, the Nominating and Corporate Governance Committee considers each director’s other commitments as a factor in determining the nominees to be recommended for election or reelection. An Employee Director may not serve on the board of more than one (1) other public company. Any board membership of Employee Directors or other executive officers on the boards of other publicly traded companies must be approved in advance by the Chief Executive Officer, the Chairman of the Board or the Lead Director, as appropriate.

Change of Responsibility of Director

Any director who retires from his or her principal current employment, or who materially changes his or her current position, shall tender a letter of resignation that provides for the resignation only being effective upon Board acceptance. The Nominating and Corporate Governance Committee shall then recommend whether the Board should accept the resignation based on a review of whether the individual continues to satisfy the Board’s membership criteria.

Resignation Policy for Employee Directors

Employee Directors shall resign from the Board upon their resignation, removal or retirement as an officer of the Company or if they do not otherwise satisfy the criteria for Board membership.

Retirement Age

The Board has adopted a standard retirement age of seventy-five (75) for independent directors and sixty-five (65) for Employee Directors. It is the general policy of the Nominating and Corporate Governance Committee not to nominate candidates for re-election at any annual stockholder meeting to be held after he or she has attained the applicable retirement age.

Term Limits

The Board has considered but has decided not to impose arbitrary limits on the number of terms a director may serve. The Board believes that directors who have served on the Board for an extended period of time are able to provide valuable continuity and insights based on their experience and thorough understanding of the Company's history, practices and objectives. As an alternative to term limits, the Board believes that the evaluation and nomination process will ensure that the Company has a properly constituted and functioning Board.

BOARD MEETINGS

Agenda for Board Meetings

The Chair of the Board shall establish the agenda for each Board meeting, after consulting with the Lead Director, if applicable. Board members are encouraged to submit their ideas for agenda items to the Chair as far in advance of a Board meeting as possible. In addition, at the beginning of the Company's fiscal year, the Chair of the Board, after consulting with the Lead Director, if applicable, will establish a tentative schedule of subjects to be discussed during the year. During at least one (1) meeting each year, the Board shall review the Company's long-term strategic plans, succession plan and critical issues that the Company expects to confront in the future.

Advance Distribution of Materials

Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing or electronically to the directors before the meeting. The Secretary will endeavor to distribute meeting materials at least one (1) week before each regularly scheduled Board meeting and as far in advance of special meetings as possible. Directors are responsible for reviewing these materials in advance of the meeting. The Board acknowledges that certain items to be discussed at a Board or committee meeting may be confidential or time-sensitive, making the advance distribution of these materials inappropriate or impractical.

Director Attendance at Board and Annual Meetings

Directors are expected to attend regularly scheduled meetings of the Board and the annual meeting of stockholders in person or by telephone or videoconference, as applicable. Members are encouraged to attend meetings of committees of which they are members in person but may also attend such meetings by telephone or videoconference.

Executive Sessions of Independent Directors

Each regularly scheduled Board meeting will include an executive session of the independent directors without Employee Directors or management personnel present. The independent directors will meet in executive session at other times at the request of any independent director. Matters to be discussed in executive session may include compensation, management performance, succession planning, corporate

governance and other sensitive topics. The independent Chair, or the Lead Director, as applicable, shall preside over the executive sessions of the independent directors.

DIRECTOR COMPENSATION

Role of Board and Human Resources and Compensation Committee

The Human Resources and Compensation Committee of the Board (the “Human Resources and Compensation Committee”) will periodically review director compensation, with the assistance of an independent compensation advisor, and recommend the form and amount of director compensation for approval by the Board. The Board will consider and approve the form and amount of director compensation in accordance with the policies and principles set forth below.

Form of Compensation

The Board believes that directors should be incentivized to focus on long-term stockholder value. Including equity-based compensation as a significant part of director compensation helps align the interest of directors with those of the Company’s stockholders.

