

# First US Bancshares, Inc.

## Guidelines on Significant Governance Issues

SUBMITTED BY: Nominating and Corporate  
Governance Committee

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**FIRST US BANCSHARES, INC.**  
**GUIDELINES ON SIGNIFICANT GOVERNANCE ISSUES**

**Mission of the Board of Directors.** The responsibility of the Board of Directors (the “Board”) of First US Bancshares, Inc. (the “Company”) is to review and regularly monitor the effectiveness of the Company’s fundamental operating, financial and other business plans, policies and decisions, including the execution of its strategies and objectives, as well as to exercise oversight of management’s risk management of the Company. The Board will seek to enhance shareholder value over the long term.

The Board believes that its objectives will be best served by following the fundamental corporate governance principles described in these Guidelines on Significant Governance Issues (“Guidelines”) and the charters of the Board’s various committees. Collectively, these principles demonstrate the Board’s accountability and its desire that the Company achieve superior business results.

These Guidelines are not intended to change or interpret any law or regulation, or the Certificate of Incorporation or Bylaws of the Company. Rather, these Guidelines are intended to provide a set of flexible guiding principles for the effective functioning of the Board. The Board may modify or amend these Guidelines and the authority and responsibilities of the Board described herein at any time.

**1. STRUCTURE OF THE BOARD**

**1.1 Size.** The Certificate of Incorporation and the Bylaws of the Company provide that the number of directors shall be between three (3) and twenty-five (25), and the size of the Board may be adjusted by the Board to reflect the changing needs of the Company. Between annual shareholder meetings, the Board may appoint directors to vacancies or newly created positions.

**1.2 Independence of Directors.** A majority of the directors on the Board must be independent directors. An “independent director” means a person who the Board has affirmatively determined is independent in accordance with applicable NASDAQ listing standards. Each director’s status under this definition should be reviewed annually by the Nominating and Corporate Governance Committee (the “Nominating Committee”) and the Board. Each director should keep the Nominating Committee fully and promptly informed as to any developments that might affect the director’s independence.

**1.3 Board Membership Criteria.** The Nominating Committee is responsible for recommending to the Board the types of skills and characteristics required of directors, based on the needs of the Company from time to time. This assessment should include issues of relevant experience, intelligence, independence, commitment, integrity, diligence, conflicts of interest, age, diversity, compatibility with the Company’s other Board members and management team, understanding of the Company’s business and culture, the ability to act in the best interests of the shareholders, and other factors deemed relevant. The backgrounds and qualifications of the directors, considered as group, should provide a significant composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities. The Nominating

Committee should confer with the full Board as to the criteria that it intends to apply before a search for a new director is commenced.

**1.4 New Director Candidates.** The Board will nominate new directors only from candidates identified, screened and approved by the Nominating Committee. Any invitation to join the Board should be extended through the Chairperson of the Nominating Committee, and any ultimate nomination shall be subject to full Board approval. The procedures for shareholders to recommend director candidates are set forth below in Section 5.3.

**1.5 Term of Board Service.** Each director will stand for election every year. Term limits for Board membership are not necessary, however, no director should have an expectation of permanent membership. As an alternative to term limits, the Nominating Committee will formally review each director's continuation on the Board every year. This also will allow each director the opportunity to confirm his or her desire to continue as a member of the Board.

**1.6 Service on Other Boards.** It is expected that, before accepting another board position, a director shall (i) consider whether that service may compromise his or her ability to perform his or her responsibilities to the Company and (ii) provide the Chairperson of the Board with adequate advance notice. Directors should avoid service on boards and/or committees of other organizations that create, or raise the appearance of, a conflict of interest.

**1.7 Retirement Age.** After reaching 75 years of age, a non-employee director may complete his or her current term on the Board but cannot be nominated again for reelection or reappointment to the Board.

**1.8 Board Compensation.** Management should report periodically to the Compensation Committee about the status of Board compensation in relation to board compensation paid by other comparable companies. Director fees and benefits should be determined with appropriate reference to the fees and benefits for directors of comparable companies.

