



## **SAFEGUARD SCIENTIFICS, INC. CORPORATE GOVERNANCE GUIDELINES**

The business of Safeguard Scientifics, Inc. (the “Company”) is conducted by its employees, managers and officers, under the direction of the chief executive officer (the “CEO”) and the oversight of the Company’s Board of Directors (the “Board”), to enhance the long-term economic value of the Company for its shareholders. The Board is elected by the shareholders to oversee management and to represent the interests of the Company’s shareholders in maintaining and enhancing the success of the Company’s business, including optimizing long-term returns to increase shareholder value. In addition, the Board considers the interests of its other interested parties, including its employees, creditors, business partners, recruits, customers, suppliers, communities, government officials and the public at large. The Board has adopted these Corporate Governance Guidelines, as well as committee charters, to provide a framework for the functioning of the Board and Board committees.

### **I. Board Duties and Responsibilities**

#### **A. Oversight**

To accomplish its mission to maximize long-term shareholder value, the Board must:

1. ensure that processes are in place for maintaining the integrity of the Company and for ensuring that the Company operates in a legal, ethical and socially responsible manner;
2. select and evaluate the CEO; oversee and interact with the CEO with respect to key aspects of the Company’s business, including strategic planning, management development and succession, operating performance and shareholder returns; and work with the CEO to develop effective measurement systems that facilitate an evaluation of the Company’s degree of success in creating long-term economic value for its shareholders;
3. review, approve and monitor fundamental financial and business strategies and major corporate actions;
4. oversee the Company’s capital structure and financial policies and practices;
5. assess major risks facing the Company and review options for their mitigation; and
6. provide counsel and oversight on the selection, evaluation, development and compensation of executive officers and provide candid feedback on their successes and failures.

**B. Corporate Governance**

The Board will review and, if it deems appropriate, approve changes to these Corporate Governance Guidelines that have been recommended to the Board by the Nominating & Corporate Governance Committee.

**C. Committee Charters**

The Board will review and, if it deems appropriate, approve changes to the charters of the Audit, Compensation and Nominating & Corporate Governance Committees and such other committees as the Board may establish from time to time, including such changes as have been recommended to the Board by such committees. The chairperson of each committee, if any (or if the chairperson is unavailable or no chairperson is then serving, such other committee member as may be appointed by the committee), shall consult with the Nominating & Corporate Governance Committee in coordinating the work assignments of the various committees.

**D. Evaluation and Education**

The Board shall oversee the Nominating & Corporate Governance Committee's initiatives for the evaluation and education of the full Board, the committees of the Board and individual Board members. The chairperson of the Nominating & Corporate Governance Committee, if any (or if the chairperson is unavailable or no chairperson is then serving, such other committee member as may be appointed by the committee), and senior management are responsible for the orientation process for new directors to become familiar with the Company's business, strategy and policies through a review of background materials and meetings with senior management. Additionally, all directors are encouraged to periodically participate in continuing educational opportunities designed to improve their ability to perform their duties.

**E. Company Visitation**

Each non-employee director is encouraged to visit the Company and its partner companies from time to time to familiarize himself/herself with the business of the Company and its partner companies. These visits should be pre-arranged with the CEO, and directors are encouraged to report to the full Board at the next Board meeting after any such visit their observations from such visits.

**F. Assessing Board and Committee Performance**

The Board will conduct an annual self-evaluation of the Board's performance and an evaluation of each of the Board committees' performance to determine whether the Board and its committees are functioning effectively. The Board's evaluation of the committees will be based, in part, on the self-evaluations conducted by each of the committees.

**G. Assessing CEO Performance**

The Board believes that the CEO's performance should be evaluated annually. The Board has delegated to the Nominating & Corporate Governance Committee the responsibility to conduct an annual evaluation of the CEO's performance. The Board has delegated to the Compensation Committee the responsibility to review and approve compensatory plans and pay levels for the CEO. However, in performing its duties, the

Compensation Committee is expected to consult with, and solicit the views of, the independent members of the Board concerning the compensation of the CEO prior to approving compensation arrangements with the CEO.