Amount of Compensation

The Company seeks to attract exceptional talent to the Board. Therefore, the Company’s policy is to compensate independent directors competitively relative to comparable public companies. In determining director compensation, the Human Resources and Compensation Committee and the Board understand that the independence of directors could be questioned if director compensation and perquisites exceed customary levels. The Human Resources and Compensation Committee shall, from time to time, present a director compensation report to the Board, comparing the Company’s director compensation with that of comparable public companies. The Board believes that it is appropriate for the independent Chair or Lead Director, Committee chairs and Committee members to receive additional compensation for their services in those positions if they are independent directors.

Director Stock Ownership

The Board believes that directors should acquire and hold shares of Company stock in an amount that is meaningful and appropriate. Directors may elect to defer some or all of any cash component of compensation to be paid in Company stock. To encourage directors to have a direct and material investment in Company stock, the Board has adopted stock ownership guidelines that encourage directors to hold shares of Company stock with a value of at least five (5) times the annual retainer, to be achieved before a Director can sell shares of Company stock.

Employee Directors

Notwithstanding the foregoing, Employee Directors shall receive no additional compensation for Board or committee service.

COMMITTEE MATTERS

Key Committees and Structure of Committees

The principal committees of the Board are the Audit Committee of the Board (the “Audit Committee”), the Human Resources and Compensation Committee, the Nominating and Corporate Governance

Committee, and the Risk Oversight Committee of the Board (the “Risk Oversight Committee”). The Audit Committee, the Human Resources and Compensation Committee, and the Nominating and Corporate Governance Committee shall be comprised entirely of independent directors.

Assignment of Committee Members and Committee Chairs

The Nominating and Corporate Governance Committee is responsible for recommending to the Board the directors to be appointed to each committee of the Board and each committee chair. The Nominating and Corporate Governance Committee annually considers the skills and qualifications of each director, as well as the interests of individual directors, in making these assignments, taking into account the desirability of rotation of committee members and chairs, the benefits of continuity and experience, and applicable legal, regulatory and stock exchange listing requirements. Committee membership and chairs shall be recommended by the Nominating and Corporate Governance Committee and selected by the Board.

Committee Charters

Each committee has its own charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership. The charters also will provide that each committee will annually evaluate its own performance. The Nominating and Corporate Governance Committee shall, from time to time as it deems appropriate, review and reassess the adequacy of each committee charter. After consulting with the committee chair, the Nominating and Corporate Governance Committee will recommend appropriate changes to the committee charters to the Board for approval.

Selection of Agenda Items

The chair of each committee, in consultation with the members of the committee and appropriate members of management, will develop the committee’s agenda. Meeting materials are prepared and provided to committee members sufficiently in advance of meetings to allow adequate time for meeting preparation.

Frequency and Length of Committee Meetings

The chair of each committee, in consultation with the committee members, will determine the frequency and length of committee meetings consistent with any requirements set forth in the committee’s charter.

Attendance at Committee Meetings

Non-directors and non-member directors may attend committee meetings of the Audit Committee, the Human Resources and Compensation Committee, the Risk Oversight Committee, and the Nominating and Corporate Governance Committee with the prior approval of the applicable committee chair.

Reports to the Board

Each committee will report material issues to the Board and will keep written minutes of its meetings and report regularly to the Board on its activities.

ACCESS TO MANAGEMENT, OUTSIDE ADVISORS AND THIRD PARTIES

Board Access to Management

Directors have full and free access to officers and employees of the Company. Any meeting or contact that a director wishes to initiate may be arranged through the Chief Executive Officer or the Secretary of the Company (the “Secretary”) or directly by the director. Directors shall use their judgment to ensure that such contact is not disruptive to the business operations of the Company.

