



**BOARD OF DIRECTORS  
GOVERNANCE STANDARDS**

Reviewed May, 2019

**CORPORATE GOVERNANCE GUIDELINES**

**PURPOSE**

- The following Corporate Governance Guidelines (“Guidelines”) have been adopted by the Board of Directors (“Board”) of First Interstate BancSystem, Inc. (“Company”) to assist the Board in the exercise of its responsibilities. These Guidelines reflect the Board’s commitment to monitor the effectiveness of policy and decision-making both at the Board and Executive Officer level, and to enhance shareholder value over the long term.
- These Guidelines are a statement of policy and are not intended to change or interpret any federal or state law or regulation, including the Montana Business Corporation Act, or the Articles of Incorporation or Bylaws of the Company. The Guidelines are subject to review by the Governance and Nominating Committee of the Board not less than annually and to modification from time to time by the Board.

**BOARD MISSION AND RESPONSIBILITIES**

- **Mission Statement** - The Board has overall responsibility for the Company. The Board is accountable to the shareholders to build long-term financial performance and value in the Company and to assure that the Company operates consistently with its vision, mission and values. Even though the primary constituents of the Board are the shareholders of the Company, the Company has a long and distinguished history in its region. The Board believes it is important to maintain the Company’s reputation and to consider other constituencies, including the Company’s:
  - Customers;
  - Employees;
  - Communities served; and
  - Regulators.
- **Corporate Authority** - All corporate authority resides in the Board as the representative of the shareholders. The Board may delegate authority to Board committees (“Committees”) and the CEO or his designate to pursue the Company’s mission.

- **Board Responsibilities** - The Board is responsible to evaluate regularly the effectiveness of Management in the execution of the Company's mission and business strategies. The Board is responsible for the operation of the Company in compliance with applicable laws and regulations. The Board's responsibilities include:
  - Identifying organizational vision, mission and values on behalf of the shareholders;
  - Defining the scope of responsibilities of the Board Officers, including the Chairman
  - Evaluating the Board Officers;
  - Hiring and evaluating the CEO;
  - Ensuring Management succession;
  - Providing guidance, counsel, and direction to Management in formulating and evaluating operating strategies and plans;
  - Monitoring performance of the Company against established criteria;
  - Ensuring prudence (safety and soundness) and adherence to ethical practices, ensuring compliance with federal and state common and statutory law, ensuring that full and fair disclosure is provided to shareholders, regulators and other constituents;
  - Exercising all powers reserved to the Company in the Articles of Incorporation or Bylaws of corporations, Articles of Organization or Operating Agreements of limited liability companies and Partnership Agreements of partnerships in which the Company is a shareholder, member or partner; and
  - Establishing policies for Board operations.

The Board and its Committees will perform their duties in accordance with the First Interstate Vision, Mission and Values and with various policies, which will be set forth in writing and reviewed regularly by the Board. The Board is responsible for the administration of each of these policies and has the sole authority to amend the policies or to grant waivers of their provisions.

The Board also has the responsibility of overall risk management of the Company. Additional policies critical to risk management have been delegated to the Risk Committee of the Board of Directors and the Board of Directors of First Interstate Bank, a wholly owned subsidiary of the Company.

- **Individual Director’s Responsibilities** - The basic responsibility of a Director is to exercise his or her business judgment and to act in a manner that he or she believes to be in the best interest of the Company and its shareholders. The responsibilities of each Director include:
  - Seeking the knowledge and skills to provide strategic insight and direction, encouraging innovation, understanding key industry trends and evaluating strategic decisions;
  - Staying current on critical issues facing the financial services industry and the communities the Company serves;
  - Using care and prudence in the administration of the Company’s affairs;
  - Preparing for, attending and actively participating in all Board and assigned Committee meetings;
  - Keeping abreast of the Company’s affairs, including its financial condition, management, examination reports, audits and other important matters;
  - Acting in good faith;
  - Fulfilling the duty of loyalty to the Company and always acting in the interest of the Company and not in the Director’s personal interest or the interest of any other individual or entity that is contrary to the interest of the Company;
  - Dealing in confidence with all matters involving the Company until such time that there has been a general public disclosure of such matter;
  - Demonstrating high ethical standards and integrity in personal and professional dealings; and
  - Contributing personally to the accomplishment of the Board’s mission.
  