#### **H. Succession Planning**

The Board shall oversee the Nominating & Corporate Governance Committee's initiatives for succession planning and shall approve the Company's succession plan for the CEO and other executive officers, including plans for emergency succession in case of the unexpected disability of the CEO. To assist the Board, the CEO periodically shall provide the Nominating & Corporate Governance Committee with an assessment of the executive officers and their potential as a successor. The CEO also will periodically provide the Nominating & Corporate Governance Committee with an assessment of persons considered to be potential successors to other executive officer positions and a review of any development plans recommended for such potential successors. The results of these assessments will be reported to and discussed with the Board.

#### **I. Business Conduct and Ethics**

In order to maintain the integrity of the Company and to ensure that the Company operates in a legal, ethical and socially responsible manner, the Board believes that the Company should maintain an appropriate Code of Business Conduct and Ethics regarding, among other things: (i) conflicts of interest; (ii) corporate opportunities; (iii) confidentiality; (iv) fair dealing; (v) protection and proper use of Company assets; (vi) compliance with laws, rules and regulations; (vii) encouraging the reporting of any illegal or unethical behavior; and (viii) such other matters as the Board deems appropriate. The Board has delegated the responsibility for overseeing this Code of Business Conduct and Ethics to the Audit Committee.

### **II. Board of Directors Composition and Structure**

#### **A. Size of Board.**

The Nominating & Corporate Governance Committee is responsible for considering and making recommendations to the Board concerning the appropriate size of the Board. The Board shall periodically review its size to consider the size that is appropriate for its effective operation. In general, the Board believes that its appropriate size should be five members, recognizing that retirements, resignations and recruiting delays may result, periodically, in the Board consisting, for some transitional period, of a slightly greater or lesser number of directors than the Board may have targeted. The Board reserves the right to increase or decrease the size of the Board, subject to any relevant provisions in the Company's Bylaws, depending on an assessment of the Board's needs and other relevant circumstances at any given time.

#### **B. Mix of Directors; "Independent" Directors**

A majority of the Board will be "independent" within the meaning of the New York Stock Exchange's corporate governance rules. Moreover, no director will be 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).

1. Categorical Standards. The Board has established the following standards to assist it in determining director independence: A director will not be deemed independent if: (a) within the previous three years or currently, (i) the director has been employed by the Company (other than employment as an interim chairperson, CEO or other executive officer); (ii) someone in the director's immediate family has been employed as an executive officer of the Company; or (iii) the director or someone in her/his immediate family has been employed as an executive officer of another entity that concurrently has or had as a member of its compensation committee of the board of directors any of the Company's present executive officers; (b) (i) the director is a current partner or employee, or someone in the director's immediate family is a current partner, of a firm that is the Company's internal or external auditor; (ii) someone in the director's immediate family is a current employee of such a firm and personally works on the Company's audit; or (iii) the director or someone in the director's immediate family was within the last three years a partner or employee of such a firm and personally worked on the Company's audit within that time; or (c) the director received, or someone in the director's immediate family received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), compensation received by a director for former service as an interim chairperson or CEO or other executive officer and, in the case of an immediate family member, other than compensation for service as an employee of the Company (other than an executive officer). The following commercial or charitable relationships will not be considered material relationships: (a) if the director is a current employee or holder of more than ten percent of the equity of, or someone in her/his immediate family is a current executive officer or holder of more than ten percent of the equity of, another company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years of the other company, does not exceed \$1 million or two percent, whichever is greater, of the other company's consolidated gross revenues; or (b) if the director is a current executive officer of a charitable organization, and the Company made charitable contributions to the charitable organization in any of the charitable organization's last three fiscal years that does not exceed \$1 million or two percent, whichever is greater, of the charitable organization's consolidated gross revenues. For the purposes of these categorical standards, the terms "immediate family member" and "executive officer" have the meanings set forth in the New York Stock Exchange's corporate governance rules.
2. Board Determinations. For relationships not addressed by the guidelines in subsection 1 above, the determination of whether the director is independent or not shall be made by the Board, subject to applicable New York Stock Exchange rules or legal requirements.
3. Committee Independence Requirements. Each of the Audit Committee, the Compensation Committee and the Nominating & Corporate Governance Committee is composed of at least three directors, and each such director is

independent in accordance with the listing standards of the New York Stock Exchange. In addition, no member of the Audit Committee may receive any consulting, advisory, or other compensatory fee from the Company, other than fees for serving on the Board or a Board committee. In addition, Audit Committee members may not be affiliated persons of the Company or any Company subsidiary.

