



PACIFIC MERCANTILE BANCORP & SUBSIDIARIES

BOARD OF DIRECTORS

**NOMINATING AND
GOVERNANCE**

COMMITTEE CHARTER

Adopted:

November 15, 2017

PACIFIC MERCANTILE BANCORP & SUBSIDIARIES
NOMINATING AND GOVERNANCE COMMITTEE
CHARTER

I. PURPOSE

The Nominating and Governance Committee ("Committee") is appointed by the Board of Directors to ensure that the Board is appropriately constituted and effectively functions to meet its fiduciary obligations to shareholders and to: (1) assist the Board by identifying individuals qualified to become Board members, and to recommend to the Board nominees for director; (2) recommend to the Board the corporate governance guidelines applicable to the Company; (3) oversee an annual review of the Board's performance; (4) recommend to the Board director nominees for each committee; (5) recommend to the Board a determination of each outside director's "independence" under applicable rules and guidelines; (6) review from time to time director compensation and recommend any changes to the Compensation Committee; (7) oversee reputation risk related to the Committee's responsibilities described in this Charter; and (8) perform such other duties and responsibilities consistent with this Charter.

II. COMMITTEE MEMBERSHIP & CHAIRMAN

The Committee is comprised of a minimum of three members and meets regularly at least two times per year. Special meetings may be called consistent with the bylaws process for special meetings. A majority of the committee members, but not less than two members, constitutes a quorum for the transaction of business.

Committee members are appointed by the Board and may be replaced by the Board. Members of the Committee shall be independent directors in accordance with the Bank's Director Independence Guidelines (Appendix "A"). The Chairman of the Committee will be appointed by the Board of Directors or if not, the committee shall appoint a Chairman from among its members by majority vote. The committee Chairman will report its minutes and the proceeding of its meetings to the full Board.

III. STRUCTURE AND MEETINGS

- A. The Committee shall conduct its business in accordance with this Charter, the Company's Bylaws and any other direction by the Board.
- B. Meeting Frequency, Schedule & Other – The Committee will meet at least on a semi-annual basis which may be changed at the discretion of the Chair or by a majority of all members. The Committee may establish its own regular meeting schedule, which should be approved by a majority of the members and which should be provided to the Board in advance. Members may participate in any meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another, and such participation shall constitute presence in person at such meeting.
- C. Calling Special Meetings – The Chair or any two members may call special meetings upon providing such notice as is required for special Board meetings in the Company's bylaws.
- D. Quorum – A majority of all Committee members, but not less than two members shall constitute a quorum for the transaction of business.

- E. Actions or Recommendations – The Committee may adopt a resolution or recommendation by a vote of a majority of all Committee members. Unless the Committee by a resolution determines otherwise, any action required or permitted to be taken by the Committee may be taken without a meeting if all members consent thereto in writing and the writing or writings are filed with the minutes of the Committee meetings.
- F. Minutes – The Committee shall maintain written minutes of its meetings, which minutes shall be maintained by the Committee Secretary and kept with the board records of the Bank.

VI. DUTIES AND RESPONSIBILITIES

- A. The Committee has responsibility on behalf of the Board to evaluate the current composition, organization, and governance of the Board and its committees, to determine the need for changes in make-up of the Board or in its committee structure, and to recommend improvements to the Board for approval.
- B. The Committee shall identify individuals believed to be qualified as candidates to serve on the Board, consistent with criteria approved by the Board, and recommend to the Board the selection of candidates for all directorships to be filled by the Board or by the stockholders at an annual or special meeting. In identifying candidates or nominees for director, or evaluating individuals recommended by stockholders, the Committee shall determine, in its sole discretion, whether an individual meets the minimum qualifications approved by the Board and will consider the current composition of the Board in light of the diverse communities and geographies served by the Company and the interplay of the candidate's or nominee's diverse individual experience, education, skills, background and other qualities and attributes with those of the other Board members, as well as such other factors as the Committee deems appropriate.
- C. The Committee shall have the sole authority to retain and terminate any search firm to be used to identify director candidates and shall have sole authority to approve the search firm's fees and other retention terms. The Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors at the Company's expense without prior permission of the Board or management.
- D. The Committee shall review and make recommendations, as the Committee deems appropriate and as authorized in the Company's Bylaws, regarding the size of the Board of Directors; and matters relating to the retirement of Board members.
- E. The Committee shall consider any offer to resign from a member of the Board and, after considering any factors or other information as the Committee considered appropriate and relevant, recommend to the Board the action to be taken on the tendered resignation.
- F. The Committee shall recommend members of the Board to serve on the committees of the Board, and to annually evaluate the committee structure, giving consideration to the criteria for service on each committee as set forth in the charter for such committee, as well as to any other factors the Committee deems relevant; recommend members of the Board to serve as the Chair of the committees of the Board; and recommend changes to the Board's committee structure and responsibilities, including recommending changes to committee charters, as it deems advisable.