- **Lead Director Responsibilities** - The responsibilities of the Lead Director include:
  - Presiding over and call meeting of independent directors no less than twice a year and more often as necessary and appropriate and apprise Chairman of issues considered and decisions, suggestions, or recommendations made;
  - Presiding at Board meeting in absence of Chairman;
  - Being available as requested for consultation or communication with major shareholders and Scott family members;
  - Serving as liaison between Chairman, management, and independent directors as well as between Scott family and independent directors; and

- Performing such additional duties as the Board or independent directors may from time to time delegate.

Directors are expected to maintain an attitude of constructive involvement and oversight. Directors are expected to ask incisive, probing questions and require accurate, honest answers. Directors are expected to act with integrity and demonstrate a commitment to the Company, its values and its business plan and long-term shareholder value.

The Company will provide each Director certain financial and other information on a regular basis, including quarterly and annual reports, proxy statements and press releases. Each Director should review this information carefully, note any questions and ask them at the appropriate Board or Committee meeting.

A Director should not hesitate to ask questions, to request additional information (including from Management and from the Company's auditors) and, in particular, to ask for the facts and any assumptions underlying conclusions and opinions presented to the Board. If a Director feels, after considering all of the pros and cons and asking questions, that a particular matter presented to the Board or a Committee is not in the best interest of the Company, he or she should speak and vote against the matter. In this regard, the Montana Business Corporation Act provides that unless a Director who is present at a meeting announces his or her dissent at a meeting or files such dissent with the presiding officer immediately after adjournment of the meeting, he or she is presumed to have assented to the action. If a Director does not agree with an action proposed to the Board or a Committee, it is important that he or she make certain his or her dissent is properly recorded in the minutes.

Each Director is expected to review and fully comply with the rules and guidelines set forth in the Company's Code of Ethics.

## **BOARD STRUCTURE**

- **Number of Directors** - According to the Company's Bylaws, the Board must consist of at least 5 but not more than 18 members. The Board believes this range permits diversity of experience without hindering effective discussion or diminishing individual accountability.
- **Board Composition** - Independent Directors shall constitute a majority of the Board. An Independent Director is one who, in the opinion of the Board, is free from any relationship that would interfere with the exercise of independent judgment as a Director in carrying out the responsibilities of a Director. For purposes of Board composition, a director will not be considered "Independent" if the director or any "Family Member"\* within the prior three years:
  - Is or was an employee (or an executive officer, in the case of a Family Member) of the Company or any parent or subsidiary of the Company;

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\* The term "Family Member" is used as defined by NASDAQ Marketplace Rules.

- Has or had, in the opinion of the Board, a Material Relationship that would impair the Director’s judgment. A Director or Family Member is deemed to have a “Material Relationship” if he or she:
  - Accepts any payments from the Company or any parent or subsidiary of the Company in excess of \$120,000 during the current fiscal year and any of the past three fiscal years, other than compensation for Board service, payments arising solely from investments in the Company’s securities, compensation paid to a Family Member who is an employee (but not an executive officer) of the Company or a parent or subsidiary of the Company, benefits under a tax-qualified retirement plan, or non-discretionary compensation. Fees paid to Directors for service as such are not considered compensation within the definition of Material Relationship, including additional fees paid to the Chairman of the Board, the Lead Director, the Committee Chairs and Directors serving on First Interstate Bank Committees for service in those positions;
  - Is a partner in, or a controlling shareholder or an executive officer of, any organization to which the company made, or from which the Company received, payments (other than those arising solely from investments in the Company’s securities) that exceed 5% of the recipient’s consolidated gross revenues for that year, or \$200,000, whichever is more, in the current fiscal year or any of the past three fiscal years;
  - Is employed as an executive officer of another entity where any of the executive officers of the Company serve on the compensation committee of such other entity, or if such relationship existed during the past three years; or
  - Is or was a partner or employee of the Company’s outside auditor, and worked on the Company’s audit, during the past three years.
- **Committees** - The standing Committees of the Board shall be the Executive Committee, Governance and Nominating Committee, Audit Committee, Compensation Committee, Credit Committee, Risk Committee, and Technology Committee.

