

# CORPORATE GOVERNANCE GUIDELINES

OF

## ALERUS FINANCIAL CORPORATION

### I. PURPOSE

The Board of Directors (the “**Board**”) of Alerus Financial Corporation (the “**Company**”), acting on the recommendation of its Nominating and Corporate Governance Committee (the “**Committee**”), has developed and adopted the following Corporate Governance Guidelines (the “**Guidelines**”). The Board has overall responsibility for building the Company’s long-term financial performance and for determining that the Company is managed in such a way to achieve this result. These Guidelines promote the functioning of the Board and its committees and set forth a common set of expectations as to how the Board should perform its functions.

### II. BOARD MEMBERSHIP

*Size of Board.* The Second Amended and Restated Certificate of Incorporation of the Company (the “**Certificate of Incorporation**”) provides that the Board will consist of no fewer than five directors and no more than fifteen directors. In accordance with the Amended and Restated Bylaws of the Company (the “**Bylaws**”), the number of directors on the Board may be designated from time to time by resolution of the Board.

*Board Composition.* It is the policy of the Board, consistent with the rules of The Nasdaq Stock Market (“**Nasdaq**”), that there will be a majority of “independent” directors on the Board. To qualify as “independent,” a director must satisfy the Nasdaq rules for listed companies and the Securities and Exchange Commission rules. To assist with independence determinations, directors will be required to annually complete questionnaires.

### III. BOARD LEADERSHIP

*Selection of Chairperson and CEO.* The Committee will be responsible for identifying and recommending candidates for nomination as the Chairperson of the Board (the “**Chairperson**”) and the Chief Executive Officer (the “**CEO**”) in accordance with the criteria set forth in the Committee’s Charter (the “**Charter**”). The Board will be responsible for electing candidates to these roles, and the Board will regularly evaluate whether the positions of Chairperson and CEO should continue to be filled by one individual, or whether they should be filled by two individuals.

At any time when the positions of Chairman and CEO are filled by one individual, the independent directors shall consider, on a periodic basis, whether to designate from among themselves a Lead Director with the following powers and duties:

- presiding at all meetings of the Board at which the Chairperson and CEO is not present;
- presiding at executive sessions of the independent directors;

- reviewing and approving meeting agendas, meeting schedules and information sent to the Board;
- serving as a liaison between the Chairperson and CEO and the independent directors;
- having the authority to call meetings of directors, including separate meetings or executive sessions of the independent directors; and
- being available for consultation and direct communication with shareholders, as appropriate.

*Management Succession Planning.* The Board realizes the importance of continuity at the executive level of management and will coordinate with the CEO to ensure that a succession plan is in place for selecting a successor to the CEO position as well as other executive officer positions, both in an emergency situation and in the ordinary course of business. The succession plan should include a formalized process governing long-term management development and succession, as well as an assessment of the experience, performance, skills and planned career paths for possible successors to the CEO position. The CEO will review and discuss with the Compensation Committee, and the CEO and Compensation Committee will report to the Board annually about the development of the succession plan, and the Board will review the plan.

#### **IV. SELECTION OF DIRECTORS**

*Nominations.* The Committee is responsible for identifying, evaluating and recommending to the Board candidates to be appointed or nominated for election as directors in accordance with the criteria set forth in these Guidelines. The Board is responsible for filling vacancies on the Board that may occur between annual meetings of shareholders and for filling newly created directorships resulting from an increase in the authorized number of directors on the Board.

*Board Membership Criteria.* The Committee works with the Board to determine the appropriate mix of characteristics, skills and experience for the Board as a whole and for individual directors. The Committee evaluates each individual in the context of the Board as a whole, with the objective of recruiting and recommending a slate of directors that can best perpetuate the Company's success and represent shareholder interests through the exercise of sound judgment, using its diversity of experience.

When identifying, evaluating and recommending candidates for appointment or nomination to the Board, the Committee will take into account the following:

- integrity and high ethical standards in the nominee's professional life;
- sufficient educational and professional experience, business experience or comparable service on other boards of directors to qualify the nominee for service to the board;
- evidence of leadership and sound judgment in the nominee's professional life;
- a willingness to abide by any published code of ethics for the Company;
- a willingness and ability to devote sufficient time to carrying out the duties and responsibilities required of a board member; and
- diversity of viewpoints, background, experience and other demographics.