Attendance of Non-Directors at Board Meetings

The Board welcomes attendance at Board meetings by selected senior executives of the Company. Senior executives, from time to time, may bring additional Company personnel into Board meetings who (i) can provide additional insight on the items being discussed because of personal involvement in these areas or (ii) appear to be persons with future potential who should be given exposure to the Board. Attendance of non-directors at Board meetings must be approved by the Chair of the Board and coordinated with the Secretary prior to the applicable meeting.

Access to Outside Advisors

The Board and each committee have the power to consult with legal, financial, tax, compensation or other advisors, as they deem necessary or appropriate. No advance approval or consultation with an officer of the Company is required, but a committee chair seeking to retain an advisor should consult with the Lead Director or Chair of the Board, as appropriate, before retaining the advisor. The Company shall pay the fees and expenses of such advisors.

Board Interaction with Institutional Investors and the Press

The Board believes that the Chief Executive Officer and his or her designees speak for the Company. Individual Board members should avoid making public comments or communicating to the press concerning matters involving the Company without prior coordination with the Chief Executive Officer. The Board will give appropriate attention to written communications submitted by stockholders and other interested parties, including institutional investors, and will respond if and as appropriate.

DIRECTOR ORIENTATION AND CONTINUING EDUCATION

Director Orientation

The Company’s management, as directed by the Board, shall conduct a mandatory orientation program for new directors. The agenda for the orientation shall be determined by the Chair of the Board, with input from the Nominating and Corporate Governance Committee, the Chief Executive Officer and the General Counsel of the Company. The orientation program shall include presentations by management to familiarize new directors with the Company’s strategic and financial plans, any risk management issues, its legal responsibilities and compliance programs, its Code of Conduct, its principal officers, and its internal and independent auditors. Directors are required to complete the Company’s ethics training course and to comply with the Company’s Code of Conduct. In addition, the orientation program shall include a review of the Company’s expectations of its directors in terms of time and effort and a review of the directors’ fiduciary duties.

Continuing Education

The Board and management will provide updates and presentations on new legal and compliance issues as warranted by developments in the law or by best practices. The Company expects directors to participate in continuing education opportunities on the Company's organization, business units, strategic plan, significant financial, accounting and risk-management issues, governance policies and ethics. Existing directors are expected to complete the Company's ethics training course upon reelection and to comply with the Company's Code of Conduct. The Company also expects each director to participate in external continuing director education programs as necessary to enable the director to better perform his or her duties and to recognize and deal appropriately with issues that arise. The Company shall pay all reasonable expenses related to continuing director education.

Annual Performance Evaluation of the Board

The Board will conduct an annual review of its performance to determine whether the Board and its committees are functioning effectively. The Nominating and Corporate Governance Committee will oversee the annual self-evaluation of the Board by determining the nature of the evaluation, supervising the conduct of the evaluation, preparing an assessment of the Board's performance, and discussing the results with the Board. These annual self-evaluations shall include an evaluation of whether the individuals sitting on the Board bring the necessary skill sets and experience to the Company, and whether the Board is working effectively as a group.

LEADERSHIP DEVELOPMENT

CEO and Executive Officer Performance Evaluation

The Human Resources and Compensation Committee annually evaluates the performance of the Chief Executive Officer and other "Executive Officers" (meeting the definition of "officer" under Section 16 of the Securities Exchange Act of 1934, as amended) based on a specific set of performance objectives. The Human Resources and Compensation Committee shall determine and approve the Chief Executive Officer's compensation and shall report such determination to the Board.

Succession Planning

The Board believes it is critical to the success of the Company that continuity of leadership is ensured and that a succession plan exists for the Chief Executive Officer and other key officers. The Human Resources and Compensation Committee evaluates and makes recommendations to the Board on candidates for the position of Chief Executive Officer in the event that a vacancy arises or is anticipated to arise, including through the death, disability, retirement or resignation of the Company's Chief Executive Officer. The Human Resources and Compensation Committee is also responsible to ensure that processes are in place for management development and succession throughout the leadership ranks.

