

LASER PHOTONICS CORPORATION
BOARD DIVERSITY INFORMATIONAL DOCUMENT

December 2022

Overview

On August 6, 2021, the U.S. Securities and Exchange Commission approved new listing rules regarding board diversity and disclosure. Subject to certain exceptions, as noted below, the new rules require a Nasdaq-listed company to have at least two diverse directors (including at least one woman and at least one member of an underrepresented community), or the company will have to explain why it has failed to do so. Subject companies will also be required to disclose board diversity on an annual basis in a prescribed tabular format as set forth in this document. The SEC also approved the implementation of a board recruiting service portal that will allow certain Nasdaq-listed companies to access a network of diverse candidates.

A number of proxy advisory firms, institutional investors and investment banks also have developed policies that generally support increased board diversity. For example, Goldman Sachs has announced that it will only underwrite initial public offerings in the US and Europe if a company has multiple diverse candidates for board seats.

A number of US states, including California, Washington, New York, Maryland, Illinois and Colorado have additional board diversity requirements. Also, as of this writing, state legislatures in Hawaii, Massachusetts, Michigan and New Jersey are considering mandatory gender diversity legislation that largely mirrors California's approach. The proposed bills vary by state with respect to the minimum number of female directors required and the timeline to achieve compliance.

State legislatures in Ohio and Pennsylvania are considering non-binding resolutions to encourage companies to improve gender diversity, and both resolutions leave the possibility for an annual reporting requirement open.

Accordingly, if LASE were to acquire an organization in another state, or set up a new corporation in another state, the organization will need to review the requirements of the applicable domicile and ensure (or prepare for) compliance on the state law level.

Rule 5605(f): Diverse Board Representation

Rule 5605(f) *generally* requires companies listed on Nasdaq's U.S. exchange to have at least two diverse directors, including:

- One self-identified woman director
- One director who self-identifies as an underrepresented minority (as defined below) or as LGBTQ+

If a company does not satisfy both of these criteria, the company must:

- Specify the particular aspect(s) of board diversity it fails to satisfy
- Provide the reasons why it does not have two diverse directors

Such disclosure must be provided in advance of the company's next annual meeting of shareholders in its proxy or information statement (or Form 10-K or 20-F, if it does not file a proxy) or on its website. **If** the company chooses to disclose the information on its website, it must also concurrently provide such information in its proxy or information statement and submit the URL link to the disclosure through the Nasdaq Listing Center no later than one business day after such posting.

Companies with five or fewer board members will only need to have one diverse board member (or explain the absence of a diverse director). In addition, issuers outside the U.S. (i.e., foreign issuers) and smaller reporting companies would have additional flexibility in satisfying the board diversity requirement. Foreign issuers and smaller reporting companies would be able to satisfy the board diversity objective by having two women directors.

The following table summarizes the requirements under Rule 5605(f):

	Minimum Number of Diverse Directors	Must Have at Least One Woman Director?	Must Have at Least One Underrepresented Minority or LGBTQ+ Director?
General Objective	2	Yes	Yes
Smaller Reporting Companies	2	Yes	No
Boards with 5 or fewer directors	1	No	No

Note: As of December 2022, LASE is both a Smaller Reporting Company and has a board with five or fewer Directors.

For U.S. companies, the rule defines an “underrepresented minority” as someone who self-identifies as African American or Black, Hispanic or Latinx, Asian, Native American or Alaska Native, Native Hawaiian or Pacific Islander, or two or more races or ethnicities. Rule 5605(f) also defines “LGBTQ+” as an individual who self-identifies as lesbian, gay, bisexual, transgender or as a member of the queer community. See the Annex below for these definitions.

Effective Dates and Transition Period

The new rule provides for gradual compliance for currently listed companies, whereby they must have at least one diverse director by an earlier date and full compliance at a later date. The period for achieving compliance with the number of diverse directors depends on the company’s tier:

Nasdaq Exchange Tier	Period to Initially Comply (One Diverse Director)	Period to Fully Comply (Two Diverse Directors)
Nasdaq Global Select Market (NGS) or Nasdaq Global Market (NGM)	Two years following approval of the rule	Four years following approval of the rule
Nasdaq Capital Market (NCM)	Two years following approval of the rule	Five years following approval of the rule

Note: As of December 2022, LASE is a NASDAQ NCM tier company

Phase-in Period

The rule takes a similar approach in phasing-in compliance for newly-listed companies depending on tier and providing additional compliance time for smaller companies and those with smaller boards:

Newly-listed Company Category	Period to Initially Comply (One Diverse Director)	Period to Fully Comply (Two Diverse Directors)
NGS or NGM tier	The later of: i) One year from the date of listing or ii) the date of filing its proxy or information statement for its	The later of: i) Two years from the date of listing or ii) the date of filing its proxy or information statement for

	first annual meeting following listing	its second annual meeting following listing
NCM tier	N/A	The later of: i) two years from the date of listing or ii) the date of filing its proxy or information statement for its second annual meeting following listing

Note: as of December 2022, LASE is an NCM tier company, and has fewer than five directors.

