

Governance Principles



These principles have been adopted by the Board of Directors (the “Board”) of Vonage Holdings Corp. (the “Company”) for the purpose of establishing the corporate governance policies pursuant to which the Board intends to conduct its oversight of the business of the Company in accordance with its fiduciary responsibilities. The principles should be applied in a manner consistent with all applicable laws and stock exchange rules and the Company’s certificate of incorporation and bylaws, each as amended and in effect from time to time. The principles provide a framework for the conduct of the Board’s business. The Board may modify or make exceptions to the principles from time to time in its discretion and consistent with its duties and responsibilities to the Company and its stockholders.

I. Director Responsibilities

A. Oversee Management of the Company

The role of the Board of Directors at the Company shall be to oversee the performance of the Chief Executive Officer (“CEO”) and other management to assure that the best interests of the Company and its stockholders are being served. This responsibility includes:

- Providing oversight of the formulation of the long term strategic, financial and organizational goals of the Company and plans designed to achieve those goals.
- Reviewing and approving standards and policies to ensure that the Company is committed to achieving its objectives through the maintenance of high standards of responsible conduct and ethics.
- Evaluating the performance of the Company and its senior management and taking appropriate action, including removal when warranted.
- Evaluating the Company’s compensation programs on a regular basis and determining the compensation of its senior executives through its Compensation Committee.
- Requiring, approving and implementing senior executive succession plans.
- Reviewing whether corporate resources have been and are being used only for appropriate business purposes.
- Establishing a corporate environment that promotes timely and effective disclosure of information (including appropriate controls, procedures and incentives), fiscal accountability and compliance with all applicable laws and regulations.
- Reviewing and approving material transactions and commitments not entered into in the ordinary course of business.
- Developing a corporate governance structure that allows and encourages the Board to fulfill its responsibilities.
- Providing advice and assistance to the Company’s senior executives.
- Evaluating the overall effectiveness of the Board and its committees.
- Providing oversight of the Company’s risk assessment and monitoring processes.

The day-to-day business of the Company is carried out by its employees, managers and officers, under the direction of the CEO with the oversight of the Board, to enhance the long term value of the Company for the benefit of stockholders.

B. Exercise Business Judgment

The Board understands that effective Directors act on an informed basis after inquiry and review appropriate in the circumstances. In discharging their fiduciary duties of care, loyalty and candor, Directors are expected to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its stockholders.

C. Reliance on Management and Advisors

The Directors are entitled to rely in good faith on the advice, reports and opinions of management, counsel and expert advisors and have the authority to hire outside advisors at the Company’s expense if they believe it is necessary or appropriate.

D. Code of Conduct, Conflicts of Interest, Related Person Transactions and Complaints Process

The Audit Committee shall review and approve the Company’s finance code of ethics and Code of Conduct applicable to Directors, officers and employees; monitor compliance with such codes of ethics; consider questions of possible conflicts of interest of Board members and

corporate officers; review actual and potential conflicts of interest involving Board members and corporate officers and other related persons; review transactions in accordance with the Company's Related Person Transaction Policy; and approve or prohibit any involvement of such persons in matters that may involve a conflict of interest or related person transaction.

The Audit Committee shall review and approve the Company's procedures for handling complaints regarding accounting or auditing matters.

E. Director Conflicts of Interest

Directors are expected to avoid any action or position that conflicts with an interest of the Company. The Company annually solicits information from Directors in order to monitor potential conflicts of interest and Directors are expected to be mindful of their fiduciary obligations to the Company. Directors are also expected to notify the Company on a timely basis of any potential conflicts of interest of which they are aware. When faced with a situation involving a potential conflict of interest, Directors are encouraged to seek advice from the Company's Legal Officer. Directors shall recuse themselves and not participate in the discussion and voting on any matter presented at a Board or committee meeting if they believe that they have a personal interest in, or any other conflict of interest with, such matter. If a significant conflict of interest with a Director exists and cannot be resolved, the Director is expected to tender his or her resignation to the Chairman of the Board.

The Audit Committee of the Board shall review and approve any material transaction between the Company and any Director or executive officer of the Company (or immediate family member as such term is defined in SEC Regulation S-K), including (where permitted by law) a loan or guarantee by the Company. Such review and approval should include (i) an explanation of why the transaction is in the best interests of the Company without regard to the interest or desire of the individual (or related person or entity); (ii) a documented rationale for engaging in the transaction with a related party rather than with a third party; (iii) a specific determination of the fairness of the transaction; and (iv) a review of the public disclosure that may be appropriate for the transaction.

