

## **Coastal Banking Company Corporate Governance Practices**

*Management and the Board of Directors of Coastal Banking Company (CBCO) are committed to a strategy of becoming the premier financial services institution along the Southeastern seaboard, known for delighting customers with reliable and timely service and surprising customers with innovative products and distribution channels. The service and reliability of our brand are driven by a professional staff, visionary leadership, and an active and independent board. Balancing profit and growth to generate long-term shareholder value, CBCO works to provide a fair return to its investors.*

*CBCO believes this strategy is best achieved through rigorous corporate governance practices. The successful implementation of these practices is assured by ethical management and staff, oversight by an independent Board, regular assessment by a competent Internal Audit and Compliance function, and an annual attestation by a professional external audit firm.*

### **Board Size**

- The optimal number of directors on the Board is 10 to 14. This number of directors is flexible depending on the circumstances and the qualifications of proposed candidates.

### **Chairman of the Board**

- The chairman is an independent director selected by the Board.

### **Committee Structure**

- The Corporate Governance and Nominating Committee reviews the committee structure periodically, recommends adjustments to the Board, and implements any changes approved by the Board.
- Current governance committees are the Audit and Compliance Committee, Executive Compensation and Management Resources Committee, and the Corporate Governance and Nominating Committee. Each committee shall have a written charter.

### **Board Meetings**

- Board meetings are scheduled by the Chairman and Committee Chairs.
- Meeting schedules are approved by the Board.

## **Agenda**

- Agenda items are determined by the Chairman and Committee Chairs with input from directors.

## **Executive Sessions**

- The independent directors (non-management) meet at each board meeting in executive session without management.

## **Committee Reports**

- The committees report regularly to the Board on their activities and deliberations. They also bring matters, which the committees judge to be of special significance, to the Board for consideration.

## **Director Qualifications and Responsibilities**

- The qualifications of directors are reviewed by the Corporate Governance and Nominating Committee and subsequently by the Board in connection with the nomination of candidates for election at the annual meeting.
- CBCO's business is managed under the direction of an engaged Board. Directors are expected to invest the time and effort necessary to understand CBCO's business, strategies, regulations, and challenges. The basic duties and responsibilities of the directors include attending committee and board meetings, preparing for meetings in advance by reviewing meeting materials, and actively participating in discussions. Directors are also expected to make themselves available outside of Board meetings for advice and consultation.
- Directors are encouraged to participate in continuing education to ensure they are current on regulations and leading practices in the financial services industry.

## **Board Membership**

- Considerations for Board candidates include business and professional experience, leadership in community affairs, diversity of backgrounds, talents, and perspectives.

- The Corporate Governance and Nominating Committee identifies and evaluates proposed candidates for addition to the Board, including candidates proposed by third parties. Invitations to new directors are authorized by the Board.

### **Independence**

- The Board is composed of a majority of independent directors, and the Chairman of the Board is elected from the independent directors.
- The Corporate Governance and Nominating Committee and the Board review annually the financial and other relationships between the Directors and CBCO.

### **Resignation**

- Each director will offer his or her resignation upon a change in position or responsibility in his or her principal occupation. Continued service is subject to review and approval by the Corporate Governance and Nominating Committee and the Board.
- Employee directors are required to resign upon leaving CBCO. Continued service will be subject to review and approval by the Corporate Governance and Nominating Committee and the Board.

### **Director Compensation**

- Director compensation and stock ownership are periodically reviewed by the Corporate Governance and Nominating Committee and the Board.
- The Committee's review includes a comparison of CBCO's director compensation practices against the practices of financial services companies in our sector. The Committee's objectives include ensuring that directors have a proprietary stake in CBCO and that the interests of the directors continue to be closely aligned with the interests of the stockholders of CBCO.

### **Board and Committee Self-Assessment**

- The Board evaluates its performance regularly in executive session, and a self-assessment review is conducted at least annually.
- Each committee conducts a self-assessment of its performance against leading practices at least annually.

### **Access to Management and Independent Advisors**

- Management is available to directors to discuss matters of concern to directors and directors have regular access to senior management.
- The Board may retain independent advisors as it deems appropriate.

### **Interaction with Third Parties**

- Management is the primary voice of CBCO.

### **Evaluation of the CEO**

- The performance of the CEO is reviewed periodically by the Executive Compensation and Management Resources Committee and annually by the Board in executive session.

### **Management Resources and Succession**

- The CEO reports periodically on succession planning and management development, consistent with CBCO's strategies. The Board conducts an annual review of this planning and development.

### **Assurance of the Corporate Governance Processes**

- The Audit and Compliance Committee directs the Chief Audit Executive to review and report on Corporate Governance periodically. The Committee reviews performance against these guidelines and report to the Board annually.

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