Companies with boards of five or fewer members are only required to have one diverse director by the later of (i) two years from the date of listing or (ii) the date of filing its proxy or information statement for its second annual meeting following listing, to fully comply with Rule 5605(f). Companies listing before the end of the transition period would generally have the longer of the remaining length of such transition period or two years to comply. This “phase-in” period will apply to companies listing in connection with an initial public offering, a direct listing, a transfer from another exchange or the over-the-counter market or through a business combination with a special purpose acquisition company (SPAC).

Cure and Grace Periods

If a company fails to meet the requirements under Rule 5605(f), it will have until the later of its next annual meeting or 180 days from the event causing the deficiency to achieve compliance. A company that ceases to maintain compliance with the board diversity objective of Rule 5605(f) due to a board vacancy, will have until the later of: i) one year from the date of vacancy; or ii) the date it files its proxy or information statement (or Form 10-K or 20-F if it does not file a proxy) in the calendar year following the year of the vacancy to have the requisite number of diverse directors or explain the deficiency. A company that relies on this grace period should disclose such reliance in advance of its next annual meeting of shareholders in its proxy or information statement or on its website.

Rule 5606: Board Diversity Disclosure

Rule 5606(a) requires listed companies, except those exempted as described below, to publicly disclose statistical information on their boards’ diversity (a board diversity matrix) in substantially the same format as shown below:

Board Diversity Matrix (As of 12/19/2019)				
Total Number of Directors	#			
	Female	Male	Non-Binary	Did Not Disclose Gender
Part I: Gender Identity				
Directors	#	#	#	#
Part II: Demographic Background				
African American or Black	#	#	#	#
Alaskan Native or Native American	#	#	#	#
Asian	#	#	#	#
Hispanic or Latinx	#	#	#	#
Native Hawaiian or Pacific Islander	#	#1	#	#
White	#	#	#	#
Two or More Races or Ethnicities	#	#	#	#
LGBTQ+	#	#	#	#
Did Not Disclose Demographic	#	#	#	#

Background				
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Note that the rule allows for aggregated information, and companies may designate any director who does not wish to disclose a particular gender, race or sexual orientation as “undisclosed” in the above diversity matrix. A company must provide its board diversity matrix in the same manner and concurrently with the disclosure required under Rule 5605(f) (i.e., in advance of the company’s annual meeting in its proxy or information statement (or Form 10-K or 20-F if the company does not file); or website).

Effective Dates

A company has until the later of August 8, 2022, or the date it files its proxy statement or information statement for its annual meeting (or, if the company does not file a proxy or information statement, in its Form 10-K or 20-F) in calendar year 2022 to provide its initial board diversity matrix. After the first year of applicability, the rule will require disclosure for the current year and the immediately preceding year. Newly-listed companies must comply with Rule 5606 as set forth in the table above.

Annex - Definitions:

- **Non-Binary** – Refers to genders that are not solely man or woman. Someone who is non-binary may have more than one gender, no gender, or their gender may not be in relation to the gender binary.
- **African American or Black** (not of Hispanic or Latinx origin)—A person having origins in any of the Black racial groups of Africa.
- **Alaskan Native or Native American**—A person having origins in any of the original peoples of North and South America (including Central America), and who maintain cultural identification through tribal affiliation or community recognition.
- **Asian**—A person having origins in any of the original peoples of the Far East, Southeast Asia or the Indian subcontinent, including, for example, Cambodia, China, India, Japan, Korea, Malaysia, Pakistan, the Philippine Islands, Thailand and Vietnam.
- **Hispanic or Latinx**—A person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin, regardless of race. The term Latinx applies broadly to all gendered and gender-neutral forms that may be used by individuals of Latin American heritage, including individuals who self-identify as Latino/a/e.

- **Native Hawaiian or Pacific Islander**—A person having origins in any of the peoples of Hawaii, Guam, Samoa or other Pacific Islands.
- **White** (not of Hispanic or Latinx origin)—A person having origins in any of the original peoples of Europe, the Middle East or North Africa.
- **Two or More Races or Ethnicities**—A person who identifies with more than one of the above categories.
- **Underrepresented Individual in Home Country Jurisdiction**—A person who self-identifies as an underrepresented individual based on national, racial, ethnic, indigenous, cultural, religious or linguistic identity in the country of the foreign issuer's principal executive offices (as reported on the foreign issuer's Forms F-1, 10-K, 20-F or 40-F). Note: this section only pertains to foreign issuers.
- **LGBTQ+**—A person who identifies as any of the following: lesbian, gay, bisexual, transgender or as a member of the queer community.