



**The ADT Corporation**

**Board Governance Principles**

**December 2013**

## TABLE OF CONTENTS

<b>ADT VISION AND VALUES .....</b>	<b>3</b>
ADT Vision: Why We Exist and the Essence of Our Business.....	3
ADT Values: What Matters Most at ADT.....	3
<b>ADT CULTURE OF RESPONSIBILITY AND CODE OF CONDUCT .....</b>	<b>4</b>
<b>THE ADT BOARD OF DIRECTORS .....</b>	<b>5</b>
Mission of the Board of Directors: What the Board Intends to Accomplish.....	5
Governance Principles: How the Board Oversees the Company .....	5
Board Responsibilities .....	5
Board Risk Management .....	6
Board Capacities.....	6
Board Composition.....	6
Board Committees .....	6
Director Independence.....	7
Charitable Contributions.....	8
Board Meetings .....	8
Board and Committee Calendars .....	9
Board Communication.....	9
Board Contact with Operations and Management .....	9
Board Advisors .....	9
Auditor Rotation.....	9
Board Self-Evaluation .....	10
Board Compensation and Stock Ownership .....	10
Director Candidates .....	10
Director Service .....	11
Director Orientation and Education .....	11
Other Directorships and Conflicts .....	11

## ADT VISION AND VALUES

ADT's Board of Directors (the "Board") is responsible for directing, and providing oversight of, the management of ADT's business in the best interests of the stockholders and consistent with good corporate citizenship. In carrying out its responsibilities, the Board selects and monitors top management, provides oversight for financial reporting and legal compliance, determines ADT's governance principles and implements its governance policies. The Board, together with management, is responsible for establishing the firm's operating values and code of conduct and for setting strategic direction and priorities.

While ADT's strategy and leadership evolve in response to its changing market conditions, the company's vision and values are enduring. So too are five governance principles, and along with the company's vision and values, they constitute the foundation upon which the company's governance policies are built.

ADT believes that good governance requires not only an effective set of specific practices but also a culture of responsibility throughout the firm, and governance at ADT is intended to optimize both. ADT also believes that good governance ultimately depends on the quality of its leadership, and it is committed to recruiting and retaining directors and officers of proven leadership and personal integrity. To further these goals, the Board has adopted these board governance principles. The Board intends that these principles serve as a flexible framework within which the Board may conduct its business, not as a set of binding legal obligations.

### **ADT Vision: Why We Exist and the Essence of Our Business**

We aspire to earn the lifelong trust of our customers by helping them protect and connect to what matters most –their families, homes and businesses. This vision, in conjunction with committing to the highest standards of business practices, will lead to ADT's long-term growth, value, and success.

### **ADT Values: What Matters Most at ADT**

**Trust:** We earn trust everyday and never take it for granted.

- We never forget that we help save lives for a living
- We're proud that people count on us and our integrity is assumed
- We follow through on our commitments
- We don't make promises we can't keep to each other, our customers, our partners, or our communities
- We consistently create positive experiences in all our relationships and act in ways we can all admire

**Collaboration:** Together we do great things.

- Across every function, we're passionate and proud about the work we do
- We ask questions, actively listen, and incorporate feedback
- We depend on each other to bring our best selves and our best ideas
- We can be counted on

- We succeed when individual performance strengthens collective performance
- We respect and value our teammates' opinions
- We build strong relationships with the people we work with
- We help foster an open and inclusive environment
- We are considered to be the “partner of choice”

**Service:** We deliver excellent service in every experience.

- We get it right the first time
- We treat our customers the way we would treat family
- We always look for ways to improve our customers' experience
- We strive to exceed expectations in every interaction
- We give back to the communities where we live and work
- We have pride in our partnership with first responders
- We deliver value to investors by growing the business
- We treat our colleagues with respect and care

**Innovation:** We think ahead to stay ahead.

- We are always looking for better ways of doing things
- We pioneer new technologies to differentiate ourselves and advance our industry leadership position
- We learn from both our successes and our failures
- We need to be nimble and agile so we can be proactive and seize opportunities
- We celebrate our successes and challenge ourselves to move to new heights of achievement
- We promote new ideas and encourage creativity
- We are willing to let go of old habits and test new ideas

## **ADT CULTURE OF RESPONSIBILITY AND CODE OF CONDUCT**

ADT's company culture is built on the premises that the company seeks to draw the best from its employees, and that every employee, without exception, is responsible for the conduct and success of the enterprise. This includes full, accurate, candid, and timely disclosure of information, and compliance with all laws and regulatory standards. Employee responsibilities are elaborated in our Code of Conduct. The Board is responsible for setting the ethical tenor for management and the company. That ethical tenor works on the expectation that employees understand where the lines are that they should not cross and stay widely clear of those lines. The Code of Conduct is reviewed periodically by all directors, managers and employees, and they affirm in writing that they understand it and are fully in compliance with it. All senior executives, including the chief executive, are evaluated and compensated in part on proactively promoting integrity and compliance.