- G. The Committee will coordinate the annual scheduling of all Board and Committee calendars and agendas to assure that activities are well coordinated and supported.
- H. The Committee shall annually review and assess the adequacy of the Corporate Governance Guidelines of the Company, Insider Trading Policy and the Code of Business and Ethical Conduct and recommend any proposed changes to the Board for approval. The Committee shall oversee the report to the Board of an annual evaluation of the Board's and each Committees' performance. The Committee will conduct an individual director self-assessment process annually in advance of the annual director nomination process.
- I. The Committee shall review and recommend a determination to the Board with respect to each outside director's "independence" under the requirements of NASDAQ and other applicable laws and regulations and the categorical standards under the Director Independence Guidelines in Exhibit A of this Charter.
- J. The Committee shall review from time to time director compensation and recommend any changes to the Compensation Committee.
- K. The Committee shall review and approve or ratify on an annual basis transactions involving the Company and any member of the Board and/or his or her immediate family members or related entities as required under the Bank's Insider Transactions Policy.
- L. The Committee shall review stockholder proposals related to governance matters overseen by the Committee and recommend a response.
- M. The Committee may, in its discretion, form and delegate all or a portion of its authority to subcommittees.
- N. The Committee shall make regular reports to the Board summarizing the actions taken at each Committee meeting.
- O. The Committee shall review and assess the adequacy of this Charter annually. The Committee may recommend amendments to this Charter at any time and submit amendments for approval to the Board. The Committee shall annually review its own performance.
- P. The Committee shall develop and recommend to the Board any other policies or documents relating to the governance of the Company, including rules and procedures for conducting the business of the Company's Board, such as the Company's by-laws. The governance committee will oversee the implementation and effectiveness of the by-laws and other governance documents and recommend modifications as needed.
- Q. The Committee shall ensure resources are available and a process is established for continuing director education, with directors being required to attend reasonable continuing education programs.
- R. The Committee shall oversee Board succession planning and will work with the Board to ensure the long term strength of the Board is maintained.
- S. The Committee shall annually adopt a Committee Calendar of Action Items.

- T. In the event it is necessary to select a new chief executive officer of the Company, lead the process and initiate evaluation, consideration and screening of potential chief executive officer candidates, including the creation of a search committee of directors. The full Board has the final authority and responsibility to select the Company's chief executive officer.
- U. To provide general advice to the Board on corporate governance matters.

V. PERFORMANCE EVALUATION

The Committee will conduct annual self-evaluations by reviewing and assessing the adequacy of this Charter and recommend any proposed changes to the Board for approval. The Committee shall also evaluate its own performance. In conducting such self-evaluation, the Committee shall address all matters that it considers relevant to its performance including but not limited to the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board; the manner in which they were discussed or debated; and whether the number and length of meetings were adequate for the Committee to complete its work in a thorough and thoughtful manner.

VI. COMMITTEE RESOURCES

The Committee shall be empowered, subject to approval of the Board, to engage or compensate independent legal, accounting or other advisors as it determines necessary to carry out its duties. The Committee shall receive appropriate funding, as determined by the Committee, from the Company for payment of (A) compensation to any advisor so employed by the Committee; and (B) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. The Committee may form and delegate authority to subcommittees when appropriate.