Prior to nominating an existing director for re-election to the board, the committee will consider and review the following attributes with respect to each existing director:

- board and committee attendance and performance;
- age and length of board service;
- experience, skills and contributions that the existing director brings to the board;
- independence and any conflicts of interest; and
- any significant change in the director's professional status or work experience, including the attributes considered for initial board membership.

The Committee will give appropriate consideration to candidates for Board membership proposed by shareholders and will evaluate such candidates in the same manner as other candidates identified by or submitted to the Committee.

*Invitation.* The invitation to join the Board should be extended by the Board itself via the Chairperson, together with an independent director, when deemed appropriate.

*Orientation and Continuing Education.* Management, working with the Board, will provide an orientation process for new directors, including background material on the Company, its business plan and its risk profile, and meetings with senior management. Each director should remain informed about the Company and its activities, the community, industry conditions affecting banking and financial services companies generally and the principal businesses in which the Company is involved. Periodically, management should prepare additional educational sessions for directors on matters relevant to the Company, its business plan and risk profile. To facilitate this participation, the Company will endeavor to make the directors aware of available director education programs and will pay the reasonable expenses of any director attending approved director education programs. Likewise, chairpersons of Board committees are encouraged to utilize their respective committee meetings to introduce timely educational topics or information associated with the committee's priorities and goals.

## **V. CONTINUATION AS DIRECTORS**

*Director Term and Term Limits.* Each Director will hold office until his or her successor is elected and qualified. The Board does not believe it should establish term limits because it aims to preserve the contributions of directors who have been able to develop insight into the Company and its operations over a period of time.

*Change in Personal Circumstances.* Any director who retires, or makes a significant change to his or her principal employment or experiences a significant change in his or her personal circumstances that reasonably may have an adverse effect on the director's service on the Board, including his or her independence or the Company's business or reputation, must offer his or her resignation to the Board. The Committee then will review the appropriateness of that director's continued service on the Board in light of the new circumstances and will make a recommendation to the Board as to whether the resignation should be accepted.

## **VI. EXPECTATIONS OF DIRECTORS**

The business and affairs of the Company will be managed by or under the direction of the Board in accordance with Delaware law. In performing their duties, the primary responsibility of the directors is to exercise their business judgment in the best interests of the Company. To promote the discharge of this responsibility and the efficient conduct of the Board's business, the Board has developed several specific expectations of directors, which are set forth below.

*Attendance and Participation.* Each director is expected to attend Board meetings and committee meetings on which the director serves. Directors may attend by conference telephone or similar communications equipment, which must enable all directors participating in the meeting to simultaneously hear each other during the meeting, in which case the remote participation will constitute presence in person at the meeting. To facilitate active and effective participation in Board and committee deliberations, each director should be sufficiently familiar with the business of the Company, including its financial statements and capital structure, and the risks and competition it faces. Upon request, management will make appropriate personnel available to answer questions a director may have about aspects of the Company's business. Directors should also review the materials provided by management and advisors in advance of the meetings of the Board and its committees and should arrive prepared to discuss the issues presented.

*Loyalty and Ethics.* In their roles as directors, all directors owe a duty of loyalty to the Company. This duty of loyalty mandates that the best interests of the Company take precedence over any interests possessed by a director. The Company has adopted a Code of Business Conduct and Ethics (the "**Code**"). Certain portions of the Code deal with activities of directors, particularly with respect to potential conflicts of interest, the taking of corporate opportunities for personal use and competing with the Company. Directors should be familiar with the Code's provisions in these areas and are expected to adhere to the Code, as well as the Company's other ethics policies and guidelines, such as the Related Party Transaction Policy, which is attached hereto as **Annex A**. Directors should consult with the Chair of the Audit Committee and the General Counsel of the Company (or, if there is no General Counsel, the attorney designated by the Company's subsidiary bank's legal department) in the event of any issues regarding conflict of interest, including concerning taking corporate opportunities or competing with the Company.

*Other Directorships.* Each director must have sufficient time to devote to Company matters and availability to participate actively in Board and committee activities. While the Company values the experience directors bring from other boards on which they serve, the Company recognizes that those boards may present demands on a director's time and availability and may also present conflicts or legal issues. Accordingly, directors should inform and advise the Committee and the Chairperson before joining the board of any other public company board or other entity, as well as before accepting significant commitments that involve affiliation with other business or governmental entities. The Board's policy, unless waived by a resolution of the Board, is that no director may serve on more than four other public company boards, not including the board of an organization by which he or she is employed. The CEO and other management members of the Board also must seek approval of the Committee before accepting outside board memberships and the CEO may not serve on more than two public company boards (excluding the Company's Board).