ETHICS AND CORPORATE RESPONSIBILITY

Ethics Policies

All of the Company's employees, including executive officers, are required to comply with the Company's Code of Conduct, which describes the Company's standards for, among other things, protecting the assets of the Company and its customers, fostering a safe and healthy work environment, dealing fairly with customers and others, conducting international business properly, reporting misconduct and protecting employees from retaliation. This code forms the foundation of the Company's

corporate policies and procedures designed to promote ethical behavior in all aspects of the Company's business. In addition, the Chief Executive Officer, members of the Board, and senior financial officers are also subject to the Company's Code of Conduct, which contains additional policy guidelines and procedures relating to legal and ethical standards for conducting business.

Conflicts of Interest

The Code of Conduct and other related policies of the Company provide that all employees, executive officers and directors must act in the best interests of the Company and refrain from engaging in any activity or having a personal interest that presents or creates the appearance of a "conflict of interest." The Board recognizes that actual or perceived conflicts of interest may raise questions among stockholders and others as to whether transactions are consistent with good corporate governance and are in the best interests of the Company and its stockholders. Accordingly, as a general matter, the preference of the Board is to avoid situations involving actual or perceived conflicts of interest. Nevertheless, it is also recognized that there are certain transactions and situations that may be in, or may not be inconsistent with, the best interests of the Company and its stockholders.

In the event that an executive officer of the Company has an unavoidable conflict of interest or seeks a waiver of a provision of the code of conduct, the executive officer shall notify the Secretary's office and/or the Ethics Department of the Company, which shall arrange for the Risk Oversight Committee or Audit Committee, as appropriate, to consider the request. It is the policy of the Board generally not to waive a conflict of interest or a requirement of the Code of Conduct applicable to any executive officer. The waiver shall be granted only if such approval is obtained. The Risk Oversight Committee or Audit Committee, as applicable, shall advise the Board whenever a request for a waiver of the Code of Conduct or conflict of interest issue has been considered by the committee and the results of the committee's evaluation of the issue.

With respect to members of the Board, because of the business relationships that a director may have outside of the Company, it is possible that actual or potential conflicts of interest may develop as a result of actions contemplated by the Company or another person. If a director becomes aware of an actual or potential conflict of interest with the Company, he or she should promptly inform the chair of the Risk Oversight Committee. If the director's independence could be impaired, the director should also notify the Chair of the Board and the chair of the Nominating and Corporate Governance Committee to consider what action, if any, may be required. In the case of a material conflict of interest, the director may be required to tender his or her resignation.

If a waiver is granted for an executive officer or director, then the Company must disclose such waiver as required by applicable law and regulations.

Environment, Social & Governance Initiatives; Inclusion & Diversity

Sustainability and corporate social responsibility are integral to the Company and are embedded in its culture, vision and mission. The Company embraces a broad scope of environmental, social and governance ("ESG") imperatives in the Company's daily operations not only to better its business, but to better its employees and local and global community. The Company is also committed to assessing, reducing and mitigating environmental impact by acting as responsible environmental citizens. Inclusion and diversity ("I&D") drives innovation, so a culture where inclusion is valued, and a diverse workplace that reflects the communities where the Company serves, is critical. Therefore, a Board committee will assess the Company's ESG and I&D programs annually.

Interlocking Directorships

Interlocking director relationships are prohibited. In other words, directors who are also officers of the Company cannot serve on another director's board of directors if that director is also an officer of that company.