Directors may be asked from time to time to leave a Board meeting when the Board is considering a transaction in which the Director or a member of his or her immediate family has a financial interest or involving an organization in which the Director or a member of his or her immediate family is a director or a substantial stockholder.

F. Director Attendance at Annual Stockholder Meeting

The Company encourages, but does not require, Directors to attend the annual meeting of stockholders.

G. Confidentiality of Information

In order to facilitate open discussion, the Board believes maintaining confidentiality of information and deliberations is an indispensable part of good governance. Each Director has the responsibility to respect the confidentiality of all discussions that take place during all Board and committee meetings. The Board believes that confidentiality is essential for an effective Board process. Directors shall not engage in discussions with outsiders regarding matters discussed at Board or committee meetings unless specifically requested to do so by the Chairman of the Board, or as required by law. Where it is necessary for independent Directors to speak on behalf of themselves or the Company on matters discussed during Board or committee meetings, the Board shall designate one or more independent Directors as spokespersons. In all cases regarding suspected breaches of this obligation of confidentiality, the Board shall decide, with the advice of counsel, on an appropriate course of action.

H. Risk Management

The Board is involved in oversight of the Company's risk assessment and monitoring processes, although much of the Board's oversight efforts are conducted through its committees. Management reviews significant risks with the Board throughout the year, as necessary and appropriate, and conducts a formal review of its assessment and management of the most significant risks with the Board on a periodic basis. The Audit Committee has oversight responsibility for management's risk assessment and risk management policies, including the policies and guidelines used by management to identify, monitor and manage the Company's exposure to risk. The Audit Committee (i) reviews and discusses with management and its internal and outside auditors the risks facing the Company and management's plan to manage the risks identified through the enterprise risk management process, and (ii) reports on its review to the full Board. The Compensation Committee reviews risks arising from the Company's compensation policies and practices and reports on its review to the full Board.

II. Director Qualification Standards

A. Size of the Board

The current size of the Board is established in the Company's Bylaws. The size of the Board may vary based upon the size of the business and the availability of qualified candidates. Board size shall facilitate active interaction and participation by all Board members. The Board shall review from time to time the appropriateness of its size.

B. Board Composition and Independence Standards

Except as may otherwise be permitted by NYSE rules, a majority of the members of the Board shall be independent Directors. To be considered independent: (i) a Director must be independent as determined under Section 303A.02(b) of the New York Stock Exchange Listed Company Manual and (ii) in the Board's judgment, the Director must not have a material relationship with the Company (either directly or indirectly as a partner, stockholder or officer of an organization that has a relationship with the Company).

The Board has established principles to assist it in determining whether a Director has a material relationship with the Company. Under the following principles, a Director will not be considered to have a material relationship with the Company if (i) he or she is independent as determined under Section 303A.02(b) of the New York Stock Exchange Listed Company Manual and (ii) he or she:

- a. is an executive officer of another company which is indebted to the Company, or to which the Company is indebted, unless the total amount of either company's indebtedness to the other is more than one percent of the total consolidated assets of the company for which he or she serves as an executive officer; or
- b. serves as an officer, director or trustee of a tax exempt organization, unless the Company's discretionary contributions to such organization are more than the greater of \$1 million or 2% of that organization's consolidated gross revenues. (The Company's automatic matching of employee charitable contributions will not be included in the amount of the Company's contributions for this purpose.)

In addition, ownership of a significant amount of the Company's stock, by itself, does not constitute a material relationship.

For relationships not covered by the principles set forth above, the determination of whether a material relationship exists shall be made by the other members of the Board of Directors who are independent as defined above.

C. Consulting Agreements with Directors

The Board believes that the Company should not enter into paid consulting arrangements with independent Directors.

D. Independence Standards for Audit Committee Members

To be eligible to serve on the Audit Committee, a Director (i) must qualify as independent and (ii) may not, other than in his or her capacity as a member of the Audit Committee of the Board or any other committee of the Board, accept any consulting, advisory or other compensation fee from the Company or be an affiliated person of the Company or any of its subsidiaries.

