

# **NATUS MEDICAL INCORPORATED**

## **BOARD GOVERNANCE GUIDELINES**

### THE DUTIES AND COMPOSITION OF OUR BOARD OF DIRECTORS

#### ***1. Responsibilities***

The Board of Directors, which is elected by the shareholders of Natus Medical Incorporated (the “Company”), is the ultimate decision-making body of the Company, except with respect to those matters reserved to the shareholders.

The Board’s detailed responsibilities include:

- A. Selecting and evaluating the performance of the Chief Executive Officer (“CEO”) and other members of the senior management team, which are charged with the conduct of the Company’s business;
- B. Reviewing and, where appropriate, approving the Company’s major financial objectives, strategic and operating plans, and actions;
- C. Overseeing the conduct of the Company’s business and assessing the Company’s business risks to evaluate whether the business is being properly managed; and
- D. Overseeing the processes for maintaining the integrity of the Company with respect to its financial statements and other public disclosures, and compliance with laws and ethics.

Having selected the senior management team, the Board acts as an advisor and counselor to senior management and ultimately monitors its performance.

#### ***2. Succession Planning***

The Board also plans for succession to the position of CEO as well as certain other senior management positions. To assist the Board, the CEO annually or as requested from time to time by the Board provides the Board with an assessment of senior managers and their potential to succeed him or her. The CEO also provides the Board with an assessment of persons considered potential successors to certain senior management positions.

#### ***3. Board Leadership***

The independent Directors will annually elect a Chairman of the Board (“Chairman”), who may or may not be the CEO of the Company. If the individual elected as Chairman is the CEO, the independent Directors shall also elect a Lead Independent Director. The Chairman or Lead Independent Director, if any, shall perform such duties and exercise such powers as from time to time shall be prescribed in the Company’s Bylaws or by the Board; provided that the Chairman or Lead Independent Director, if any, shall preside over executive sessions of the Company’s independent Directors. In addition, the Chairman or Lead Independent Director, if any, shall facilitate information flow and communication among the Directors and perform such other duties as may be specified by the Board. The Chairman or Lead Independent Director, if any, will meet on a regular basis with the CEO to review and discuss the Company’s business and issues that may be appropriate for the Board to oversee.

#### **4. *Director Independence***

It is the policy of the Company that the Board consists of a majority of independent Directors meeting the independence requirements of the NASDAQ listing standards. The Board shall make an annual determination of which members of the Board are independent in accordance with such standards and report its conclusions in the proxy statement for the Company's annual meeting of stockholders.

#### **5. *Board Size***

It is the policy of the Company that the number of Directors shall not exceed a number that can function efficiently as a body. The Nominating & Governance Committee considers and makes recommendations to the Board concerning the appropriate size and needs of the Board. The Nominating & Governance Committee considers candidates to fill new positions created by expansion and vacancies that occur by resignation, by retirement or for any other reason.

#### **6. *Selection Criteria***

Candidates are selected for, among other things, their integrity, independence, and diversity of experience, leadership and their ability to exercise sound judgment. Scientific expertise, financial literacy, prior government service and experience at policy-making levels involving issues affecting business, government, education, technology, as well as areas relevant to the Company's global business operations and strategy, are among the most significant criteria. Final approval of a candidate is determined by the full Board. Our objective in selecting qualified candidates is intended for the Company to have a Board that brings an appropriate variety of perspectives and skills derived from relevant business and professional experience.

#### **7. *Voting for Directors***

In accordance with the Company's Bylaws, if none of the Company's stockholders provides the Company notice of an intention to nominate one or more candidates to compete with the Board's nominees in a director election, or if the Company's stockholders have withdrawn all such nominations by the tenth (10th) day before the Company mails its notice of meeting to the stockholders, a nominee must receive more votes cast for than against his or her election or re-election in order to be elected or re-elected to the Board.

The Board expects a Director to tender his or her resignation if he or she fails to receive the required number of votes for re-election. The Board shall nominate for election or re-election as director only candidates who agree to tender, promptly following the annual meeting at which they are elected or re-elected as director, irrevocable resignations that will be effective upon (a) the failure to receive the required votes at the next annual meeting at which they face re-election and (b) Board acceptance of such resignation. In addition, the Board shall fill director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to the Board, the same form of resignation tendered by other Directors in accordance with this Section.

If an incumbent Director fails to receive the required vote for re-election, the Nominating and Governance Committee of the Board will act on an expedited basis, and in any event within 90 days following certification of the stockholder vote, to determine whether to accept the Director's resignation and will submit such recommendation for prompt consideration by the Board. The Board expects the Director whose resignation is under consideration to abstain from participating in any decision regarding that resignation. The Nominating and Governance Committee and the Board may consider any factors they deem relevant in deciding whether to accept a Director's resignation.

#### **8. *Director Service on Other Public Boards***

Ordinarily, Directors should not serve on more than five other boards of public companies in addition to the Company's Board, but excluding not-for-profit and mutual fund boards. The Company's CEO should not serve on more than two other boards of public companies in addition to the Company's Board. 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 Company's Board.

#### **9. *Change in Director Occupation***

The Board does not believe that a Director, including the CEO, who ceases to be actively employed in his or her principal business or profession, or experiences other changed circumstances, should necessarily leave the Board. When a Director's principal occupation or business association changes substantially during his or her tenure as a Director, that Director shall tender his or her resignation for consideration by the Nominating & Governance Committee. The Nominating & Governance Committee will recommend to the Board the action, if any, to be taken with respect to the resignation.

#### **10. *Director Compensation***

The Compensation Committee annually reviews the compensation of Directors.