Appendix "A"

PACIFIC MERCANTILE BANCORP & SUBSIDIARIES **NOMINATING AND GOVERNANCE COMMITTEE CHARTER**

DIRECTOR INDEPENDENCE GUIDELINES

The Board of Directors of Pacific Mercantile Bancorp & Subsidiaries (the "Company") has adopted the Director Independence Guidelines ("Guidelines") to determine whether an individual Director is "Independent." This determination, to be made annually by the Nominating and Governance Committee (the "Committee") will help assure the quality of the Board's oversight of management, reduce the possibility of damaging conflicts of interest, and comply with the NASDAQ Marketplace Rules.

An "Independent" Director has no relationship which, in the opinion of the Board of Directors, would interfere with his or her exercise of independent judgment in carrying out the responsibilities of a Director of the Company. Further, an Independent Director must not have any material transactions with the Company, directly or as a partner, shareholder or officer of an organization that has a material transaction with the Company, or any relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director. In determining independence, the Committee reviews whether Directors or their related interests or related persons have any material transactions with the Company. The Committee considers all relevant facts and circumstances. In assessing the materiality of a Director's relationship to the Company, the Committee considers the issues from the Director's standpoint and from the perspective of the persons or organizations with which the Director has an affiliation and is guided by the standards set forth below. The Committee reviews commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships.

Independence Guidelines

A majority of the members of the Board of Directors must qualify as Independent under these Guidelines.

The following persons, among others, will not be considered Independent:

- A. Director who is, or at any time during the past three years was, employed by the Company or by any subsidiary of the Company;
- B. A Director who accepted or who has a Family Member (as defined in the NASDAQ rules) who accepted any compensation from the Company or any subsidiary of the Company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:
 1. Compensation for Board or Board committee service;
 2. Compensation paid to a Family Member who is an employee (other than an executive officer) of the Company or a subsidiary of the Company; or
 3. Benefits under a tax-qualified retirement plan, or non-discretionary compensation;

- C. Director who is a Family Member of an individual who is, or at any time during the past three years was, employed by the Company or by any subsidiary of the Company as an executive officer;
- D. A Director who is, or has a Family Member who is, a partner in, or a controlling shareholder or an executive officer of any organizations to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than (i) payments arising solely from investments in the Company's securities; or (ii) payments under non- discretionary charitable contribution matching programs;
- E. A Director of the Company who is, or has a Family Member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the Company served on the compensation committee of such other entity; or
- F. A Director who is, or has a Family Member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.

Board Committee Member Independence

Directors who serve on the Audit Committee, the Compensation Committee and the Committee are required to be Independent, as determined under the above Guidelines, except as may be permitted now or in the future under exemptions adopted by the Securities and Exchange Commission or NASDAQ, subject to appropriate action by the Board.

Further, each Director who serves on the Audit Committee must not:

- Accept any counseling, advisory or other compensatory fee from the Company, other than for Board or Board committee service;
- Be an "affiliated" person of the Company or any subsidiary of the Company; or
- Have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years.

With regard to Directors who serve on the Compensation Committee, the Committee, in determining the Independence of Compensation Committee nominees, shall consider relevant factors, including but not limited to:

- The source of compensation of a Compensation Committee nominee, including any consulting, advisory or other compensatory fee paid by the Company to such Compensation Committee nominee; and
- Whether a Compensation Committee nominee is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company.

Further, each Director who serves on the Compensation Committee must meet each of the following *additional* independence requirements:

- The Director must qualify as a "Non-Employee Director" as defined in Rule 16b-3 under the Securities and Exchange Act of 1934; and
- The Director must qualify as an "Outside Director" as defined in regulations under Section 162(m) of the Internal Revenue Code.

Procedures

The Committee will make its determinations as to each Director's independence annually at, or just prior to, the time a Director is proposed for election or re-election to the Board of Directors. The Committee may request a written report or documentation from the Company's legal counsel collecting and summarizing information relevant to its determination of a Director's independence. The Committee will report its findings to the Board of Directors.

Effect if Director Not Determined to be Independent

In the event a member of the Board of Directors is not determined to be Independent under these Guidelines for one or more purposes, no inference should be drawn that the Board has concluded that the Director in fact has a conflict of interest or that the Director is in any way impaired in performing the responsibilities of a Director in accordance with his or her fiduciary duty of loyalty, nor shall it prejudice the Board in considering whether the Director is Independent at any later time or for any other purpose.