E. Selection of New Director Candidates

The Nominating and Governance Committee shall review on an annual basis, in the context of recommending a slate of Directors for stockholder approval, the composition of the Board, including issues of character, judgment, expertise, corporate experience, length of service and independence. Except where the Company is legally required by contract, bylaw or otherwise to provide third parties with the ability to nominate Directors, the Nominating and Governance Committee shall be responsible for (i) identifying individuals qualified to become Board members, consistent with criteria approved by the Board, and (ii) recommending to the Board candidates to be elected by the Board to the Board or to be nominated for election as Directors at any meeting of stockholders. The Board has the power to elect new members in the event of a vacancy or expansion of the Board between annual meetings of stockholders.

F. Extending the Invitation to Join the Board to a New Director

An invitation to join the Board shall be extended by the Chairman of the Board and/or the CEO, on behalf of the entire Board.

G. Directors Changing Their Present Job Responsibilities

The Board expects Directors who substantially change their present job responsibilities to tender their resignation to the Chairman of the Board, who should refer it to the Nominating and Governance Committee for review. The Board, upon the recommendation of the Nominating and Governance Committee, shall determine whether to accept the resignation. In cases in which a Director is uncertain as to whether he or she ought to tender his or her resignation, the Board expects such Director to consult with the Chair of the Nominating and Governance Committee. The Nominating and Governance Committee shall consider a Director's other job responsibilities in its annual deliberations concerning Directors' standing for re-election.

H. Lead Independent Director

The Board may appoint a Lead Independent Director based upon what the Board believes to be in the best interests of the Company and its stockholders. The Lead Independent Director shall be nominated by the Nominating and Governance Committee and approved by a majority of the independent Directors. If appointed, the Lead Independent Director will (i) have the responsibility to schedule and prepare agendas and to chair meetings of non-management or independent Directors, (ii) facilitate communication between the Chairman of the Board and the CEO and the other Directors (however, Directors are free to communicate directly with the Chairman of the Board and the CEO), (iii) cause the dissemination of information to the other members of the Board, and (iv) raise issues on behalf of the outside Directors when appropriate.

I. Term Limits

The Board believes that Directors do not have a right to be re-nominated after their terms expire. Directors have staggered terms with each class of Directors having a maximum term of three years. The Nominating and Governance Committee reviews each Director's past performance on the Board and evaluates the Director's potential contributions to the Board in the future after his or her term has expired. Except for filling vacancies and adding new Directors, all Directors shall be subject to election at the end of his or her term at the annual meeting of stockholders.

J. Director Retirement Age

The Board recognizes that it is important for the Board to balance the benefits of continuity with the benefits of fresh viewpoints and experience. Upon reaching the age of 72 years, each Director shall submit to the Board a letter of resignation to be effective at the next meeting of stockholders held for the election of Directors. In each instance, the Board shall accept the letter of resignation unless the Nominating and Governance Committee shall determine to nominate said Director for another term. In making such determination, the Nominating and Governance Committee shall balance the benefits of a Director's contributions and continuity against the benefits of a fresh viewpoint from a new Director and such other factors as the Board or the Nominating and Governance Committee may consider appropriate.

K. Service on Outside Boards

The CEO and other executive officers shall obtain the approval of the Board prior to accepting an invitation to serve on the board of a public company or on the board of any private company. The Board does not expect to approve service by such executive officers on more than three public company boards, including the Company's. The CEO and other executive officers shall advise the Board of service on the board of a non-profit organization.

Prior to accepting an invitation to serve on another public company board, non-executive Directors should advise the Board and the Board should review the proposed appointment.

L. Stock Ownership by Directors

Non-management Directors must maintain a stock ownership level in accordance with the Company's stock ownership guidelines.

III. Assessing the Board's Performance

The Nominating and Governance Committee shall oversee annually a self-evaluation by the Board of its performance during the prior year. As part of this process the Nominating and Governance Committee will conduct an evaluation to review the progress and effectiveness of the Board and its committees, and will submit comments to the Lead Independent Director (or the Chairman of the Board if there is no Lead Independent Director). Following discussion with the Lead Independent Director or the Chairman of the Board, as the case may be, the

Nominating and Governance Committee will then report back to the Board, and the full Board will consider and discuss the committee's

IV. Board Meetings

A. Frequency and Length of Meetings

The Chairman of the Board and the CEO and, if one has been appointed, the Lead Independent Director, in consultation with the other members of the Board, shall jointly determine the frequency and length of the Board meetings, provided, that the Board shall meet no less than quarterly each year. Special meetings may be called from time to time as determined by the needs of the business.

