

**FEDERAL HOME LOAN BANK OF DES MOINES**  
**CORPORATE GOVERNANCE PRINCIPLES**

**Originally approved on February 15, 2007**  
**Last revised February 26, 2009**

The Board of Directors of the Federal Home Loan Bank of Des Moines has adopted the following principles of corporate governance to support the vision of the Bank, which is to be the preferred financial provider for our members in meeting the housing and economic development needs of the communities we serve together. These principles are guided by our shared values that guide behavior within and on behalf of the Bank. The Board will review these principles from time to time and make such changes as it deems necessary and appropriate.

**I. Mission of the Board**

The Board of Directors provides oversight and strategic guidance to the Bank's management and is responsible for defining and advancing the mission and activities of the Bank and for addressing the interests of its constituencies.

**II. Composition and Duties of the Board**

**A. Core Competencies of the Board and Personal Characteristics**

**1. Skill and Experience for the Board as a Whole**

The Board of Directors has determined that the following experience or skills are desirable for the Board of Directors as a whole in order to support the Bank in achieving its mission and strategy now and in the future:

- Expertise or knowledge in accounting, financial management and analyzing and understanding financial reports;
- Experience with credit, market, liquidity, operations and business risk management;
- Expertise in the banking, insurance and housing industries;
- Experience in auditing, risk management practices, derivatives and organizational management;
- Familiarity with the Federal Home Loan Bank System;
- Expertise in the law, and regulatory compliance experience, including familiarity with the rules and regulations of the Securities and Exchange Commission and the Federal Home Loan Bank System;
- Experience representing consumer or community interests in banking services, credit needs, housing, or consumer financial protections;
- Corporate governance experience;
- Information Technology experience;
- Strategic planning experience and project development;
- Sensitivity to stakeholder relations and expectations; and

- Organizational effectiveness.

## **2. Individual Characteristics**

The Board has determined that its members should exhibit specific personal characteristics in order to effectively fulfill their responsibilities and duties as Directors.

All Directors should:

- Have high ethical standards and integrity in their personal and professional dealings;
- Be willing to act on and remain accountable for their boardroom decisions;
- Be able to provide wise, thoughtful counsel on a wide range of issues;
- Be financially literate;
- Be politically aware;
- Possess a mature confidence;
- Approach their peers on the Board responsibly, supportively, and with self-assurance;
- Value Board and team performance over individual performance; and
- Be inquisitive and comfortable asking questions of executive management.

As part of its review of these Principles, the Board periodically reviews the desired core competencies of the Board and the desired characteristics of individual Directors to ensure that each captures the skills and experience needed to address the current issues facing the Bank.

## **B. Selection of New Directors**

### **1. Bank and Board Involvement in Director Selection**

*Member Directorships.* A Director may only support the nomination or election of any individual for a Member Directorship if acting in his or her personal capacity. However, the Board may conduct an annual assessment of its skills and experience and may inform its members through the Member Director election process what additional skill sets and qualifications would enhance the capabilities of the Board.

*Independent Directorships.* A Director may support the candidacy of any person nominated by the Board of Directors for election to an Independent Directorship.

### **2. Vacancies**

Vacancies in Independent or Member Directorships are filled by a vote of the Board of Directors for the remainder of the unexpired term with a person eligible to serve in such capacity.

## **C. Responsibilities**

### **1. Basic Duties**

The Bank's business is conducted by its employees, managers and officers, under the direction of the Chief Executive Officer (CEO) and the oversight of the Board, to enhance the long-term value of the Bank for its shareholders. The Board of Directors is

responsible to oversee management and to assure that the long-term interests of the shareholders are being served. The Board of Directors must fulfill specific duties prescribed under the Federal Home Loan Bank Act and the FHFA regulations. Both the Board of Directors and management recognize that the long-term interests of shareholders are advanced by responsibly addressing the concerns of other stakeholders and interested parties including employees, recruits, customers, communities, government officials and the public at large.

Directors are expected to carry out their duties in good faith, in a manner Directors believe to be in the best interests of the Bank, and with such care, including reasonable inquiry, as ordinarily prudent persons in a like situation would use under similar circumstances. Directors also have the duty to administer the affairs of the Bank fairly and impartially and without discrimination in favor of or against any member. Directors are expected to be familiar with basic finance and accounting practices, including the ability to read and understand the Bank's balance sheet and income statement and to ask substantive questions of management and the Bank's internal and external auditors. Directors are also expected to oversee the operations of the Bank in conformity with the requirements of the Federal Home Loan Bank Act, as amended, and the regulations of the Finance Agency.

## **2. Ethics and Conflicts of Interest**

Directors are required to disclose any conflicts of interest that arise in connection with their service on the Board. Complete candor is the standard. Directors must abide by all Bank policies addressing how to handle conflicts of interest and confidential information.

## **3. Director Orientation and Continuing Education**

The Board and management conduct an orientation program for new Directors to become familiar with the Bank's vision, mission, and core values including ethics, financial matters, risk management issues, corporate governance processes and other key policies and practices through a review of background material and meetings with executive management. The Board also recognizes the importance of continuing education for its Directors.