## THE ADT BOARD OF DIRECTORS

### Mission of the Board of Directors: What the Board Intends to Accomplish

The mission of ADT's Board of Directors (the "Board") is to promote the long-term value and health of the company in the interests of the stockholders, its employees and its other stakeholders and set an ethical "tone at the top." To this end, the Board provides management with strategic guidance, and also ensures that management adopts and implements procedures designed to promote both legal compliance and the highest standards of honesty, integrity and ethics throughout the organization.

### Governance Principles: How the Board Oversees the Company

1. **Active Board:** The directors are well informed about the company and vigorous in their oversight of management.
2. **Company Leadership:** The directors, together with management, set ADT's strategic direction, review financial objectives, and establish a high ethical tone for the management and leadership of the company.
3. **Compliance with Laws and Ethics:** The directors ensure that procedures and practices are in place designed to prevent and identify illegal or unethical conduct and to permit appropriate and timely redress should such conduct occur.
4. **Inform and Listen to Investors and Regulators:** The directors take steps to see that management discloses appropriate information fairly, fully, timely, and accurately to investors and regulators, and that the company maintains a two-way communication channel with its investors and regulators.
5. **Continuous Improvement:** The directors remain abreast of new developments in corporate governance, and they implement new procedures and practices as they deem appropriate.

### Board Responsibilities

The Board is responsible for:

- Reviewing and approving management's strategic and business plans.
- Reviewing and approving financial plans, objectives, and actions including significant capital allocations and expenditures.
- Monitoring management execution of corporate plans and objectives.
- Advising management on significant decisions and reviewing and approving major transactions.
- Recommending director candidates for election by stockholders.
- Appraising the company's major risks and overseeing that appropriate risk management and control procedures are in place.
- Selecting, monitoring, evaluating, compensating, and if necessary replacing the CEO and other senior executives, and seeing that management development and succession plans are maintained for these executive positions.

- Determining the CEO's compensation, and approving senior executives' compensation, based on performance in meeting pre-determined standards and objectives.
- Determining that procedures are in place designed to promote compliance with laws and regulations and setting an ethical "tone at the top."
- Determining that procedures are in place designed to promote integrity and candor in the audit of the company's financial statements and operations, and in all financial reporting and disclosure.
- Designing and assessing the effectiveness of its own governance practices and procedures.
- Periodically monitoring and reviewing shareholder communications sent to the company.

## **Board Risk Management**

The Board is responsible for appraising the company's major risks and for determining that appropriate risk management and control procedures are in place and that senior executives take the appropriate steps to manage all major risks.

## **Board Capacities**

The Board as a whole is constituted to be strong in its collective knowledge and diversity of accounting and finance, management and leadership, vision and strategy, business operations, business judgment, crisis management, risk assessment, industry knowledge, corporate governance, and global markets.

The culture of the Board is such that it can operate swiftly and effectively in making key decisions when facing major challenges. Board meetings are conducted in an environment of trust, open dialogue, mutual respect, and constructive commentary that are akin to those of a high-performance team.

The Board is informed, proactive, and vigilant in its oversight of the company and protection of stockholder assets.

## **Board Composition**

- The business of the company is managed under the direction of the Board, in the interest of the stockholders.
- The Board delegates its authority to management for managing the everyday affairs of the company.
- The Board requires that senior management review major actions and initiatives with the Board prior to implementation.

## **Board Committees**

- To conduct its business the Board maintains three standing committees: Audit, Compensation, and Nominating and Governance, and they are entirely composed of independent directors. Assignments to, and chairs of, the Audit and Compensation

Committees are recommended by the Nominating and Governance Committee and selected by the Board. The independent directors as a group elect the members and the Chair of the Nominating and Governance Committee. All committees report on their activities to the Board.

- The Chairman may convene a “special committee” to review certain material matters being considered by the Board. The special committee will report their activities to the Board.
- To ensure effective discussion and decision making while at the same time having a sufficient number of independent directors for its three committees, the Board is constituted of between seven and nine directors. Subject to the company’s certificate of incorporation, the number of directors shall be fixed by resolution by the Board, and the remaining directors have the authority to fill any vacancy that may arise in the Board at any time.
- The Nominating and Governance Committee reviews the Board’s organization annually and recommends appropriate changes to the full Board.

### **Director Independence**

To maintain its objective oversight of management, the Board consists of a majority of independent directors. Directors are required to meet a stringent definition of independence and for those directors that meet this definition, the Board will make an affirmative determination that such directors have no material relationships with the company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company) and are independent.