*Confidentiality.* The proceedings and deliberations of the Board and its committees are confidential. Each director will maintain the confidentiality of information received in connection with his or her service as a director.

*Reviewing and Approving Significant Transactions.* Board approval is appropriate for particular transactions. In determining whether Board approval is necessary, the Board should consider the following factors as relating to the particular transaction:

- legal or regulatory requirements,
- the materiality of the transaction to the Company’s financial performance, risk profile or business,
- the terms of the transaction, and
- other factors, such as the entering into of a new line of business or a variation from the Company’s strategic plan.

To the extent the Board determines it to be appropriate, the Board will develop standards to be utilized by management in determining types of transactions that should be submitted to the Board for review and approval or notification.

## **VII. BOARD MEETINGS**

*Number.* The Board currently plans at least four meetings each year, with further meetings to occur (or action to be taken by unanimous consent) at the discretion of the Board. The meetings will usually consist of committee meetings and the Board meeting.

*Agenda.* Information and data that are important to directors’ understanding of the business to be conducted at a Board meeting generally should be distributed in writing to directors prior to each meeting. While the Chairperson will establish the agenda for each Board meeting, directors are encouraged to suggest the inclusion of additional items on the agenda.

*Executive Sessions.* To ensure free and open discussion and communication among independent directors of the Board, the independent directors of the Board will meet in regularly scheduled executive sessions at least twice a year, outside the presence of management. Executive sessions may be scheduled more frequently as necessary or desirable. If a Lead Independent Director has been appointed, the Lead Independent Director will preside at executive sessions. If no Lead Independent Director has been appointed or the Lead Independent Director is absent, the independent directors shall designate the director who will preside at the executive sessions.

## **VIII. COMMITTEES OF THE BOARD**

*Standing Committees.* The Board currently has a Nominating and Corporate Governance Committee, an Audit Committee, a Compensation Committee and a Risk Committee. Each of the Nominating and Corporate Governance Committee, Audit Committee and Compensation Committee must have a written charter satisfying Nasdaq rules. The aforementioned three committees must continue to conform to Nasdaq rules, and the Audit Committee must continue to conform to Rule 10A-3 of the Securities Exchange Act of 1934 (the “**Exchange Act**”) and the

Compensation Committee must continue to conform to Rule 10C-1 of the Exchange Act. From time to time, the Board may form new committees as it deems appropriate. Each committee will have its own charter.

*Independence and Qualifications of Standing Committee Members.* Except as permitted by Nasdaq Rule 5615, all members of the Nominating and Corporate Governance Committee, Audit Committee and Compensation Committee must meet the criteria for independence established by Nasdaq rules. Audit Committee members also must meet the criteria for independence set forth in Rule 10A-3(b)(1) of the Exchange Act, and Compensation Committee members must satisfy the additional eligibility requirements imposed by Rule 10C-1 of the Exchange Act. The required qualifications for the members of each committee are set out in the respective committee's charter. A director may serve on more than one committee for which he or she qualifies.

*Attendance.* Each director will be provided advance notice of all committee or subcommittee meetings, whether or not such director serves on any such committee or subcommittee. Any director may attend any committee or subcommittee meeting as a non-voting observer; provided that any committee or subcommittee will have the right to hold sessions consisting only of members of such committee or subcommittee and invited guests present, as such committee or subcommittee considers appropriate.

## **IX. RELIANCE ON MANAGEMENT AND OUTSIDE ADVICE**

*Access to Management.* In performing its functions, the Board is entitled to rely on the advice, reports and opinions of management. Directors will have complete access to the Company's senior management, although directors will use judgment to ensure that this contact is not distracting to the business operations of the Company. The Board encourages senior management to bring members of management to Board meetings when managers can provide additional insight into items being discussed because of personal involvement and substantial knowledge in those areas.

*Independent Advice.* The Board and any of its committees may hire independent advisors, including counsel, accountants, auditors and other experts, 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. The Board and each committee will have the authority to retain and approve the fees and retention terms of outside advisors it retains.

## **X. EXECUTIVE AND BOARD COMPENSATION**

*CEO Compensation.* The Board, acting through the Committee, will evaluate the performance of the CEO and the Company against the Company's goals and objectives and determine the compensation level of the CEO.

*Management Compensation.* The Board, acting through the Committee, will evaluate and approve the proposals for overall compensation policies applicable to executive officers.