Each Committee shall follow and satisfy the provisions and guidelines set forth in its respective Charter.

- **Audit Committee** - The members of the Audit Committee must be Independent Directors. In addition, each member of the Audit Committee must not be:
  - a recipient, directly or indirectly, of any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries; or
  - an affiliated person (other than as a Director) of the Company; provided that a member who is not an executive officer or beneficial owner of more than 10% of any class of

security is deemed not to be an affiliated person.

For purposes of determining whether a member of the Audit Committee satisfies the first qualification above, indirect receipt by a member of the Audit Committee of any consulting, advisory or other compensatory fee includes acceptance of such a fee by a spouse, minor child or stepchild or a child or stepchild sharing a home with the member or by an entity in which such member is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position and which provides accounting, consulting, legal, investment banking or financial advisory services to the Company or any of its subsidiaries.

- **Subsidiary Boards** - The boards of directors of the Company's subsidiaries have the responsibilities and duties afforded to a board of directors under state law. Additionally, the Board has charged the boards of directors of the Company's subsidiaries with responsibilities as set forth in the board charter of the respective subsidiary. The chair of the subsidiary or the CEO is responsible for reporting on the Company's subsidiary activities to the Board.
- **Advisory Boards** - First Interstate Bank has Advisory Boards that are responsible for providing advice and community contact to the Bank's branch offices.

#### **DIRECTOR ELECTION, TERMS, ETC.**

- **Nominees for Election to the Board** - The entire Board shall be responsible for nominating candidates for election to the Board at the Company's annual meeting of shareholders and for filling vacancies on the Board that may occur between annual meetings of shareholders. The Governance and Nominating Committee is responsible for identifying, screening and recommending candidates, including a Lead Director, to the entire Board. When formulating its Board membership recommendations, the Governance and Nominating Committee may also consider any advice and recommendations offered by the CEO, the shareholders of the Company or any outside advisors the Governance and Nominating Committee may retain. When selecting a Lead Director, the Governance and Nominating Committee shall select a candidate for recommendation to the full board from all independent directors having in mind the ability to fulfill responsibilities and not detract from committee or other responsibility.

Historically, the Company has been majority owned and controlled by the lineal descendants of Homer A. and Mildred S. Scott and their families. The Scott family, through its Family Council, makes recommendations to the Governance and Nominating Committee with respect to nominees to the Board from the Scott family. The Governance and Nominating Committee gives due and significant consideration to the recommendations made by the Family Council with respect to such seats on the Board.

Subject to the foregoing, nominees for director positions shall be selected on the basis of broad experience, wisdom, integrity, ability to make independent analytical inquiries, understanding of

the Company's business environment, and willingness to devote adequate time to Board duties. Board members are expected to rigorously prepare for, attend, and participate in all Board and applicable committee meetings. Board members are expected to ensure that other existing and planned future commitments do not materially interfere with their service as a Director.