In determining independence of Compensation Committee members, the Board will consider all factors set forth in the NYSE listing rules (and any exceptions thereto), including, without limitation, consideration of all factors specifically relevant to determining whether a Compensation Committee member has a relationship to the company which is material to that member’s ability to be independent from management in connection with the duties of a Compensation Committee member, including but not limited to:

- (i) the source of compensation of such director, including any consulting, advisory, or other compensatory fee paid by the company to such director; and
- (ii) whether such director is affiliated with the company, a subsidiary of the company or an affiliate of a subsidiary of the company.

Independent directors:

- Include no former officer or employee of the company or its subsidiaries or affiliates, or has served in that capacity within the last five years;
- Have no current or prior material relationships with ADT aside from their directorship that could affect their judgment;
- Have not worked for, or have any immediate family member, been retained by, or received anything of substantial value from the company aside from his or her compensation as directors;
- Have no immediate family member who is an officer of the company or its subsidiaries or has any current or past material relationship with the company;
- Do not work for, nor does any immediate family member, work, consult with, or are retained by another publicly traded company’s board of directors on which the ADT CEO or other senior

management serve;

- Do not serve as, nor does any immediate family member serve as, an executive officer of any entity which the company's annual sales to or purchases from exceeded one percent of either entity's annual revenues for the last fiscal year;
- Do not serve, nor does any immediate family member serve, on either the board of directors or the compensation committee of any corporation that employs either a nominee for director or a member of the immediate family of any nominee for director; and
- Do not serve, nor does any immediate family member serve as a director, trustee, executive officer or similar position of a charitable or non-profit organization to which the company or its subsidiaries made charitable contributions or payments in excess of one percent of the organization's charitable receipts or ADT's charitable donations during the last fiscal year.

## **Charitable Contributions**

The board understands that its members, or their immediate family members, serve as directors, trustees, executives, advisors, and in other capacities with a host of other organizations. If ADT directs a charitable donation to an organization in which an ADT director, or their immediate family member, serves as a director, trustee, executive, advisor, or in other leadership capacities with the organization, the board must approve the donation. Any such donation approved by the Board will be limited to an amount that is less than one percent of that organization's annual consolidated gross revenues, and less than one percent of ADT's total annual charitable contributions. Any commercial and charitable relations of ADT with the directors' outside organizations are publicly reported, consistent with the regulatory requirements.

## **Board Meetings**

- The Board meets at least five times annually, and additional meetings may be called in accordance with ADT's By-laws. Frequent Board meetings are critical not only for timely decisions but also for directors to be well informed about company operations and issues. One of the Board meetings will be scheduled in conjunction with the company's annual meeting and board members are required to be in attendance at the annual meeting in person or via exception, by telephone.
- The Chairman, in consultation with the CEO, is responsible for setting meeting agendas with input from the directors.
- Committee meetings are held in conjunction with Board meetings. Certain committee decisions are reviewed and approved by the Board.
- The Board chair and committee chairs are responsible for conducting meetings and informal consultations in a fashion that encourages informed, meaningful, and probing deliberations. Presentations at Board meetings are concise and focused, and they include adequate time for discussion and decision-making.
- Directors receive the agenda and materials for regularly scheduled Board and committee meetings in advance. Best efforts will be made to make materials available as soon as one week in advance, but no later than three days in advance. When practical, the same applies to special meetings of the Board. Directors may ask for additional information from, or meet with, senior managers at any time.



- The non-management directors of the company meet in executive sessions without management on a regular basis. The Chairman presides at such executive sessions (the “Presiding Director”), In the absence of the Presiding Director, the non-management directors will designate another director to preside over such executive sessions.
- Strategic planning and succession planning sessions are held annually at a regular Board meeting. The succession planning meeting focuses on the development and succession of not only the chief executive but also the other senior executives.
- The Board’s intent is for directors to attend all regularly scheduled board and committee meetings.
- Regularly scheduled Board and committee meetings are to be attended in person. Telephonic participation is the exception. The decisions by the Board and its committees are recorded in the minutes of their meetings, and copies of the minutes are forwarded promptly to all directors after each Board and committee meeting.
- All Board members are welcome to attend any committee meeting.

### **Board and Committee Calendars**

A calendar of regular agenda items for the five regularly scheduled board meetings and all regularly scheduled committee meetings is prepared annually, by the Chairman in consultation with the committee chairs, and all interested directors.

### **Board Communication**

Management speaks on behalf of the company, and the Board normally communicates through management with outside parties, including ADT stockholders, business journalists, equity analysts, rating agencies, and government regulators. Stockholders and interested parties can directly raise issues with the non-management directors via email at [directors@adt.com](mailto:directors@adt.com). The Board will periodically review all pertinent shareholder communications.

### **Board Contact with Operations and Management**

- Visits to company operations are made at least annually in conjunction with the Board’s review of enterprise risks and mitigation plans. Directors are encouraged to visit company operations at any time, noting that coordination through the Corporate Secretary’s office is desirable.
- The Chairman arranges for senior managers to attend Board meetings and meet informally with directors before and after the meetings.
- Directors may contact members of senior management from time to time, as they deem necessary.

