

# HOMESTREET, INC.

## PRINCIPLES OF CORPORATE GOVERNANCE

Amended July 26, 2018  
Last Annual Review October 24, 2019

The Board of Directors (the “Board”) of HomeStreet, Inc., a Washington corporation (the “Company”), has adopted these corporate governance principles (the “Principles”) to assist the Board in exercising its responsibilities. The Principles reflect the Board’s commitment to monitoring the effectiveness of policy and decision making at the Board and management levels, with a view to enhancing shareholder value over the long term. The Principles also assure that the Board will have the necessary authority and practices in place to review and evaluate the Company’s business operations as needed and to make decisions that are independent of the Company’s management. The Principles are subject to modification from time to time as the Board deems necessary or advisable.

### 1. ROLE AND COMPOSITION OF THE BOARD

#### A. *Role of the Board*

The Board, which is elected by the Company’s shareholders, oversees the management of the Company and its business. The Board selects the senior management team, which is responsible for operating the Company’s business, and monitors the performance of senior management. Consistent with the oversight function of the Board, the Board’s core responsibilities include:

- Selecting the Chief Executive Officer (the “CEO”) and assuring that appropriate processes are in place for the selection and assessment of other senior management and the setting of management compensation;
- Planning for CEO succession, developing plans for interim or emergency succession for the CEO and other senior executive officers in the event of retirement or an unexpected occurrence and assuring that appropriate processes are in place for the succession and development of senior management;
- Oversight and participation in the development of the Company’s strategies and monitoring their implementation and results;
- Overseeing the integrity of the Company’s financial statements and the Company’s financial reporting process;
- Overseeing the Company’s processes for assessing and managing risk;

- Overseeing legal and regulatory compliance and promoting the safety and soundness of the Company and its wholly owned banking subsidiary, HomeStreet Bank;
- Nominating the Company's director candidates, filling Board vacancies that may occur between annual shareholder meetings and appointing committee Chairpersons and members; and
- Providing advice and counsel to management regarding significant issues facing the Company and reviewing and approving significant corporate actions.

In addition, directors are expected to:

- Articulate the Company's vision, mission and values to all constituencies;
- Personally bank with HomeStreet Bank, although not necessarily exclusively;
- Serve as ambassadors of the Company and the Bank in political, financial, business and community circles;
- Support Board policies and decisions publicly and within the organization, regardless of how the director votes, unless the director determines in good faith that his or her fiduciary duties require otherwise;
- Be active in the community, individually and on behalf of the Company, and periodically inform the Company about community activities that may pertain to or reflect upon the Company's business; and
- Assist in business development through:
  - Referring individuals or business relationships whose needs may be appropriately met by the Company and its subsidiaries; and
  - Reviewing targeted customer and prospect lists periodically provided by management for possible board member follow up.

In performing its functions, the Board is entitled to rely on the advice, reports and opinions of management, legal counsel, accountants, auditors and other expert advisors. The Board and its committees shall, as appropriate, obtain advice and assistance from independent legal, accounting or other advisors at the Company's expense.

### **B. *Size, Composition and Membership Criteria***

At least a majority of the Board shall be comprised of independent directors. An "independent" director" is a director who the Board determines meets the definition of

independence under Nasdaq listing standards, which focus on the absence of relationships which, in the judgment of the Board, would interfere with the director's exercise of independent judgment (including but not limited to the absence of certain disqualifying relationships). The Board shall make an affirmative determination regarding the independence of each director annually.

The Board believes that it should have between seven and 13 members to allow for effective Board functioning and the need for diversity of director skills and viewpoints. The Board may adjust the size of the Board from time to time in order to accommodate the availability of an outstanding director candidate or otherwise.

The Human Resources and Corporate Governance Committee (the "HRCG Committee") is responsible for establishing processes and procedures for the selection and nomination of directors, and for developing and recommending Board membership criteria periodically based on the applicable skills and characteristics required of Board nominees in light of the then-current Board composition and needs of the Company. The HRCG Committee works with the Board as a whole to establish such criteria with the objectives of creating a Board with a diverse range of backgrounds and experiences (including those representative of the broad range of society and of the communities served by the Company), strengthening Board performance and promoting the creation of long-term shareholder value. In addition, the Board's criteria require that all members (1) be residents of a state of the United States; and (2) be eligible for service until the annual meeting following the calendar year of his or her 74<sup>th</sup> birthday or such other time as may be established by the Board with respect to a director on a case by case basis after considering the other policies and goals set forth herein. Other important factors to be considered include integrity, high personal and professional ethics, sound business judgment, diversity (including but not limited to age, gender and ethnicity), current knowledge and expertise in the Company's industry or other industries relevant to or complementary of the Company's business lines, the ability and willingness to work together as an effective group, and the ability and willingness to devote sufficient time and attention to the work of the Board. The Board and the HRCG Committee will actively seek to include highly qualified women and individuals from minority groups in the pool of candidates from which nominees for director positions are chosen, and in choosing between equally qualified candidates will give extra weight to diversity of the candidates.

