

# CORPORATE GOVERNANCE AND NOMINATING GUIDELINES

*As Approved by the Board of Directors*

## COMPOSITION OF THE BOARD

### **1. Classification and Definition of Directors.**

The principal classifications of Directors are “Inside”, “Affiliated” and “Independent”.

The term “Inside Director” includes present officers who serve on the Board.

The term “Independent Director” includes those Directors who have no connection to the Company other than (i) service as a Director, or (ii) a depositary or borrower relationship as a customer of Sterling Bank in the ordinary course of its business.

The term “Affiliated Director” describes all other Directors.

The term “Outside Director” includes both Independent and Affiliated Directors.

It should be noted that somewhat different concepts of director “independence” and “disinterestedness” have been adopted by various regulatory agencies such as the Securities and Exchange Commission, the Nasdaq National Market and the Internal Revenue Service for use in contexts other than these Guidelines. These external definitions are not part of these Guidelines and should be consulted only for the specific purposes for which they are intended.

### **2. Mix of Directors.**

The Board believes that, as a matter of policy, there should be a majority of Independent Directors on the Company’s Board. The Board expects to have among its members a limited number of Inside Directors, but at least the Chief Executive Officer.

### **3. Size of the Board.**

It is the sense of the Board that a range of ten to sixteen is desirable. There may, however, be times when it is desirable to have more than sixteen, particularly during periods of transition when new Directors may “overlap” with retiring Directors.

### **4. Board Membership Criteria.**

The Governance and Nominating Committee is responsible for reviewing with the Board on an annual basis the appropriate skills and characteristics required for the Board in total. This should be compared with the skills and characteristics already represented on the Board.

The assessment should include an analysis of skills, such as understanding of finance, technology, and other knowledge needed on the Board, in total. It is important that Directors represent diverse points of view; but Directors should not represent specific constituencies.

**5. Former Chief Executive Officer's Board Membership.**

The Board believes that this is a matter to be decided in each individual instance. It is expected that when the Chief Executive Officer resigns from that position, he or she will offer to resign from the Board at the same time. Whether the individual continues to serve on the Board is a matter for discussion at that time with the new Chief Executive Officer and the Board.

A former Chief Executive Officer serving on the Board will be considered an Affiliated Director for purposes of Corporate Governance.

**6. Selection of New Director Candidates.**

The Board should be responsible for nominating candidates to become Directors, with the screening process involved delegated to the Board's Governance and Nominating Committee. Input may be solicited from the other Directors.

**7. Extending the Invitation to a New Potential Director to Join the Board.**

The invitation to join the Board should be extended by the Chairman of the Governance and Nominating Committee, who may choose to have the Chairman of the Board or the Chief Executive Officer participate in the invitation as well.

**8. Directors Who Change Their Present Job Responsibility.**

It is not the Board's view that Directors who retire or change from the positions they held when they joined the Board should necessarily leave the Board. There should, however, be an opportunity for the Board, through its Governance and Nominating Committee, to review the continued appropriateness of Board membership under the changed circumstances.

**9. Term Limits.**

The Board does not believe that it should establish term limits. While term limits could help to assure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contributions of Directors who have been able to develop, over a period of years, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

**10. Assessing Director Performance.**

All of the Outside Directors will be evaluated annually by the Governance and Nominating Committee. This evaluation will be the primary consideration to determine whether each Director is nominated for an additional term at the end of his/her respective term. Members of the Governance and Nominating Committee will not participate in evaluations of their own performance.

**11. Retirement Age.**

At each Annual Meeting of Shareholders, the successors to the class of Directors whose terms shall then expire shall be elected to hold office for a term expiring at the third succeeding annual meeting, except that no Director shall stand for reelection after reaching the age of 70.

**OPERATION OF THE BOARD**

**12. Assessing the Board's Performance.**

The Chairperson of each Board committee will report annually to the Board an assessment of his or her committee's performance. The report will include an analysis of the performance of the committee relative to its "Charter".

The reports will be discussed with the full Board, preferably at the same time as the Board discusses the Board membership criteria.

These reports will help in the assessment of the Board's contribution as a whole and will provide a review of specific areas in which the Board and/or management believe a better contribution could be made. The purpose of this process is to improve the effectiveness of the Board, not to target any individual Board members.

**13. Board Committees.**

Currently, the Company has four Board committees:

1. Governance and Nominating
2. Audit
3. HR Programs
4. Executive

**14. Assignment of Committee Members.**

The Governance and Nominating Committee is responsible, after consultation with the Chairman of the Board and with the Chief Executive Officer, and with consideration of the desires of individual Board members, for the assignment of Board members to various committees, subject to Board approval. Committee chairpersons will be chosen in similar fashion.

**15. Frequency and Length of Committee Meetings.**

The Chairperson of each committee, in consultation with committee members and with input from management and consistent with regulations, will determine the frequency and length of the meetings of the committee.

**16. Committee Agendas.**

The Chairperson of each committee, in consultation with committee members and appropriate members of management and staff, will develop the committee's agenda.

**17. Selection of Agenda Items for Board Meetings.**

The Chairman of the Board and the Chief Executive Officer will propose the agenda for each Board meeting. Each Board member is free to suggest the inclusion of item(s) on the agenda.

**18. Board Materials Distributed in Advance.**

It is the sense of the Board that information and data that are important to the Board's understanding of the business of the meeting should, when practical, be distributed in writing to the Board before the Board meets. Management of the Company will make every effort to see that this material is as brief as possible while still providing the desired information.

**19. Executive Sessions of Independent Directors.**

The Independent Directors will meet in Executive Session as required by regulations. The Chairman of the Governance and Nominating Committee will schedule the meetings and will preside.

**20. Board Compensation.**

It is the Company's policy to compensate Outside Directors competitively relative to comparable companies.

Inside Directors receive no additional compensation for Board service.

**BOARD INTERACTION WITH MANAGEMENT**

**21. Presentations.**

It is the sense of the Board that presentations by senior management are beneficial not only in providing information to the Board but also in giving Board members an opportunity to evaluate these persons.

**22. Attendance of Non-Directors at Board Meetings.**

The Board specifically encourages management, from time to time, to bring into Board meetings managers who:

- a. can provide additional insight into the items being discussed because of personal involvement in these areas and/or
- b. appear to management to be persons with future potential who should be given exposure to the Board.

Such non-Directors will normally only attend their part of a Board meeting.

**23. Board Access to Senior Management.**

Board members have complete access to management of the Company and are encouraged to make regular contact.

Board members are normally expected to inform the Chief Executive Officer prior to contacting other members of management on any substantive matter, if the contact could be perceived as infringing on the responsibilities of the Chief Executive Officer. Members, however, are not expected to inform the Chief Executive Officer that they are contacting other members of management regarding the normal activities of their Board committees.

**24. Board Interaction with Institutional Investors, the Press, Customers, Etc.**

The Board believes that the Chief Executive Officer and his or her designees speak for the Company.

Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company at the request of management.

**25. Formal Evaluation of the Chief Executive Officer.**

Annual evaluations will be conducted by a group of Independent Directors including the Chairman of the Governance and Nominating Committee, the Chairman of the Audit Committee and the Chairman of the Human Resources Programs Committee. The Chairman of the Governance and Nominating Committee will chair this process and will communicate the evaluation to the Chief Executive Officer.