4. Selection of Directors. In connection with its proxy solicitation relating to the Company's annual shareholders' meeting, the Board shall recommend a slate of nominees for election by shareholders. In addition, the Board fills vacancies on the Board when necessary or appropriate. The Board's recommendations or determinations are based on the recommendations of, and information supplied by, the Nominating & Corporate Governance Committee as to the suitability of each individual and, where applicable, the slate as a whole to serve as directors, taking into account the criteria described below and other factors, including the requirements for Board committee membership.

In recommending nominees, the Board will consider nominees recommended by shareholders, provided that such shareholder submits the following information to the Company's Secretary at least 120 days before the one-year anniversary of the date of mailing of the Company's proxy materials for the prior year's annual meeting of shareholders: (1) the name of the candidate and the information about the individual that would be required to be included in a proxy statement under the rules of the SEC; (2) information about the relationship between the candidate and the recommending shareholder; (3) the consent of the candidate to serve as a director; (4) proof of the number of shares of the Company's common stock that the recommending shareholder owns and the length of time the shares have been owned; and (5) any other information required under the Bylaws. The Secretary of the Company will promptly forward any such nominations to the Nominating & Corporate Governance Committee. Once the Nominating & Corporate Governance Committee receives the nomination of a candidate, the candidate will be evaluated and a recommendation with respect to such candidate will be delivered to the Board. Nominations not made in accordance with the foregoing procedure shall be disregarded by the Nominating & Corporate Governance Committee and votes cast for such nominee shall not be counted.

### **C. Board Membership Criteria**

The Nominating & Corporate Governance Committee is responsible for making recommendations to the Board, on an annual basis, concerning the appropriate size, function, and needs of the Board, so that the Board as a whole collectively possesses a broad range of skills, expertise, industry and other knowledge, and business and other experience useful to the effective oversight of the Company's business. Directors should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated, and have the willingness and ability to devote sufficient time to fulfill his or her responsibilities to the Company and its shareholders. The Committee will evaluate the skills and experience necessary in a director nominee in the context of the needs of the Board as a whole and the staffing needs of each of its committees, with the objective of recommending a group that through its diversity of experience can provide relevant advice and counsel to management and best perpetuate the success of the Company's business and represent shareholder interests.

**D. Leadership**

The Board notes that all directors are elected by the shareholders and, therefore, have an equal voice. The chairperson of the Board or the Board as a whole may call upon any one or more directors to provide leadership in a given situation. The Board understands that leadership in certain subject areas falls to the committee chairpersons responsible for the subject matter giving rise to the need, and that the chairpersons function as the committee liaisons to the chairperson of the Board and the rest of the Board.

**E. Retirement**

No person will be nominated by the Board to serve as a director after he or she has passed his or her 75<sup>th</sup> birthday unless the Nominating & Corporate Governance Committee has waived the mandatory retirement age of such person as a director.

**F. Resignation**

A non-management director who changes the primary job responsibilities related to his or her principal employment that the director held at the time of his or her most recent election to the Board will promptly notify the Board of such change. The Board will, in its sole discretion, determine whether such change in responsibilities will impair the director's ability to effectively serve on the Board, and based upon such determination, may request such director to offer a letter of resignation from the Board, which such director will promptly offer to the Board upon such request. Upon a management director's resignation, removal, or retirement as an officer of the Company, the Board will promptly be notified. The Board will, in its sole discretion, determine whether or not to request such management director to offer a letter of resignation from the Board and if requested, such management director shall promptly offer such letter to the Board.

**G. Additional Directorships**

Directors are encouraged to limit the number of other boards of directors (excluding non-profit and non-public boards of directors) on which they serve, taking into account potential meeting attendance, participation and other commitments with respect to these other boards of directors. It is generally advisable to limit outside directorships to no more than four. The Nominating & Corporate Governance Committee and the full Board will take into account the nature of and the time involved in a director's service on other boards of directors in evaluating the suitability of individual director candidates. Prior to accepting any invitation to serve on another public company board of directors, a director must provide notice to the chairperson of the Nominating & Corporate Governance Committee to enable that committee to consider any actual or potential conflict that would result from the director's service on such board of directors.