*Board Compensation.* The Board should conduct at least once every three years a review of the components and amount of Board compensation in relation to other similarly situated

companies. Board compensation should be consistent with market practices but should not be set at a level that would call into question the Board's objectivity.

#### **XI. EVALUATING BOARD PERFORMANCE**

The Board, acting through the Committee, should conduct a self-evaluation from time to time to determine whether it is functioning effectively. The Committee should periodically consider the mix of skills and experience that directors bring to the Board to assess whether the Board has the necessary tools to perform its oversight function effectively.

#### **XII. POLICY STATEMENT**

These Guidelines are a statement of policy and are not intended to change or interpret any federal or state law or regulation, including the Delaware General Corporation Law, as amended, or the Certificate of Incorporation or Bylaws of the Company. The Guidelines are subject to review by the Committee not less than annually and to modification from time to time by the Board.

Adopted: August 13, 2019

**ANNEX A**

**Related Party Transaction Policy**

(See attached.)

# RELATED PARTY TRANSACTION POLICY

OF

## ALERUS FINANCIAL CORPORATION

### I. PURPOSE

The Board of Directors (the “**Board**”) of Alerus Financial Corporation (the “**Company**”) has adopted this Related Party Transaction Policy (this “**Policy**”), as required by Item 404(b) of Regulation S-K of the Securities Act of 1933 (the “**Act**”), to govern the review, approval or ratification of Related Party Transactions.

### II. DEFINITIONS

“**Related Party Transaction**” means any transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness), or any series of similar transactions, arrangements or relationships since the beginning of the Company’s last fiscal year, or any currently proposed transaction, in which (a) the Company (or any of its subsidiaries) was or is to be a participant, (b) the amount involved exceeds \$120,000 and (c) any Related Person had or will have a direct or indirect material interest. This also includes any material amendment or modification to an existing Related Party Transaction.

“**Related Person**” means (i) any director or executive officer of the Company, (ii) any nominee for director, (iii) any shareholder beneficially owning more than five percent of any class of the Company’s voting securities or (iv) any Immediate Family Member of a director or executive officer of the Company or of any nominee for director.

“**Immediate Family Member**” means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of a person, and any person (other than a tenant or an employee) sharing the household of such person.

### III. NOTIFICATION OF RELATED PARTY TRANSACTIONS

Prior to entering into a Related Party Transaction or promptly after the Related Person learns of a Related Party Transaction, each Related Person will promptly notify the Company’s Audit Committee (the “**Committee**”) of the Related Party Transaction (such notification, the “**Related Person Notice**”). The Related Person Notice will include the following information:

- the approximate dollar value of the transaction (in the case of indebtedness outside the ordinary course of the Company, the largest aggregate amount of principal outstanding during the period for which disclosure is provided, the amount thereof outstanding as of the latest practicable date, the amount of principal paid during the periods for which disclosure is provided, the amount of interest paid during the period for which disclosure is provided, and the rate or amount of interest payable on the indebtedness);

- the approximate dollar value of the Related Person's interest in the transaction;
- the terms of such transaction;
- the Related Person's interest in the transaction, including the Related Person's position(s) or relationships with, or ownership in, the firm, corporation or other entity that is a party to or has an interest in the transaction;
- the purpose and timing of the transaction;
- whether the Company is a party to the transaction, and if not, the nature of the Company's participation in the transaction;
- if the transaction involves the sale of an asset, a description of the asset, including date acquired and costs basis;
- information concerning potential counterparties in the transaction; and
- any other relevant information.

#### **IV. REVIEW, APPROVAL OR RATIFICATION OF RELATED PARTY TRANSACTIONS**

The Committee will be responsible for reviewing each Related Party Transaction, and, if deemed appropriate, approving or ratifying the Related Party Transaction. In the event that a member of the Committee is not disinterested with respect to the Related Party Transaction under review, such member may not participate in any part of the review process for the transaction, including its potential approval or ratification. The Committee will review the following information when assessing a Related Party Transaction:

- the Related Person Notice;
- descriptions of any provisions or limitations imposed as a result of entering into the proposed transaction;
- whether the proposed transaction raises potential reputational risk issues that may arise as a result of or in connection with the proposed transaction; and
- any other relevant information regarding the transaction.