#### **11. *Board and Committee Self-Assessments***

The Board, and each Committee, shall conduct an annual self-assessment of their performance.

#### **12. *Term Limits***

The Board does not endorse arbitrary term limits on Directors' service, nor does it believe in automatic annual re-nomination. The Board self-assessment process is an important determinant for continuing service.

#### **13. *Committees***

It is the general policy of the Company that the Board as a whole considers all major decisions. As a consequence, the Committee structure of the Board is limited to those committees considered to be basic to, or required or appropriate for, the operation of the Company. Currently these committees are the Audit Committee, Compensation Committee, and Nominating & Governance Committee. The Nominating & Governance Committee recommends the members and chairs of these committees to the Board.

#### **14. *Director Orientation and Continuing Education***

In furtherance of its policy of having major decisions made by the Board as a whole, the Company has an orientation and continuing education process for Board members that includes extensive materials, meetings with key management and visits to Company facilities.

#### **15. *Communication with Stakeholders***

The CEO is responsible for establishing effective communications with the Company's stakeholder groups (i.e., shareholders, customers, Company associates, communities, suppliers, creditors, governments and corporate partners). It is the policy of the Company that management speaks for the Company. This policy does not preclude non-employee Directors, including the Chairman or Lead Independent Director, if any, from meeting with shareholders, but it is suggested that in most circumstances any such meetings be held with management present.

## ***16. Annual Meeting Attendance***

While not a formal requirement, all Board members are expected to attend our Annual Meeting of Shareholders.

## **BOARD FUNCTIONS**

### ***17. Agenda***

The CEO, with approval from the Chairman or Lead Independent Director, if any, shall set the agenda for Board meetings with the understanding that the Board is responsible for providing suggestions for agenda items that are aligned with the advisory and monitoring, as well as the decision-making, functions of the Board. Agenda items that fall within the scope of responsibilities of a Board Committee are reviewed with the chair of that Committee. Any member of the Board may request that an item be included on the agenda. It is expected that the Board will have regularly scheduled presentations from Finance and Sales & Marketing. The Board's annual agenda will include review of the Company's long-term strategies and the principal issues, risks and opportunities that the Company expects to face in the future.

### ***18. Board Materials***

Board materials related to agenda items are provided to Board members sufficiently in advance of Board meetings to allow the Directors to prepare for discussion of the items at the meeting and so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. Sensitive subject matters may be discussed at the meeting without written materials being distributed in advance or at the meeting. Board materials will also include minutes of recent Board and Committee meetings, along with data and analysis of the Company's recent financial performance.

### ***19. Board and Committee Meetings***

Board members are expected to rigorously prepare for, attend and participate in all Board and applicable Committee meetings. At the invitation of the Board, members of senior management recommended by the CEO shall attend Board meetings or portions thereof for the purpose of participating in discussions. Generally, presentations of matters to be considered by the Board are made by the manager responsible for that area of the Company's operations. The Secretary of the Company, or an individual appointed to act as secretary of the meeting, will record minutes of Board and Committee meetings, subject to review and approval by the Board or the respective Committee.

### ***20. Director Access to Management and Independent Advisors***

Board members have free access to members of management and employees of the Company and, as necessary and appropriate, Board members may consult with independent legal, financial, accounting and other advisors to assist in their duties to the Company and its shareholders.

### ***21. Executive Sessions***

Executive sessions or meetings of independent Directors without management present are to be held regularly. The non-executive Chairman, or Lead Independent Director if the Chairman and CEO positions are combined, will facilitate and preside over executive sessions of the Board.

## COMMITTEE FUNCTIONS

### **22. Independence**

The Audit, Compensation, and Nominating & Governance Committees consist only of independent Directors.

### **23. Meeting Conduct**

The chair of the Committee determines the frequency, length and agenda of meetings of each of the Committees. Sufficient time to consider the agenda items is provided. Materials related to agenda items are provided to the Committee members sufficiently in advance of the meeting where necessary to allow the members to prepare for discussion of the items at the meeting.

### **24. Scope of Responsibilities**

The Board determines the responsibilities of each of the Committees from time to time, which will be set forth in the charter of each Committee and communicated to our shareholders.

## SHAREHOLDER RIGHTS AGREEMENT OR “POISON PILL”

### **25. Poison Pill Policy**

The term Poison Pill refers to a type of shareholder rights plan that some companies adopt to provide an opportunity for negotiation during a hostile takeover attempt. The Board has adopted a statement of policy that it shall seek and obtain shareholder approval before adopting a Poison Pill; provided, however, that the Board may determine to act on its own to adopt a Poison Pill, if, under the circumstances, the Board, including the majority of the independent members of the Board, in its exercise of its fiduciary responsibilities, deems it to be in the best interest of the Company’s shareholders to adopt a Poison Pill without the delay in adoption that would come from the time reasonably anticipated to seek shareholder approval. If the Board were ever to adopt a Poison Pill without prior shareholder approval, the Board would either submit the Poison Pill to shareholders for ratification, or would cause the Poison Pill to expire within one year.

### **26. Annual Review**

The Nominating & Governance Committee will review this Poison Pill policy statement on an annual basis, including the stipulation which addresses the Board’s fiduciary responsibility to act in the best interest of the shareholders without prior shareholder approval, and report to the Board any recommendations it may have concerning the policy.

## PERIODIC REVIEW OF BOARD GOVERNANCE GUIDELINES

### **27. Periodic Review**

The Board will review these Board Governance Guidelines at least annually.

*Adopted March 22, 2012*