- **Retirement** - No Director may stand for re-election to the Board after he or she has reached the age of 72 unless the director having reached the age of 72 is recommended, due to special circumstances then existing, to the Board by the Governance & Nominating Committee and his or her candidacy is approved by the Board.
- **Term and Term Limits** - Each Director holds a three-year term. There are no term limits for Directors. The Governance and Nominating Committee is responsible for monitoring composition, length of service and rotation of members of each committee. The term for the Lead Director shall be a one year term subject to reappointment on recommendation of the Governance and Nominating Committee and approval by the Board for not more than three consecutive terms.
- **Changes in Professional Responsibility** - If a Director's principal position, status or employment should substantially change, the Director must submit his or her resignation to the Governance and Nominating Committee. The Governance and Nominating Committee shall make a recommendation to the Board regarding acceptance of such resignation by the Board.
- **Director Compensation** - From time to time, the Compensation Committee will review Director compensation and make recommendations to the entire Board for its consideration and approval. The Compensation Committee will evaluate whether the Directors' fees and incidental benefits exceed what is customary. When setting Director compensation, the Board will evaluate the level of Director compensation so as to not cause lack of independence of the Independent Directors. The Executive Officers shall not receive additional compensation for their services as Directors.
- **Outside Board Memberships** - Directors are expected to notify the Chairman of the Board or the Chairman of the Governance and Nominating Committee before accepting a seat on the board or a similar position of another business corporation or other entity, in order to avoid potential conflicts. The CEO and other management members of the Board must seek approval of the Chairman of the Board or the Chairman of the Governance and Nominating Committee before accepting outside board memberships.
- **Review of Orientation Information** - Each Director, upon election to the Board, will be provided the Company's orientation materials and attend the Company's orientation program for new Directors.
- **Continuing Education** - A Director should keep informed not only about the Company and its activities, but also about the community and the industry conditions affecting banking and financial services companies generally, as well as the principal businesses in which the Company

is involved. Each Director is expected to participate in continuing education programs pertinent to service on the Board. To facilitate this participation, the Company will endeavor, through the Corporate Secretary's office, to make the Directors aware of available director education programs and will pay the reasonable expenses of any Director attending approved director education programs. The Board will, in association with Board meetings, periodically present education programs from internal and external sources and Committee Chairmen are encouraged to utilize Committee meetings to introduce timely educational topics or information associated with Committee priorities and goals.

- **External Relations** - Directors are not expected and are generally not requested to speak for the Company or otherwise communicate with the various constituencies of the Company. The Chairman of the Board shall speak for the Board of Directors when necessary. The Board believes that Management generally should speak for the Company consistent with all regulations governing such communications and with common sense. The Chief Executive Officer shall speak for the Company when necessary.

## **BOARD OPERATIONS**

- **Meetings** - Meetings of the Board are held regularly as decided by the Board.
- **Meeting Attendance** - Except in extenuating circumstances, each Director is expected to attend all meetings of the Board and of any Committee to which he or she is appointed.
- **Director Voting** – Directors shall not be entitled to vote by proxy. Directors must be present at a meeting, must participate in a means of communication by which all directors participating may simultaneously hear each other during the meeting, or must sign a written consent signed by all members of the Board in order to vote.
- **Board Agenda** - The Chairman and the CEO will set the agenda for each Board meeting, taking into account input and suggestions from the other Directors.
- **Strategic and Capital Planning** - The Board or Executive Committee will annually review the Company's strategic and capital plans. The Board will evaluate and monitor the Company's strategic and capital plans.
- **Independent Advice** - The Board and any of its Committees may hire independent advisors, including lawyers, accountants and financial experts, in order to assist in carrying out the duties of the Board or Committees and the Company will pay the reasonable fees and expenses of those advisors.
- **Access to Top Management** - Directors shall have reasonable access to and are free to contact members of management. Directors may, at their discretion, discuss corporate issues or matters directly with members of management.