In determining whether or not to approve or ratify a Related Party Transaction, the Committee will take into account and evaluate the Related Party Transaction with the following factors, in addition to other factors it deems important:

- whether the Related Party Transaction is in the Company's best interests;
- whether the transaction's terms are no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances;
- the results of an appraisal, if any;
- whether there was a bidding process, and if so, the results thereof;
- the valuation methodology used for the transaction and alternative approaches to valuation of the transaction; and
- the extent of the Related Person's interest in the transaction.

In the event that the Company becomes aware of a Related Party Transaction that was not approved under this Policy before it was entered into, such transaction will be reviewed as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this Policy. The Committee will consider all of the relevant

facts and circumstances (including the timing of any scheduled Committee meeting), evaluate all options available to the Company (including ratification, amendment or termination of such Related Party Transaction) and take such course of action as may be deemed appropriate under the circumstances.

The Company will disclose the following information regarding any Related Party Transaction, in each case to the extent required by the Act, the Exchange Act and the rules thereunder, including Item 404(a) of Regulation S-K of the Act:

- the name of the Related Person and the basis on which the person is a Related Person;
- the Related Person's interest in the transaction with the Company, including the Related Person's position(s) or relationship(s) with, or ownership in, a firm, corporation or other entity that is a party to, or has an interest in, the Related Party Transaction;
- the approximate dollar value of the amount involved in the Related Party Transaction (in the case of indebtedness, the amount involved in the Related Party Transaction will include the following information, for the period for which disclosure is provided: the largest aggregate amount of principal outstanding, the amount thereof outstanding as of the latest practicable date, the amount of principal paid, the amount of interest paid and the rate or amount of interest payable on the indebtedness);
- the approximate dollar value of the amount of the Related Person's interest in the Related Party Transaction; and
- any other information regarding the Related Party Transaction or the Related Person in the context of the transaction that is material to investors in light of the circumstances of the particular transaction.

## V. EXEMPT TRANSACTIONS

Certain transactions are not subject to the notification, review and approval procedures set forth in this Policy, including:

- decisions on compensation or benefits relating to executive officers who are not Immediate Family Members of another Related Person if such decisions are reported pursuant to Item 402(k) of Regulation S-K of the Act and are otherwise approved, or recommended to the Board for approval, by the Committee or the compensation committee of the Board, and decisions on compensation or benefits relating to directors if such decisions are reported pursuant to Item 402(k) of Regulation S-K of the Act;
- indebtedness to the Company in the ordinary course of business, on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable loans with persons not related to the Company, not presenting more than the normal risk of collectability or other unfavorable features, complies with applicable law, including the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), Regulation O of the Board of Governors of the Federal

Reserve (“**Regulation O**”) and the Federal Deposit Insurance Corporation (the “**FDIC**”) Guidelines;

- all business relationships, lending relationships, deposit and other banking relationships between the Company and a Related Person’s primary business affiliation or the primary business affiliation of an Immediate Family Member of a Related Person that is made in the ordinary course of business on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable loans with persons not related to the Company, not presenting more than the normal risk of collectability or other unfavorable features, complies with applicable law, including Sarbanes-Oxley, Regulation O and the FDIC Guidelines;
- any transaction where the Related Person’s interest arises solely from the Related Person’s position as a director of another corporation or organization that is a party to the transaction;
- any transaction where the Related Person’s interest arises solely from the ownership by such person and all other Related Persons, in the aggregate, of less than a ten percent equity interest in another person (other than a partnership) which is a party to the transaction; and
- any transaction where the Related Person’s interest arises solely from the ownership of the Company’s common stock and all holders of the Company’s common stock received the same benefit on a pro rata basis (e.g., dividends).

## **VI. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

Annually, the Committee will review all transactions that occurred during the Company’s last fiscal year in which the Company was a participant and in which a Related Party had or will have a direct or indirect material interest, and from those transactions, the Committee will identify any Related Party Transaction that was not, but should have been, reported under the rules provided by the Securities and Exchange Commission (the “**SEC**”). Furthermore, in the event that the Company otherwise becomes aware of a Related Party Transaction that has not been approved under this Policy prior to its consummation, the Committee will promptly review the matter. For any Related Party Transaction that was not approved under this Policy but is brought to the Committee’s attention belatedly, the Committee will consider all of the relevant facts and circumstances regarding the Related Party Transaction and will evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee also will examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and will take any action it deems appropriate based on its findings.

## **VII. AMENDMENTS**

This Policy may be amended at any time and is subject to further guidance from the SEC and actions taken by the Board or the Committee.

Adopted: August 13, 2019