Communication with Directors

Stockholders and employees may contact directors by writing to them either individually, the independent directors as a group, or the entire Board at the Company's headquarters located at 12010 Sunset Hills Road, Reston, VA 20190, Attention: Corporate Secretary. Anyone who has a concern about the Company's conduct, or about the Company's accounting, internal accounting controls or auditing matters, may communicate that concern to the Board, the independent directors, or the chair of the appropriate Board committee. Such communications may be confidential and anonymous, and may be reported by written communication, phone or email. The corporate address for written communications is listed above, and the toll-free phone number and email addresses are published on the Company's website at <http://www.saic.com>. All such concerns will be promptly forwarded to the appropriate directors for their review. Communications addressed to all directors or the independent directors as a group may be forwarded to the independent Chair or the Lead Director, as applicable, who will determine if the communications should be distributed to additional directors based on the nature and content of the communication. The independent directors may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them. The Company's Ethics Handbook prohibits any retaliation or adverse action being taken against anyone for raising an integrity concern.

CORPORATE GOVERNANCE GUIDELINES UPDATES

Revision to Corporate Governance Guidelines

The Nominating and Corporate Governance Committee will review these governance principles at least annually and recommend appropriate changes to the Board for approval.

Last updated June 5, 2024

APPENDIX A

Nasdaq Rule 5605(a) Excerpt:

“(1) “Executive Officer” means those officers covered in Rule 16a-1(f) under the Act.

(2) “Independent Director” means a person other than an Executive Officer or employee of the Company or any other individual having a relationship which, in the opinion of the Company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. For purposes of this rule, "Family Member" means a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home. The following persons shall not be considered independent:

(A) a director who is, or at any time during the past three years was, employed by the Company;

(B) a director who accepted or who has a Family Member who accepted any compensation from the Company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:

(i) compensation for board or board committee service;

(ii) compensation paid to a Family Member who is an employee (other than an Executive Officer) of the Company; or

(iii) benefits under a tax-qualified retirement plan, or non-discretionary compensation.

Provided, however, that in addition to the requirements contained in this paragraph (B), audit committee members are also subject to additional, more stringent requirements under Rule 5605(c)(2).

(C) a director who is a Family Member of an individual who is, or at any time during the past three years was, employed by the Company as an Executive Officer;

(D) a director who is, or has a Family Member who is, a partner in, or a controlling Shareholder or an Executive Officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following:

(i) payments arising solely from investments in the Company's securities; or

(ii) payments under non-discretionary charitable contribution matching programs.

(E) a director of the Company who is, or has a Family Member who is, employed as an Executive Officer of another entity where at any time during the past three years any of the Executive Officers of the Company serve on the compensation committee of such other entity; or

(F) a director who is, or has a Family Member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.

(G) in the case of an investment company, in lieu of paragraphs (A)-(F), a director who is an "interested person" of the Company as defined in Section 2(a)(19) of the Investment Company Act of 1940, other than in his or her capacity as a member of the board of directors or any board committee.

Amended Feb. 13, 2020 (SR-NASDAQ-2019-049).”

IM-5605. Definition of Independence – Rule 5605(a)(2)

“It is important for investors to have confidence that individuals serving as Independent Directors do not have a relationship with the listed Company that would impair their independence. The board has a responsibility to make an affirmative determination that no such relationships exist through the application of Rule 5605(a)(2). Rule 5605(a)(2) also provides a list of certain relationships that preclude a board finding of independence. These objective measures provide transparency to investors and Companies, facilitate uniform application of the rules, and ease administration. Because Nasdaq does not believe that ownership of Company stock by itself would preclude a board finding of independence, it is not included in the aforementioned objective factors. It should be noted that there are additional, more stringent requirements that apply to directors serving on audit committees, as specified in Rule 5605(c).

The Rule's reference to the "Company" includes any parent or subsidiary of the Company. The term "parent or subsidiary" is intended to cover entities the Company controls and consolidates with the Company's financial statements as filed with the Commission (but not if the Company reflects such entity solely as an investment in its financial statements). The reference to Executive Officer means those officers covered in Rule 16a-1(f) under the Act. In the context of the definition of Family Member under Rule 5605(a)(2), the reference to marriage is intended to capture relationships specified in the Rule (parents, children and siblings) that arise as a result of marriage, such as "in-law" relationships.