- **Attendance of Guests at Board Meetings** - Corporate officers, consultants, outside counsel or representatives of the Company's outside auditors who are to make presentations to the Board or Committees, or who are available to respond to inquiries, may be invited to attend the portion of the Board meeting or Committee meeting that relates to their participation, at the discretion of the Chairman of the Board or applicable Committee Chairman. Members of Management, other employees of the Company, and Scott family members may be invited to attend all or portions of a Board meeting, at the discretion of the Chairman of the Board. The Board may adopt and maintain from time to time a Board Observer Policy in its discretion.
- **Executive Meetings of Non-Management Directors** - The Board's policy is to have a separate regularly scheduled meeting time for the Non-Management Directors during the regularly scheduled Board meetings at least twice a year.
- **Distributing Board Meeting Materials in Advance of Meeting** - The preliminary agenda for each Board meeting and each Committee meeting and supporting materials of matters to be acted upon by the Board or Committee will generally be sent to each Director sufficiently in advance of such meeting. Directors should carefully review Board and committee meeting agendas and related materials in advance of meetings to enable them to participate in an informed manner.
- **Board Evaluations** - The Governance and Nominating Committee will conduct an annual review of the performance of the Board and each Committee and review each Committee's objectives, as stated at the beginning of each fiscal year, and compare those stated objectives to the results and time expended to achieve such results at the end of that year. In addition the Governance and Nominating Committee shall conduct a review of each director once during each term such director serves. The Governance and Nominating Committee will be responsible for establishing the evaluation criteria and implementing the evaluation process. Such assessment will be discussed with and presented to the full Board.
- **Selection of Chairman of the Board and CEO** - The Board shall be responsible for electing Board officers, including the Chairman, a lead Independent Director, and the CEO. The Governance and Nominating Committee shall be responsible for recommending candidates for Board positions to the Board and the Compensation Committee shall be responsible for recommending candidates for the positions of CEO to the Board. It is the Company's policy that the positions of Chairman of the Board and CEO to be held by separate people, except in special circumstances approved by the Board.
- **CEO Evaluation** - The Board shall conduct an ongoing evaluation of the CEO. The evaluation of the CEO is to be accomplished through the following process:
  - The CEO meets with the Compensation Committee to develop appropriate goals and objectives for the next year, which are then discussed with the entire Board.
  - At mid-year and at year end, the Compensation Committee, with input from the Board, evaluates the performance of the CEO in meeting those goals and objectives.

- This evaluation is communicated to the CEO by the Chairman of the Board or the Chairman of the Compensation Committee.
- The Compensation Committee uses this evaluation in determining the CEO's compensation.
- **Management Succession and Planning** - The Board will coordinate with the CEO to ensure that a plan of succession is in place for the CEO and other Executive Officer positions at all times and that a formalized process governs long-term management development and succession. The CEO will report to the Board annually about development of Executive Officers and a plan for succession for the Executive Officers. The CEO will review Executive Officer succession with the Board without the presence of the employee Directors and any other corporate officers, with the exception of the Human Resources Officer.

#### **BOARD MEMBER SKILLS, KNOWLEDGE AND EXPERIENCE EXPECTATIONS**

- Individual Director Skills, Knowledge and Experience - The Board expects that each individual board member shall:
  - Have a demonstrated record of making good business decisions in a management or ownership position;
  - Be financially literate, know how to read financial statements and related notes and should understand the use of financial ratios and industry measures for evaluating company performance;
  - Have a history of achievements in a management or ownership position that reflect high standards for themselves and others;
  - Understand and stay current on general management “best practices” and their application in complex, rapidly evolving business environments;
  - Understand and possess empowerment and mentoring skills and have a history of motivating high-performing talent;
  - Have the skills and capacity to provide strategic insight and direction by encouraging innovation, conceptualizing key trends, evaluating strategic decisions and continuously challenging the organization to sharpen its vision;
  - Have an ability to define and resolve complex problems, display original thinking, and meet challenges with resourcefulness;
  - Understand the economies of the region and communities the Company serves;
  - Be able to communicate clearly and effectively, including listening while others speak and seeking to understand other points of view;

- Have a knowledge and understanding of working cooperatively and collegially in a board or committee setting, while maintaining an independent, objective and inquiring focus;
- Have the time available to participate fully in board matters and to keep abreast of economic, regulatory and related changes impacting the company and board responsibilities;
- Have and maintain a respected reputation in the community in which he/she lives and the profession in which he/she works;
- Have the integrity and personal conviction to bring critical, sensitive topics to the group for discussion if that person feels it is in the best interest of the organization;
- Understand the key issues, dynamics and trends affecting the Company, its business and the banking industry in general;
- Understand the fiduciary obligations and other legal requirements and duties of a public company director; and
- Possess characteristics of diversity in terms of race, gender, beliefs, background, education or experience that will contribute to the overall good of the board.