## **H. Compensation of Non-Employee Directors**

The Compensation Committee periodically reviews, considers and recommends to the Board for approval the total compensation program for all non-employee directors of the Company for service on the Board and its committees. The Board should make changes in non-employee director compensation practices only upon the recommendation of the Compensation Committee after discussion and concurrence by a majority of independent directors of the Board. Both the Board and the Compensation Committee should be guided by the following principles: compensation should align directors' interests with the long-term interests of shareholders while not calling into question their objectivity and the structure of the compensation should be simple, transparent and easy for shareholders to understand.

## **III. Board Meetings and Procedures**

### **A. Number of Meetings; Attendance; Chairperson**

The Board holds a minimum of four regularly scheduled meetings per year. Directors are expected to attend all regularly scheduled meetings. As attendance in person is always preferred, directors are expected to be physically present at all regularly scheduled meetings, and a director who is unable to attend a meeting is expected to notify the chairperson in advance of such meeting. However, attendance at meetings via conference telephone, videoconference, or similar communication equipment is acceptable. As provided in the Bylaws, at every meeting of the Board, the chairperson of the Board, if any, or, in the case of a vacancy in the office or absence of the chairperson of the Board, one of the following officers present in the order stated: the chairperson of the Nominating & Corporate Governance Committee, the vice chairperson of the Board, if any, the president, the vice presidents in their order of rank and seniority, or a person chosen by a majority of the directors present, shall act as chairperson of the meeting.

### **B. Agenda; Distribution of Materials**

The agenda for each meeting of the Board will be prepared by the CEO following consultation with the chairperson and other members of the Board. Any director may request the addition of specific agenda items. Such requests will be discussed in a timely manner with the chairperson of the Board prior to preparation and dissemination of the agenda to directors. The chairperson of the Board, the CEO and the chairperson of the Nominating & Corporate Governance Committee will annually provide a "Master Agenda" that sets forth a general list of items to be considered at each of the Board's regularly scheduled meetings during the year. Thereafter, the chairperson of the Board and CEO will adjust the agenda for each specific meeting, if necessary, to include the special items that had not been contemplated during the initial preparation of the Master Agenda. The Master Agenda will be provided to the entire Board. Information relevant to the Board's understanding of matters to be discussed at an upcoming meeting will be distributed in writing or electronically to all members sufficiently in advance of any meeting to allow for thoughtful review. Each director is expected to review the materials distributed in advance of the meeting. Under certain circumstances, written materials may be unavailable to directors in advance of the meeting. On those occasions in which the information regarding a matter to be considered at a Board meeting is too sensitive to provide in writing, the chairperson may elect to contact (either directly or through his or

her designee) each director by telephone in advance of the meeting to discuss the subject and the principal issues the Board will need to consider.

**C. Access to Senior Management**

The Board believes that attendance of senior management and, under certain circumstances, other Company personnel can augment the meeting process by providing certain expertise and insight into matters being discussed. Accordingly, the Board may invite such senior management and other Company personnel to attend Board meetings or portions thereof. Directors have complete and open access to the senior management and information concerning the Company's business activities and performance. Such access will be subject to the Company's policies regarding confidential information.

**D. Access to Independent Advisors**

The Board and its committees have the authority, in their discretion, to retain independent financial, legal, compensation or other advisors, and the Company will provide appropriate funding, as determined by the Board or any committee, to compensate those independent advisors.

**E. Executive Sessions of Non-Employee Directors**

The non-employee directors of the Board will meet in executive session at each regularly scheduled Board meeting, or as they otherwise may determine necessary or appropriate, outside of the presence of any management directors and any other members of the Company's management who may otherwise be present, to: (i) evaluate the CEO, (ii) review management succession planning, and (iii) consider such other matters as they may deem appropriate. During at least one session per year, only independent directors may be present. The chairperson of the Board, if available, will preside at the executive sessions, and if no chairperson is then elected or is not available, then the non-employee directors who are present at such executive session may select another non-employee director to preside at such session. Following each executive session, the results of the deliberations and any recommendations should be communicated to the full Board.