## **4. Director Access to Employees, Management and Independent Advisors**

### **a. Accessing Independent Advice**

The Board may retain its own professionals to assist it in evaluating proposals from management. The Board, as well as each Committee, will retain independent outside financial, legal, compensation, or other advisors as appropriate at the expense of the Bank.

### **b. Access to Executives and Other Officers**

Directors are encouraged to become acquainted with executives and officers of the Bank by arranging for them to report to, and meet periodically with, the Board of Directors and its Committees.

### **c. Regular Attendance of Non-Directors at Board Meetings**

In addition to the CEO, the Executive Officers of the Bank, the Director of Internal Audit, and others with corporate secretarial duties routinely attend Board meetings.

## **5. Board's Interaction with Stakeholders**

At least one Director meets with the Affordable Housing Advisory Council (AHAC) at its quarterly meetings. Directors are also encouraged to attend member regional meetings and system meetings with the FHFA.

## **6. Standards of Director Etiquette**

Directors are expected to conduct themselves in a manner consistent with fostering an environment of Director professionalism. Directors are also expected to be prompt for Board and Committee meetings, remain engaged and actively participate during meetings, and avoid early departures from Board events whenever possible.

## **III. Leadership**

### **A. Selection of the Board Officers**

The Chair and Vice Chair of the Board are elected by the Board after making a determination that the candidates possess the characteristics and abilities required for the positions. Both Member and Independent Directors may serve as Chairperson or Vice Chairperson. Each Chair and Vice Chair is elected for two-year terms.

### **B. Selection of the Committee Members**

In appointing directors to Board committees, the Board or its designee shall take into consideration the need for continuity, subject matter expertise, tenure and the desires of individual Board members. The Board believes that a mix of Member and Independent Directors on all Committees is desirable.

### **C. Formal Evaluations of the CEO**

The Board conducts a formal evaluation of the CEO on an annual basis. The CEO is reviewed against pre-established performance factors that are set at the beginning of each year.

### **D. Succession Planning**

Overall responsibility for succession planning resides with the Board. The CEO is responsible for developing and maintaining a process for advising the Board on planning for potential successor CEOs, as well as for other key leadership positions in the Bank. The Directors are responsible for oversight of the succession and management development program for executive leadership in the Bank. The CEO reviews this plan with the Directors at least once annually.

## **IV. Board Meetings**

The Board of Directors holds regularly scheduled meetings and calls for special meetings as necessary. Occasionally, meetings of the Board may be held telephonically. Directors are expected to attend all Board meetings and meetings of the Committees of the Board on which they serve and to spend the time needed and meet as frequently as necessary to properly discharge their duties. It is understood that, on occasion, a Director may not be able to attend a meeting.

## **A. Selection of Agenda Items**

The Chair of the Board, with input from management, is responsible for the preparation of the agenda of the Board.

## **B. Participation in Strategic Issues Discussions**

The Board engages in discussions on strategic issues and management ensures that there is sufficient time devoted to Director interchange on these subjects.

## **C. Executive Sessions**

The Directors routinely hold executive sessions where they can react to management proposals and/or actions in an environment free from formal or informal constraints.

## **V. Board Committees**

### **A. Number, Structure and Independence of Board Committees**

The Board has an Executive and Governance Committee, an Audit Committee, a Human Resources and Compensation Committee, a Business Operations and Housing Committee, a Risk Management Committee and a Finance, Technology and Planning Committee. In addition, from time to time when the Board deems it either necessary or desirable, it can establish one or more ad hoc or special purpose committees.

Each Committee has its own charter which sets forth the purposes, goals and responsibilities of the Committees as well as Committee structure and operations and Committee reporting to the Board. To the extent not prohibited by the Bank's Bylaws and applicable laws, the Board may delegate by resolution any of its duties to a Committee of the Board, and a Committee of the Board may act on behalf of the full Board.

### **B. Frequency, Schedule and Length of Board Committee Meetings**

Each Committee meets as frequently and for such length of time as may be required to carry out its assigned duties and responsibilities. The schedule for regular meetings of the Board and Committees for each year is submitted and approved by the Board in advance. In addition, and in accordance with the Bank's Bylaws, a special meeting may be called at any time.

### **C. Selection of Committee Agenda Items**

Committee Chairs, with input from the Board Chair, the CEO and other Bank staff, are responsible for the preparation of the agendas for the respective Committees.

### **D. Reports of Committee Action**

Reports on each Committee meeting are made to, and approved by, the full Board. However, absence of Board approval of a Committee report does not render a Committee's actions contained in such report invalid unless specifically disapproved or overruled by the full Board. In cases where all Board members have attended a Committee meeting, the Committee Chair may dispense with providing a report at the Board meeting following the Committee meeting. All Directors are furnished with copies of minutes of each Committee's minutes, as approved by the Committee.

## **VI. Evaluation and Performance Assessment**

The Board conducts a self-assessment on an annual basis. The self-assessment is a tool to help the Board gauge its progress in moving toward excellence in governance. The results are reported to the Board and are used to make improvements in the governance processes.