The HRCG Committee reviews the qualifications of director candidates in light of criteria approved by the Board and recommends candidates to the Board for election by the Company's shareholders at the annual meeting. The HRCG Committee also considers director candidates recommended by Company shareholders in compliance with the procedures set forth in the Company's Shareholder Engagement Procedures and Practices.

### **C. Board Leadership**

The Board will conduct an annual assessment of its leadership structure to determine that the leadership structure is the most appropriate for the Company at the time. The Board shall be chaired by the Chairman of the Board, who is appointed each year by

the Board. The Chairman shall preside at all shareholder and Board meetings (other than executive sessions of the independent or non-management directors) and shall have such other powers and duties as are set forth in the Company's Bylaws or as may be assigned from time to time by the Board.

If the Chairman of the Board is an officer of the Company, the independent directors (as defined under Nasdaq listing standards) shall elect a lead independent director (the "Lead Independent Director") from time to time from among the independent members of the Board to have such powers and duties as set forth in the Company's Bylaws or the Principles or as otherwise may be assigned from time to time by the Board.

#### ***D. Role of the Lead Independent Director***

The Lead Independent Director shall preside over all executive sessions of the independent or non-management directors, shall have the power and authority to convene meetings of the independent or non-management directors of the Board and, in the absence of the Chairman of the Board, shall preside over all shareholder meetings and at all meetings of the Board. The Lead Independent Director shall also serve as the liaison between the Chairman and the independent directors, shall meet with the Chairman (in person or telephonically) prior to all meetings of the Board to review and discuss the agenda and shall serve as the primary point of contact for shareholders wishing to engage with the Board (it being understood that the Lead Independent Director may refer questions to the Chairman of the Board, one or more other directors or management, as appropriate). The Lead Independent Director shall also (1) approve meeting agendas and meeting schedules for the Board; (2) approve information sent to the Board (to the extent the Lead Independent Director desires to approve such information based on the review of the agenda); and (3) perform such other duties as may be assigned from time to time by the Board.

#### ***E. Significant Change in Personal Circumstances and Other Matters***

The Board does not believe that directors who experience a significant change in their personal circumstances, including a change in their principal employment, should necessarily leave the Board. A director who experiences a significant change in his or her principal business, professional position, employment or responsibility must offer his or her resignation from the Board, which resignation may be accepted or rejected by the Board in its sole discretion. Management directors must offer their resignation from the Board upon their resignation, removal or retirement as an officer of the Company. A director shall promptly notify the Chairman of the Board and the Secretary in the event of any change or anticipated change in his or her affiliations, activities or professional or personal circumstances that (i) may create a conflict or potential conflict of interest, (ii) may trigger any Company reporting obligation, (iii) may result in the director engaging in significant political activity (such as participating in a visible leadership position in a political campaign, running for office or accepting an elected or appointed political office), (iv) has the potential to cause embarrassment, negative publicity or reputational harm to the Company or the director or (v) could result in a possible inconsistency with the Company's policies or values. The HRCG Committee shall then review the

appropriateness of that director's continued service on the Board in light of the new circumstances and make a recommendation to the Board as to whether the resignation should be accepted.

#### **F. Conflicts of Interest**

All directors must comply with the applicable provisions of the Self Dealing—Conflicts of Interest section of the Company's Code of Business Conduct and Ethics. Each director is expected to promptly disclose to the Board any existing or proposed relationships or transactions that involve or could create a conflict of interest. If a significant conflict of interest involving a director cannot be resolved, the director should promptly tender a resignation to the Board. The HRCG Committee shall then review the appropriateness of that director's continued service on the Board in light of the conflict and make a recommendation to the Board as to whether the resignation should be accepted.

#### **G. Service on Other Boards and Audit Committees**

The CEO should not serve on the board of more than one other public company in addition to the Board. Ordinarily, directors should not serve on the boards of more than four other public companies in addition to the Board; however, any director who serves as an executive officer of a public company should not serve on more than two public company boards (including the Board). Moreover, if a director serves on several mutual fund boards within the same fund family, all such service will count as one board for purposes of this calculation. Directors should obtain HRCG Committee approval prior to agreeing to serve on another public company board. Members of the Audit Committee may not serve on the audit committees of more than two other public companies.