B. Selection of Agenda Items

The Chairman of the Board and the CEO and, if one has been appointed, the Lead Independent Director, shall jointly set the agenda for each Board meeting. Each Board member is free to suggest inclusion of items on the agenda and to raise subjects at meetings that are not on the agenda. The Board shall review the Company's long-term strategic plans during at least one Board meeting per year.

C. Advance Distribution of Board Materials

To the extent possible, information and data which is important to the Board's understanding of matters to be discussed at the meeting and the current status of the Company's business shall be distributed to the Board sufficiently in advance of the meeting to permit meaningful preparation. Directors are expected to prepare for, attend, and actively participate in all Board and applicable committee meetings. If the subject matter is too sensitive to be disclosed in materials to be distributed, the subject will have to be introduced at the meeting.

D. Regular Attendance of Non-Directors at Board Meetings

It is anticipated that certain members of management (e.g., the Chief Financial Officer, Chief Legal Officer and such other executive officers as the CEO may from time to time designate) will attend Board meetings on a regular basis. Other members of management and staff will attend meetings and present reports from time to time. Specifically, the Board encourages management to schedule managers to be present at Board meetings who can provide additional insight into the items being discussed because of personal involvement in these areas. It is understood that Company personnel and others attending Board meetings may be asked to leave the meeting in order for the Board to meet in executive session.

E. Executive Sessions

The "non-management" Directors, as defined by the rules of the New York Stock Exchange, shall meet in executive session following each Board meeting to discuss, among other matters, the performance of the CEO. The non-management Directors will meet in executive session at other times at the request of any non-management Director. Absent unusual circumstances, these sessions shall be held in conjunction with regular Board meetings. The Director who presides at these meetings shall be the Lead Independent Director, if there is one, or, if not, then such other Director as shall be chosen by the non-management Directors, in which case such Director's name shall be disclosed in the annual meeting proxy statement. The non-management Directors may invite members of management, legal counsel, or other expert advisors to participate in executive sessions as they deem appropriate.

V. Director Access to Management and Independent Advisors

A. Access to Company Employees

Board members shall have unrestricted access to members of senior management and other officers and employees of the Company, either as a group or individually. The Directors shall use their judgment to ensure that any such contact or communication is not disruptive to the business operations of the Company.

B. Access to Independent Advisors

The Board and its committees may consult with and retain independent legal, financial or other advisors as they deem necessary or desirable. Such independent advisors may be the regular advisors to the Company. The Board or any committee is empowered, without further action,

the Company, to cause the Company to pay the compensation of such advisors as established by the Board or any such committee.

VI. Board Interaction with Investors, the Press, Customers, etc.

The Board believes that management and management designees speak for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that Board members do this with the prior approval of management.

The Board will review significant written communications that are submitted by stockholders and other interested parties, and will respond to such communications as appropriate. Absent unusual circumstances or as contemplated by the committee charters, the Chairman of the Board, CEO and an Independent Director (if one is appointed) shall jointly, subject to advice and assistance from the Chief Legal Officer: (i) monitor such communications from stockholders and other interested parties, and (ii) provide copies or summaries of such communications to the other Board Directors as he or she considers appropriate.

The Company's Directors shall not accept any gift of value that indicates an intent to improperly influence the normal business relationship between the Company and any supplier, customer or competitor.

VII. Board Compensation Review

The Nominating and Governance Committee shall conduct an annual review of the compensation of the non-executive Board members. The review will include input from the Company's Human Resources department and/or a third party compensation consultant chosen and retained by the Nominating and Governance Committee to evaluate the Company's Director compensation using appropriate benchmarks. Any change in Board compensation shall be approved by the full Board. The Nominating and Governance Committee shall consider that Director independence questions may be raised if Director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a Director is affiliated or if the Company enters into consulting contracts or other business arrangements with (or provides other indirect forms of compensation to) a Director or an organization with which the Director is affiliated.

VIII. Director Orientation and Continuing Education

A. Director Orientation

The Board and the Company's management shall conduct an orientation program for new Directors as required. The orientation program shall include presentations by management to familiarize new Directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its code of conduct and ethics, its principal officers, its Chief Financial Officer and its internal and outside auditors, and its Chief Legal Officer and outside legal advisors. In addition, the orientation program shall include a review of the Company's expectations of its Directors in terms of time and effort, a review of the fiduciary duties of Directors and visits to Company headquarters and, to the extent necessary and practical, certain of the Company's significant facilities. All other Directors are also invited to attend the orientation program.