The three year look-back periods referenced in paragraphs (A), (C), (E) and (F) of the Rule commence on the date the relationship ceases. For example, a director employed by the Company is not independent until three years after such employment terminates.

For purposes of paragraph (A) of the Rule, employment by a director as an Executive Officer on an interim basis shall not disqualify that director from being considered independent following such employment, provided the interim employment did not last longer than one year. A director would not be considered independent while serving as an interim officer. Similarly, for purposes of paragraph (B) of the Rule, compensation received by a director for former service as an interim Executive Officer need not be considered as compensation in determining independence after such service, provided such interim employment did not last longer than one year. Nonetheless, the Company's board of directors still must consider whether such former employment and any compensation received would interfere with the director's exercise of independent judgment in carrying out the responsibilities of a director. In addition, if the director participated in the preparation of the Company's financial statements while serving as an interim Executive Officer, Rule 5605(c)(2)(A)(iii) would preclude service on the audit committee for three years.

Paragraph (B) of the Rule is generally intended to capture situations where a compensation is made directly to (or for the benefit of) the director or a Family Member of the director. For example, consulting or personal service contracts with a director or Family Member of the director would be analyzed under

paragraph (B) of the Rule. In addition, political contributions to the campaign of a director or a Family Member of the director would be considered indirect compensation under paragraph (B). Non-preferential payments made in the ordinary course of providing business services (such as payments of interest or proceeds related to banking services or loans by a Company that is a financial institution or payment of claims on a policy by a Company that is an insurance company), payments arising solely from investments in the Company's securities and loans permitted under Section 13(k) of the Act will not preclude a finding of director independence as long as the payments are non-compensatory in nature. Depending on the circumstances, a loan or payment could be compensatory if, for example, it is not on terms generally available to the public.

Paragraph (D) of the Rule is generally intended to capture payments to an entity with which the director or Family Member of the director is affiliated by serving as a partner, controlling Shareholder or Executive Officer of such entity. Under exceptional circumstances, such as where a director has direct, significant business holdings, it may be appropriate to apply the corporate measurements in paragraph (D), rather than the individual measurements of paragraph (B). Issuers should contact Nasdaq if they wish to apply the Rule in this manner. The reference to a partner in paragraph (D) is not intended to include limited partners. It should be noted that the independence requirements of paragraph (D) of the Rule are broader than Rule 10A-3(e)(8) under the Act.

Under paragraph (D), a director who is, or who has a Family Member who is, an Executive Officer of a charitable organization may not be considered independent if the Company makes payments to the charity in excess of the greater of 5% of the charity's revenues or \$200,000. However, Nasdaq encourages Companies to consider other situations where a director or their Family Member and the Company each have a relationship with the same charity when assessing director independence.

For purposes of determining whether a lawyer is eligible to serve on an audit committee, Rule 10A-3 under the Act generally provides that any partner in a law firm that receives payments from the issuer is ineligible to serve on that issuer's audit committee. In determining whether a director may be considered independent for purposes other than the audit committee, payments to a law firm would generally be considered under Rule 5605(a)(2), which looks to whether the payment exceeds the greater of 5% of the recipient's gross revenues or \$200,000; however, if the firm is a sole proprietorship, Rule 5605(a)(2)(B), which looks to whether the payment exceeds \$120,000, applies.

Paragraph (G) of the Rule provides a different measurement for independence for investment companies in order to harmonize with the Investment Company Act of 1940. In particular, in lieu of paragraphs (A)-(F), a director who is an "interested person" of the Company as defined in Section 2(a)(19) of the Investment Company Act of 1940, other than in his or her capacity as a member of the board of directors or any board committee, shall not be considered independent.

Adopted Mar. 12, 2009 (SR-NASDAQ-2009-018); amended June 16, 2009 (SR-NASDAQ-2009-052); amended Jan. 11, 2013 (SR-NASDAQ-2012-109).