#### **H. Shareholder and Media Engagement**

It is the policy of the Board that the CEO and the Chief Financial Officer of the Company act as the spokespersons for the Company, although management may, from time to time, request individual directors to meet or otherwise communicate with various constituencies that are involved with the Company. Individual directors will only speak with the media about the Company if authorized by the full Board and in accordance with the Company's policies.

The Board recognizes the importance of providing an opportunity to listen to and, when appropriate, address shareholder concerns, and has therefore adopted Shareholder Engagement Procedures and Practices that provide guidance and a framework for shareholder engagement by management, the Board and individual directors. It is the policy of the Board that shareholders shall have reasonable access to directors at annual meetings of shareholders and an opportunity to communicate directly with directors on appropriate matters. The Board will generally respond, or cause the Company to respond, in writing to *bona fide* communications from shareholders addressed to one or more directors. Shareholders and other interested parties are invited to communicate with the Board or any of its committees or directors by writing to

the Board or any of its committees or directors c/o the Company's Corporate Secretary at HomeStreet, Inc., 601 Union Street, Suite 2000, Seattle, Washington 98101.

## **I. Confidentiality**

In order to facilitate open discussions, the Board believes maintaining confidentiality of information and deliberations is imperative. Each director shall maintain the confidentiality of information received in connection with his or her service as a director or committee member.

## **2. FUNCTIONING OF THE BOARD**

### **A. Agendas**

The Chairman of the Board establishes the agenda for each Board meeting in conjunction with the Lead Independent Director. The agenda shall then be distributed to all directors in advance. Agenda items that fall within the scope of responsibilities of a Board committee are reviewed with the chairperson of that committee. Directors are encouraged to suggest the inclusion of items on the agenda. Directors are also free to raise subjects at a Board meeting that are not on the agenda for that meeting.

### **B. Distribution and Review of Board Materials**

Board materials should be provided to directors sufficiently in advance of Board meetings to allow directors to review and prepare for discussion of the items at the meeting. Advance information materials should generally be kept as concise as possible while giving directors sufficient information to make informed decisions. Board and committee members should review materials provided to them prior to Board and committee meetings and arrive at such meetings prepared to discuss the issues presented.

### **C. Executive Sessions**

Each regular meeting of the Board shall include an executive session, and an executive session at which only independent directors, as defined under Nasdaq listing standards, are present shall take place at least quarterly. Executive sessions of the independent directors may include such topics as the independent directors may determine appropriate or advisable. During these executive sessions, the independent directors shall have access to members of management and other guests as the independent directors may determine appropriate or advisable. The Lead Independent Director presides at executive sessions of the independent directors.

### **D. Strategic Planning**

The Board reviews the Company's long-term strategic plan and the Company's performance versus that plan at least quarterly.

### **E. Attendance at Annual Meeting of Shareholders**

Directors are expected to attend the annual meeting of shareholders absent unusual circumstances.

## **3. STRUCTURE AND FUNCTIONING OF BOARD COMMITTEES**

### **A. Number, Structure and Independence of Committees**

It is the general policy of the Company that all major decisions be considered by the Board as a whole. As a consequence, the committee structure of the Board is limited to those committees considered to be necessary and appropriate for the Company. The Board has three standing committees: the Audit Committee, the HRCG Committee and the Enterprise Risk Management Committee. The duties of each of these committees are set forth in a written charter approved by the Board and each of the respective committees.

The standing committees shall consist solely of independent directors. In addition, directors who serve on the Audit Committee must meet additional, heightened independence criteria applicable to audit committee members under Nasdaq listing standards and the requirements set forth in Rule 10A-3 promulgated by the Securities and Exchange Commission pursuant to the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). The HRCG Committee also shall comply with Section 10C and Rule 10C-1 of the Exchange Act and with Nasdaq Rule 5605(d) with respect to its selection of and reliance on outside advisors and counsel.

The Board may also establish and maintain other committees from time to time as it deems necessary and appropriate.

### **B. Assignment of Board Committee Members**

The Board is responsible for appointing committee members and committee chairs, pursuant to recommendations made by the HRCG Committee and subject to applicable laws and Nasdaq listing standards. The Board considers the rotation of committee members and committee chairs from time to time and makes adjustments as it deems necessary or advisable.

### **C. Responsibilities**

Each standing committee operates under a written charter that sets forth the purposes and responsibilities of the committee as well as qualifications for committee membership. Each standing committee assesses the adequacy of its charter annually and recommends changes to the Board as appropriate. All committees report regularly to the full Board with respect to their activities.