## **2. BOARD PROCEDURAL MATTERS**

**2.1 Selection of Chairperson.** Any director is eligible to be Chairperson of the Board. The Chairperson shall be elected by a majority of the Board, at the recommendation of the Nominating and Corporate Governance Committee. The principal duty of the Chairperson is to lead and oversee the Board, and the Chairperson shall preside at all meetings of the Board and the shareholders. The Board does not have a fixed policy as to whether the role of the Chief Executive Officer and Chairperson of the Board should be separate. The Board should be free to make these choices in any manner that it deems best for the Company from time to time. If the individual elected as Chairperson of the Board is not independent under applicable NASDAQ listing standards, the Board believes that a lead independent director (the "Lead Independent Director") should be elected pursuant to the Company's Lead Director Charter to help ensure robust independent leadership on the Board.

**2.2 Selection of Vice Chairperson.** Any director is eligible to be Vice Chairperson of the Board. The Vice Chairperson shall be elected by a majority of the Board, at the recommendation

of the Nominating and Corporate Governance Committee. The Vice Chairperson shall serve in the absence of the Chairperson at any meeting or facilitate any other responsibility as prescribed by the Chairperson.

### **2.3 Board Meetings.**

- (a) **Agenda.** The Chairperson of the Board, in consultation with Company management and the Lead Independent Director (if any), will establish, and the Secretary of the Company will distribute in advance, the agenda for each Board meeting. Any director is free to suggest potential items for the agenda. An overall calendar (with dates and times) for the full Board and each committee should be disseminated annually.
- (b) **Frequency of Meetings.** The Board expects to have at least four regularly scheduled meetings each year. In addition, special meetings may be called from time to time as determined by the needs of the Company's business.
- (c) **Executive Sessions of Independent Directors.** The independent directors will meet in executive session at least twice annually and otherwise as needed. The Lead Independent Director (if any) shall also be authorized to call meetings of the independent directors. Such sessions will be chaired by the Chairperson of the Board, if such individual is independent under applicable NASDAQ listing standards, by the Lead Independent Director, if the Chairperson is not independent under applicable NASDAQ listing standards, or, in the absence of an independent Chairperson or a Lead Independent Director, by an independent director selected by a majority of the independent directors. The chairperson of the meetings of the independent directors will also establish agendas for such meetings
- (d) **Governance Decisions.** Decisions on matters of corporate governance will be made with the approval of a majority of the independent directors.
- (e) **Conflicts of Interest.** Each director is required to disclose to the Board and the Audit Committee any financial interest or personal interest that he or she has in any contract or transaction that is being considered by the Board (or the Audit Committee) for approval. After such disclosure and responding to any questions that the Board and the Audit Committee may have, the interested director should abstain from voting on the matter and, in most cases, should (and at the request of the chairperson of the meeting will) leave the meeting while the remaining directors discuss and vote on such matter.

**2.4 Counsel and Advisors.** The Board and each of its committees may retain outside legal counsel and other advisors at their discretion and at the expense of the Company.

### **2.5 Expectations of Directors.**

- (a) **Attendance; Availability.** Each director should make every reasonable effort to attend each meeting of the Board and any committee of which the director is a member, and to be reasonably available to management and the other directors for consultation between meetings. In particular, directors should attend sufficient meetings to avoid falling below the attendance level that would require disclosure in the Company's annual proxy statement.
- (b) **Attendance at Annual Meeting of Shareholders.** Absent extenuating circumstances, each director is expected to attend the Company's annual meetings of shareholders.
- (c) **Corporate Opportunities.** Directors shall make business opportunities relating to the Company's business available to the Company before pursuing the opportunity for the director's own or another's account.
- (d) **Stock Ownership.** Directors should be shareholders and have a financial stake in the Company. Directors are required to own at least 400 shares of the Company's stock.
- (e) **Orientation and Education.** When a new director joins the Board, management will provide an orientation program to enable the new director promptly to gain an understanding of the Company and its industry. The Board expects each director to take steps reasonably necessary to be adequately informed about the Company and external matters affecting it and to enable the director to function effectively on the Board and committees on which the director serves. The Board, through the Nominating Committee, and the Company's management will work together to develop and provide appropriate continuing education programs to assist directors in developing and maintaining skills necessary or appropriate for the performance of their responsibilities.