### **Board Advisors**

The Board and its committees (consistent with the provisions of their respective charters) may retain their own advisors, at the expense of the company, as they determine necessary to carry out their responsibilities.

### **Auditor Rotation**

The Audit committee of the board will ensure that the lead audit partner and the audit review partner be rotated every five (5) years or as otherwise required by the rules of the SEC.

### **Board Self-Evaluation**

The Nominating and Governance Committee coordinates an annual evaluation process by the directors of the Board's performance and procedures, including an evaluation of individual directors. This self-evaluation leads to a full Board discussion of the results.

- The Chairman informally consults with each of the directors as part of the evaluation.
- The qualifications and performance of all Board members are reviewed in connection with their re-nomination to the Board.
- The Nominating and Governance Committee, Audit Committee, and Compensation Committee each conduct an annual self-evaluation of their performance and procedures, including the adequacy of their charters.

### **Board Compensation and Stock Ownership**

- The Compensation Committee, in collaboration with the Nominating and Governance Committee, periodically reviews the directors' compensation and recommends changes in the level and mix of compensation to the full Board.
- To help align Board and stockholder interests, directors are encouraged to own, at a minimum, ADT stock or stock units equal to five times their annual retainer within five years of joining the board. Once a director satisfies the minimum stock ownership recommendation, the director will remain qualified, regardless of market fluctuations, under the guidelines as long as the director does not sell any stock. A majority of the directors' annual compensation is provided as equity.
- Directors who are company officers receive no additional compensation for service as members of the Board.

### **Director Candidates**

General criteria for the nomination of director candidates include:

- The highest ethical standards and integrity.
- A willingness to act on and be accountable for board decisions.
- An ability to provide wise, informed, and thoughtful counsel to top management on a range of issues.
- A history of achievement that reflects superior standards for themselves and others.
- Loyalty and commitment to driving the success of the company.
- An ability to take tough positions while at the same time working as a team player.
- Individual backgrounds that provide a portfolio of experience and knowledge commensurate with the company's needs.

Invitations to director nominees to become a member of the Board will be extended by the Chair of the Nominating and Governance Committee after discussion with the Chairman and the CEO and agreement by the other members of the Board. The Board will consider nominations submitted by stockholders.

## Director Service

- Directors are elected by an affirmative vote of a majority of the votes cast by stockholders at the annual meeting and they serve for one-year terms. Any nominee for director who does not receive a majority of votes cast from the stockholders is not elected to the Board. The sitting director will remain in office until a new director is elected, which shall take place in a timely manner.
- Directors shall tender their resignation from the Board at the annual meeting following their 72nd birthday. The Board may ask the director to continue service on the Board when it is deemed to be in the best interest of the company.
- The Nominating and Governance Committee is responsible for the review of all directors, and where necessary will take action to remove a director for performance, which requires the unanimous approval of the full Board. This unanimous approval does not include the approval of the director whose removal is sought.
- Directors inform the Nominating and Governance Committee of any significant change in their employment or professional responsibilities and will offer their resignation to the full Board .

This allows for discussion with the Nominating and Governance Committee to determine if it is in the mutual interest of both parties for the director to continue on the Board.

- Committee chairs will serve in their respective roles for five years, and will rotate at the time of the annual meeting following the completion of their fifth year of service.
- When the Chairman steps down, he or she simultaneously resigns from the Board, unless the Board decides that his or her services are in the best interests of the company. It is only in unusual circumstances that the Board decides that the retired Chairman continues to serve.

## Director Orientation and Continuing Education

- A formal orientation program is provided for new directors by the Corporate Secretary on ADT's mission, values, governance, compliance, and business operations.
- A program of continuing education is annually provided to incumbent directors, including an annual review of the company's Code of Conduct.
- Directors are encouraged to take advantage of outside continuing education opportunities relating to their duties as a director and to subscribe to appropriate publications at the company's expense.

## Other Directorships and Conflicts

- In order to provide sufficient time for informed participation in their Board responsibilities non-management directors, who are employed as CEO of a publicly traded company, are required to limit their external directorships of other public companies to two; non-management directors, who are otherwise fully employed, are required to limit their external directorships of other public companies to three; and non-management directors, who are not fully employed, are required to limit their external directorships of other public companies to five. Current positions in excess of these limits may be maintained unless the board determines that doing so would impair the director's service on the Board.
- The chief executive may serve on no more than two other public company boards.

- The Nominating and Governance Committee is notified of the intention of directors, the chief executive and other senior managers to serve on another board, and the committee reviews the possibility for conflicts of interest or time constraints.
- Each director is required to notify the chair of the Nominating and Governance Committee of any conflicts.