



## **Charter of the Compensation Committee of the Board of Directors**

### **Purpose**

The Compensation Committee (the "Committee") of the Board of Directors (the "Board") of ADTRAN, Inc. (the "Company") shall review, evaluate and recommend to the Board for approval competitive human resource compensation programs to attract, retain and motivate qualified officers and to align those officers' financial interests with the interests of the Company's shareholders. The Committee also shall discharge the Board's responsibilities relating to reviewing and determining the compensation of executive officers of the Company pursuant to the Company's incentive compensation and equity-based plans, as well as overseeing administration of these plans by the Company.

### **Organization and Membership**

The Committee shall be comprised of three or more directors, as determined by the Board, each of whom must be an "Independent Director" as defined in the listing standards of the Nasdaq Stock Market. In addition, each member of the Committee must qualify as a "Non-Employee Director" as defined by Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Members of the Committee shall be appointed by the full Board at a Board meeting immediately following the annual meeting of shareholders and shall serve one-year terms. Members may be removed by the Board at any time with or without cause. Upon the death, removal or resignation of a member, the full Board may appoint a successor to serve the remainder of the unexpired term. Unless a chairman of the Committee (the "Chair") is appointed by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership. The Committee shall have the power to create subcommittees with such powers as the Committee shall from time to time confer.

### **Meetings**

The Committee will hold at least two meetings per year or more frequently as its members in their reasonable discretion may decide. The Chair of the Committee will establish the agenda for each Committee meeting. The Committee shall meet in executive session to discuss and approve compensation of the Chief Executive Officer (the "CEO") and of any other officers of the Company whose compensation



is on the agenda for that meeting. The Committee shall also meet with the CEO, the director of Human Resources and such other members of management or other persons as it deems appropriate at each meeting. The Committee shall be responsible for maintaining appropriate records of its actions and minutes of its meetings. The Committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.

### **Responsibilities, Duties and Authority**

To fulfill its responsibilities and duties, the Committee will:

1. Review this Committee charter at least annually and update, as necessary, and recommend any proposed changes to the Board for approval.
2. Review, evaluate and make recommendations to the Board with respect to plans. In doing so, the Committee shall consider the results of the most recent stockholder advisory vote on executive compensation ("Say on Pay Vote") required by Section 14A of the Exchange Act.
3. Discharge the Board's responsibilities to review and approve compensation of the Company's executive officers under compensation plans previously approved by the Board and within such other guidelines as may be communicated by the Board.
4. Review the Company's incentive compensation arrangements to consider whether they encourage excessive risk-taking, review and discuss at least annually the relationship between risk management policies and practices and compensation, and evaluate compensation policies and practices that could mitigate any such risk.
5. Review and approve annual performance goals and objectives relevant to the CEO's compensation.
6. Review and approve the CEO's compensation level based upon the evaluation of the CEO's performance conducted by the Board and within parameters communicated by the Board. In reviewing and approving CEO compensation, the Committee shall consider the results of the Say on Pay Vote. The CEO cannot be



present during any voting or deliberations by the Committee on his or her compensation.

7. Review and approve the compensation of all other executive officers of the Company and the annual performance goals and objectives relevant to their compensation. In reviewing and approving executive compensation, the Committee shall consider the results of the most recent Say on Pay Vote.
8. Approve option grants and stock awards under the Company's equity-based plans, including designation of the employees to whom the awards are to be granted, the amount of the award or equity to be granted and the terms and conditions applicable to each award or grant, subject to the provisions of each plan.
9. Review and make recommendations to the Board with respect to any stockholder proposals related to compensation matters.
10. Review on behalf of the Board the frequency with which the Company will conduct Say on Pay Votes, taking into account the results of the most recent stockholder advisory vote on frequency of Say on Pay Votes required by Section 14A of the Exchange Act.
11. Review and make recommendations to the Board regarding any employment agreements and any severance arrangements or plans, including any benefits to be provided in connection with a change in control, for the CEO and other executive officers.
12. Review all director compensation and benefits for service on the Board and Board committees at least once per year and recommend any changes to the Board as necessary.
13. In its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel or other adviser.
14. Be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel and other adviser retained by the Committee. However, the Committee shall not be required to implement or act consistently with the advice or recommendations of its compensation consultant, legal counsel or other advisor, and the authority granted in this



Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter.

15. Determine the appropriate funding for payment of reasonable compensation to a compensation consultant, legal counsel or any other adviser retained by the Committee, which funding will be provided by the Company.
16. Select, or receive advice from, a compensation consultant, legal counsel or other adviser (an "Adviser"), other than in-house legal counsel, only after assessing the independence of such Adviser by taking into consideration the following factors:
  - (i) the provision of other services to the Company by the person/entity that employs the Adviser (the "Adviser's Employer");
  - (ii) the amount of fees received from the Company by the Adviser's Employer, as a percentage of the total revenue of the Adviser's Employer;
  - (iii) the policies and procedures of the Adviser's Employer that are designed to prevent conflicts of interest;
  - (iv) any business or personal relationship of the Adviser with a member of the Committee;
  - (v) any stock of the Company owned by the Adviser; and
  - (vi) any business or personal relationship of the Adviser or the Adviser's Employer with an executive officer of the Company.

Notwithstanding the foregoing, the Committee may select, or receive advice from, any Adviser it prefers, including ones that are not independent, after considering the six independence factors outlined above. Additionally, no assessment is required with respect to an Adviser that solely consults on a broad-based plan that does not discriminate in favor of executive officers or directors and that is available generally to all salaried employees, and/or that provides information that either is not customized for the Company or is customized based on parameters not developed by the Adviser, and about which the Adviser does



not provide advice.

The Committee shall also evaluate whether any compensation consultant retained or to be retained by it has any conflict of interest in accordance with Item 407(e)(3)(iv) of Regulation S-K promulgated by the Securities and Exchange Commission (the "SEC") under the Exchange Act ("Regulation S-K").

17. Exercise general oversight of the Company's benefit plans and evaluate any proposed new retirement or executive benefit plans.
18. Oversee succession planning for executive positions.
19. Advise the Board on trends in compensation programs for non-employee directors, with a view towards aligning such compensation with shareholder interests.
20. Produce a "Compensation Committee Report" (as defined in Item 407(e)(5) of Regulation S-K) for inclusion in the Company's proxy statement or annual report on Form 10-K, as required by the rules and regulations of the SEC.
21. Review and discuss with management the Company's Compensation Discussion and Analysis ("CD&A") required by the rules and regulations of the SEC and, based on such review and discussion, recommend to the Board that the CD&A be included in the Company's annual report on Form 10-K or proxy statement.
22. Report to the Board on a regular basis and submit minutes of all meetings to the Board.
23. Annually review and evaluate the performance of the Committee and present the results of the evaluation to the Board.
24. Ensure that this Charter is posted on the Company's website.
25. Perform any other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.