### 3. COMMITTEE MATTERS

**3.1 Number, Titles and Charters of Committees.** The current standing Board committees are (a) the Audit Committee, (b) the Compensation Committee, (c) the Nominating Committee and (d) the Executive Committee. This structure meets the Company's present needs. The current charters of the committees are made available on the Company's website. Each committee should review its charter and activities annually, with the assistance of inside or outside counsel and advisers, as appropriate, to make certain that they are consistent with then-current sound governance practices and legal requirements.

**3.2 Independence of Committees.** All members of the Audit, Compensation and Nominating Committees must be independent directors.

**3.3 Assignment of Committee Members.** The Nominating Committee is responsible, after consideration of the desires of individual directors, for recommending to the Board for approval the assignment of directors to various committees.

**3.4 Committee Chairpersons and Vice Chairpersons.** Independent directors shall serve as chairpersons and vice chairpersons of the standing Board committees, except non-independent directors may serve as chairperson and/or vice chairperson of the Executive Committee. The Nominating Committee shall recommend to the Board directors to serve as committee chairpersons and vice chairpersons.

**3.5 Frequency and Length of Committee Meetings.** Each committee chairperson, in conformity with such committee’s charter and in consultation with committee members, will determine the frequency and length of each committee’s meetings.

**3.6 Committee Agenda.** Each committee chairperson, in consultation with the appropriate members of the committee and management, will develop the committee’s agenda.

**3.7 Attendance at Committee Meetings.** Attendance of non-committee persons at committee meetings will be at the pleasure of the committee. Committees should meet in executive session on a periodic basis.

**3.8 Minutes and Reports.** Minutes of each committee meeting or action will be kept and made available to the Board. Each committee will report regularly to the Board on substantive matters considered and actions taken by the committee.

**3.9 Term of Committee Service.** Formal term limits for committee membership are not necessary; however, no committee member should have an expectation of permanent membership.

**3.10 Self-Evaluation.** Each committee shall be responsible for conducting a self-evaluation on a periodic basis. The Nominating Committee will be responsible for monitoring the processes and evaluation criteria established by each committee. The results of any such evaluation will be reported to the full Board.

#### **4. MANAGEMENT DEVELOPMENT MATTERS; SUCCESSION PLANNING**

**4.1 Succession Planning and Management Development.** The Board shall regularly review leadership development initiatives and short- and long-term succession plans for the Company’s Chief Executive Officer (the “CEO”) and other senior management positions, including in the event of unanticipated vacancies. The Board is responsible for the selection of the CEO.

**4.2 Annual Review of CEO Performance.** The Board, acting in conjunction with the Compensation Committee, will annually conduct an evaluation of the performance of the CEO against the Company’s goals and objectives. The Board shall oversee such evaluation, and the Compensation Committee shall determine and approve, or recommend to the Board for approval, the CEO’s compensation level based on this evaluation.

#### **5. OTHER MATTERS**

**5.1 Policy Against Company Loans.** Neither the Company nor any of its subsidiaries shall

provide loans or loan guarantees, or otherwise directly or indirectly extend credit, to any executive officer or director of the Company if such loans, guarantees or extensions of credit would violate Section 13(k) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Because the Company’s subsidiary, First US Bank, is an insured depository institution, the subsidiary may make loans to officers and directors of the Company that are subject to the insider lending restrictions of Section 22(h) of the Federal Reserve Act. Furthermore, payment advances or reimbursement for expenses will not be deemed a violation of the foregoing policy.