B. Continuing Education

Each Director is expected to be involved in continuing director education on an ongoing basis to enable him or her 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.

IX. Board Committees

A. Required Committees

The Board shall at all times have the following three committees: an Audit Committee, a Compensation Committee, and a Nominating and Governance Committee. New committees may be formed as determined by the Board. Except as otherwise permitted by the applicable rules of the New York Stock Exchange, each member of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee shall be an "independent director" as defined by such rules.

B. Assignment and Rotation of Committee Members

Annually, committees of the Board shall be appointed, and chairs of each committee designated, by the full Board upon recommendation of the Nominating and Governance Committee. Composition of the committees shall be reviewed each year. Generally, each committee member shall be considered for rotation every three to five consecutive years on a particular committee and each committee chair shall be considered for rotation every three to five years. In making the decision for rotation of committee membership and the appointment of a new committee chair, the Board will take into consideration the expertise of the individual committee member and the expertise of the other Directors available for these positions.

C. Frequency and Length of Committee Meetings

Each committee chair, in consultation with committee members, will determine the frequency, times and length of the meetings of his or her committee and whether such meetings should be face-to-face or telephonic. Absent unusual circumstances, committee meetings should be held in conjunction with regular Board meetings. Meetings should be scheduled so that there is sufficient time for consideration of the agenda.

D. Committee Charters and Agendas

Each committee shall have its own written charter, which will set forth the principles, policies, objectives and responsibilities of the committee in accordance with the requirements of the New York Stock Exchange and applicable laws and regulations. Annually, the chair of each committee shall schedule a review of the existing committee charter and the committee shall determine whether any amendments are required. Committee charters shall be within the scope of authority granted to the committee by the Board and shall be approved by the Board. The chair of each committee, in consultation with appropriate members of management and staff, shall develop the overall annual agenda to the extent it can be foreseen. In addition, after consulting with appropriate members of management each committee chair shall prepare an agenda prior to each committee meeting. Any committee of the Board is authorized to engage its own outside advisors at the Company's expense, including legal counsel or other consultants, as required, provided that the committee shall obtain Board approval (authorizations in the charters of the respective committees being deemed Board approval) of each such engagement.

E. Committee Executive Sessions

The Audit Committee, Compensation Committee and Nominating and Governance Committee shall meet regularly in executive session and shall make regular reports to the Board. Any member of a committee may request an executive session. The committees may invite members of management, legal counsel, or other expert advisors to participate in executive sessions as they deem appropriate. The Audit Committee shall meet with each of the Chief Financial Officer, the internal auditor, the Company's outside auditors, and such other parties as it shall deem appropriate without management present, at such times as it deems appropriate, but not less than quarterly. Absent unusual circumstances, executive sessions of the committees shall be held in conjunction with regular committee meetings.

X. Chairman of the Board and Chief Executive Officer

A. Selection of Chairman of the Board and CEO

The Board shall fill the Chairman of the Board and CEO positions based upon what the Board believes to be in the best interests of the Company and its stockholders at any point in time. Currently, the Board has determined that the positions of the Chairman of the Board and CEO should be held by different persons. The Board permits non-independent Directors to serve in the position of Chairman of the Board.

B. Formal Evaluation and Compensation of the Chief Executive Officer and Other Executive Officers

The formal evaluation of the CEO and the other executive officers shall be made in the context of an annual compensation review by the Lead Independent Director (if any) and the Compensation Committee, with appropriate input from other Board members, and shall be communicated to the CEO by the Lead Independent Director (if any) and the Chair of the Compensation Committee. The evaluation shall be based on objective criteria, including performance of the business and accomplishment of long-term strategic objectives.

C. Succession Planning

The Compensation Committee, in consultation with the full Board, is primarily responsible for CEO succession planning. In addition, the Compensation Committee shall monitor and annually review management's succession plans for other key executives. Succession planning may be critical in the event the CEO or other key executives cease to serve for any reason, including resignation or unexpected disability.

Board believes that establishment of a strong management team is the best way to prepare for an unanticipated departure of a key executive.

XI. Periodic Review of Principles

The Nominating and Governance Committee and the Board shall review and reassess the adequacy of these principles at least annually and recommend any proposed changes to the Board for approval.