#### **D. Meetings and Agendas**

The chairperson of each committee determines the frequency, length and agenda of such committee's meetings. Materials related to agenda items are provided to committee members sufficiently in advance of meetings where necessary to allow the members to review and prepare for discussion of the items at the meeting.

#### **4. DIRECTOR ACCESS TO MANAGEMENT, EMPLOYEES AND ADVISORS**

With the approval of the Chairman of the Board, management invites Company personnel to attend Board meetings or portions of meetings (1) at which their presence and expertise would help the Board have a full understanding of matters being considered or (2) when management believes that such personnel have future potential such that the Board should have greater exposure to such personnel. Directors also have full and free access to management and other employees of the Company to ensure that directors can ask all questions and glean all information necessary to fulfill their duties.

The Board has the authority to retain, at the Company's expense, such outside counsel, experts and other advisors as it determines appropriate to assist it in the performance of its functions. Each of the Audit Committee, the HRCG Committee and the Enterprise Risk Management Committee has similar authority to retain, at the Company's expense, outside advisors as it determines appropriate to assist it in the performance of its functions.

#### **5. DIRECTOR COMPENSATION**

The HRCG Committee annually reviews the compensation of directors. Director compensation is set by the Board based upon the recommendation of the HRCG Committee. It is the general policy of the Board that non-employee directors should receive a combination of cash and equity compensation for service on the Board unless such director elects for all fees to be paid in equity. Directors who are also employees receive no additional compensation for their service as directors.

#### **6. STOCK OWNERSHIP**

The Board believes that an ownership stake in the Company strengthens the alignment of interests between directors and shareholders. Accordingly, each non-management director should own common stock (or equivalents) having a value of at least three times the annual retainer fee, valued at the closing price of the common stock on the date of acquisition, (the "Minimum Ownership Level") at all times from and after the third anniversary of such director's appointment or election to the Board until the end of such director's service to the Company as a director. In the event a director's stock ownership falls below the Minimum Ownership Level due to a sale or other transfer of stock by the director, the director shall be required to acquire additional stock to re-establish his or her ownership level at or above the Minimum Ownership Level. However, in the event a director's ownership percentage falls below the Minimum



Ownership Level solely because of a decline in the value of the stock, the director will not be required to acquire additional shares to meet the Minimum Ownership Level. Stock received by non-employee directors as part of director compensation may be counted toward the Minimum Ownership Level.

## **8. SUCCESSION PLANNING**

The Board is responsible for oversight of succession planning for certain senior management positions. The Board or the HRCG Committee periodically reviews succession planning and management development, including recommendations and evaluations of potential successors to fill these positions. The succession planning process includes consideration of candidates who could assume the position of CEO if he or she unexpectedly becomes unable to perform the duties of this position.

## **9. FORMAL EVALUATION OF THE CEO**

The HRCG Committee is responsible for setting annual and long-term performance goals for the CEO, evaluating the CEO's performance against those goals, and recommending the CEO's compensation to the independent directors for approval. Both the goals and the evaluation are submitted for consideration by the independent directors meeting in executive session. The results of the evaluation are shared with the CEO and used by the HRCG Committee in considering the CEO's compensation, which is approved by the independent directors meeting in executive session.

## **10. DIRECTOR CONTINUING EDUCATION**

The HRCG Committee is responsible for developing and overseeing an orientation program for new directors and a continuing education program for all directors. The Board believes that director orientation and continuing education is essential to valuable Board participation and decision making. In addition, portions of certain Board meetings will be devoted to educational topics at which senior management and outside subject matter experts present information regarding matters such as the Company's industry, business operations, strategies, objectives, risks, opportunities, competitors and important legal and regulatory issues. The Board encourages directors to participate in education programs to assist them in performing their responsibilities as directors, and the Company will reimburse directors for reasonable expenses incurred in connection therewith, in accordance with Company policy.

## **11. BOARD AND COMMITTEE PERFORMANCE EVALUATIONS**

On an annual basis, the Board conducts a self-evaluation to assess its performance through an evaluation process administered by the HRCG Committee. The Audit Committee, the HRCG Committee and the Enterprise Risk Management Committee each conduct periodic self-evaluations to assess their performance. The ability of

individual directors to contribute to the Board is considered in connection with the re-nomination process.

## **12. AMENDMENTS**

The Board may amend these Corporate Governance Guidelines, or grant waivers in exceptional circumstances, provided that any such modification or waiver may not be a violation of any applicable law, rule or regulation and further provided that any such modification or waiver is appropriately disclosed. A waiver of these Guidelines in and of itself shall not be construed to be a waiver of the Company's Code of Ethics for purposes of Item 5.05 of Form 8-K under the Exchange Act.