**5.2 Board Access to Management.** Directors shall have complete access to management.

**5.3 Director Nominees Proposed by Shareholders.**

- (a) Shareholders of the Company may recommend director candidates for inclusion by the Board of Directors in the slate of nominees that the Board recommends to the Company’s shareholders for election. The qualifications of recommended candidates will be reviewed by the Nominating Committee. If the Board determines to nominate a shareholder-recommended candidate and recommends his or her election as a director by the shareholders, then the name will be included in the Company’s proxy materials for the shareholders meeting at which his or her election is recommended.
- (b) Shareholders may recommend individuals for the Nominating Committee to consider as potential director candidates by submitting the following information not less than 120 calendar days before the anniversary of the release date of the previous year’s annual meeting proxy statement to the “Nominating and Corporate Governance Committee of First US Bancshares, Inc.” c/o Corporate Secretary of First US Bancshares, Inc., 131 West Front Street, P.O. Box 249, Thomasville, Alabama 36784:
  - (i) The name of the person recommended as a director candidate;
  - (ii) All information relating to such person that is required to be disclosed in solicitations of proxies for the election of directors pursuant to Regulation 14A under the Exchange Act;
  - (iii) The written consent of the person being recommended as a director candidate to being named in the proxy statement as a nominee and to serve as a director if elected;
  - (iv) As to the shareholder making the recommendation, the name and address, as they appear on the Company’s books, of such shareholder; provided, however, that if the shareholder is not a registered holder of the Company’s common stock, then the shareholder should submit his or her name and address along with a current written statement from the record holder of the shares that reflects ownership of the Company’s common stock; and

- (v) A statement disclosing whether such shareholder is acting with or on behalf of any other person and, if applicable, the identity of such person.

The Nominating Committee will consider a recommendation only if appropriate biographical information and background material is provided on a timely basis.

- (c) The process followed by the Nominating Committee to identify and evaluate candidates includes requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the Nominating Committee and the Board. Assuming that appropriate biographical and background material is provided for candidates recommended by shareholders, the Nominating Committee will evaluate those candidates by following substantially the same process, and applying substantially the same criteria, as for candidates submitted by Board members.
- (d) In considering whether to recommend any candidate for inclusion in the Board's slate of recommended director nominees, including candidates recommended by shareholders, the Nominating Committee will apply the selection criteria set forth in Section 1.3 of these Guidelines. The Nominating Committee does not assign specific weights to particular criteria, and no particular criterion is necessarily applicable to all prospective nominees. The Board believes that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities.

#### **5.4 Shareholder Communications with the Board.**

- (a) The Board will give appropriate attention to written communications on issues that are submitted by shareholders, and will respond if and as appropriate. Absent unusual circumstances or as contemplated by committee charters, the Chairperson of the Nominating Committee will (1) be primarily responsible for monitoring communications from shareholders and (2) provide copies or summaries of such communications to the other directors as he or she considers appropriate.
- (b) Communications will be forwarded to all directors if they relate to substantive matters and include suggestions or comments that the Chairperson of the Nominating Committee considers to be important for the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to personal grievances.
- (c) Shareholders and other interested parties who wish to send communications on any topic to the Board should address such communications to the Chairperson of the Nominating Committee, c/o Corporate Secretary of First US Bancshares, Inc., 131 West Front Street, P.O. Box 249, Thomasville, Alabama 36784. All



communications to the Company's directors will be relayed to the Nominating Committee without being screened by management.

**5.5 Board Interaction with Third Parties.** Management should coordinate all contacts with outside constituencies concerning the Company, such as the press, customers, investors, analysts or the financial community. If an individual director intends to meet or otherwise substantively communicate with these constituencies about Company matters, then this should be done only after consulting with the CEO.

**5.6 Amendments of Guidelines.** The Nominating Committee will review these Guidelines at least annually to ensure that they remain suitable for the needs of the Company. The Nominating Committee will recommend needed changes to the Board. The Board may modify, amend, waive, suspend or repeal any of these Guidelines and the authority and responsibilities of the Board herein at any time as it deems necessary or appropriate.