**F. Attendance at Annual Meeting**

Each director is expected to attend the Company's annual meeting of shareholders.

**G. Confidentiality**

The Board believes that maintaining confidentiality of information and deliberations is imperative and an essential component of each director's fiduciary duty.

**IV. COMMITTEES**

**A. General**

1. Except where Board committees have sole authority to act, as designated in each committee's charter or as may be required by applicable law or a listing standard, it is the general policy of the Company that major decisions be considered by the Board as a whole. As a consequence, the Board has determined to constitute only those committees that it believes are critical to the efficient operation of the

Board or are required by applicable law or a listing standard. The Board currently has the following three standing Committees: the Audit Committee, the Compensation Committee and the Nominating & Corporate Governance Committee. The Board has the authority to establish such other committees, temporary or permanent, as the Board deems advisable. The Audit Committee, the Compensation Committee and the Nominating & Corporate Governance Committee will each consist of three or more directors, each of whom will satisfy the independence requirements set forth herein and any additional requirements set forth in their respective charters and any other applicable listing or regulatory requirements. The Nominating & Corporate Governance Committee may recommend, and the Board may designate, a chairperson of each committee.

2. Each of the Audit Committee, the Compensation Committee and the Nominating & Corporate Governance Committee will have appropriate written charters that are adopted by the Board. The Board may adopt an appropriate written charter for any other committees established by the Board, from time to time, as the Board deems advisable. The charter of each committee will be reviewed at least annually by the Board and the relevant committee. The charters of the Audit Committee, the Compensation Committee and the Nominating & Corporate Governance Committee will be made available on the Company's website at: [www.safeguard.com](http://www.safeguard.com).
3. The chairperson, if any, of each committee, in consultation with the appropriate members of the committee and senior management, will oversee the development of the committee's agenda for each meeting. Information relevant to a committee's understanding of matters to be discussed at an upcoming meeting will be distributed in writing or electronically to all members sufficiently in advance of any meeting to allow for thoughtful review. Each committee member is expected to review the materials distributed in advance of the meeting. Insofar as possible, committee meetings will be scheduled in conjunction with meetings of the full Board.
4. The Board is responsible for overseeing the activities of its committees (except where such committees have sole authority to act pursuant to each committee's charter or as may be required by applicable law or a listing standard) and for ensuring that the committees are fulfilling their duties and responsibilities. The Board will regularly receive reports from its committees regarding their activities and will take such actions as it deems necessary and appropriate in response to these reports.

## **B. Membership**

1. It is the sense of the Board that consideration should be given to rotating committee members periodically. The Board will consider periodic rotation of committee members and committee chairpersons after taking into account each Board member's desires, tenure and subject matter expertise; the need for continuity, experience and for change; and the applicable legal, regulatory and stock exchange listing requirements.
2. The Nominating & Corporate Governance Committee will make recommendations regarding committee and committee chairperson appointments to the Board for its approval. Proposed committee appointments, including the

designation of committee chairpersons, will give consideration to any expressed desire of individual Board members. The Board will make the committee appointments at the first regularly scheduled Board meeting following each annual meeting of shareholders or at such other times as the Board may determine.

**V. OTHER PRINCIPLES**

**A. Disclosure and Review of Corporate Governance Guidelines**

These Corporate Governance Guidelines will be made available on the Company's website at: [www.safeguard.com](http://www.safeguard.com). The Nominating & Corporate Governance Committee will review these Corporate Governance Guidelines from time to time, but not less frequently than annually, and will report on the results of its review to the full Board.

**B. Communications with Shareholders and Other Interested Parties; Disclosure Policy**

1. The chairperson and the CEO are responsible for establishing effective communications with the Company's shareholders, customers, associates, communities, suppliers, creditors and business partners. Directors are not precluded from meeting with such parties, but any such meetings generally should be held with management present.
2. The Board believes it is imperative that the Company promote full, fair, accurate, timely and understandable disclosure in the periodic reports and other statements and reports that the Company is required to file under the securities laws.

Adopted: April 2, 2004

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