

CORPORATE GOVERNANCE PRINCIPLES

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CORPORATE GOVERNANCE PRINCIPLES

I. Purpose

The corporate governance structure of the Federal Home Loan Bank of Boston (“Bank” or “FHLBank Boston”) is designed to establish and maintain an environment in which the highest standards of ethical business conduct, as modeled by its Directors and senior management, provides the foundation for its success in meeting the needs of its members and the public. The Bank has adopted the following set of corporate governance principles as a framework for its corporate governance structure.

II. Scope

These Corporate Governance Principles, together with the Conflict of Interest Policy for Bank Directors and the applicable provisions of the Bank’s Code of Ethics and Business Conduct, collectively serve as the Code of Conduct for the Bank’s Board of Directors.

III. Statement of Principles

A. **Background**

FHLBank Boston is one of eleven Federal Home Loan Banks (“Banks”). All of these entities operate as financial institution cooperatives, and all are established to provide services that aid their member financial institutions in meeting the housing and economic development credit needs of their communities. Each Bank is federally chartered and operates under the Federal Home Loan Bank Act (the “Bank Act”), the Federal Housing Enterprises Safety and Soundness Act (the “Safety and Soundness Act”), and the regulations of the Federal Housing Finance Agency (the “Finance Agency”). The Bank Act and these regulations provide the overall framework for all of the FHLBanks’ required corporate governance structures. Each Bank is wholly owned by its member financial institutions, each of which is required to purchase stock in its Bank based primarily on the extent of the member’s use of its Bank’s services. FHLBank Boston is owned by member financial institutions in the six New England states.

The Bank is governed by a board of directors (“Board”). All directors are New Englanders. The Bank’s Board is comprised of member directors and independent directors (in both cases, in numbers designated by the Finance Agency from time to time) who are elected by member financial institutions.

The Bank’s corporate governance standards fully comply with all applicable legal requirements. In addition, taking into account the requirements of the Bank Act, the Safety and Soundness Act, and regulations of the Finance Agency, the requirements of the Securities Exchange Act of 1934 and the regulations of the Securities and Exchange Commission, and the unique structure of the Banks, to the greatest extent possible FHLBank Boston has made its corporate governance and disclosure policies

and procedures consistent with the requirements applicable to companies with publicly traded securities.

B. Principles of Corporate Governance

Contemporary corporate governance is based on several critical principles. They include:

- an independent, active and engaged board of directors that has the skill to properly oversee and direct management;
- a set of ethical principles to guide directors, managers, and employees in their daily administration of the Bank's work;
- the imposition of effective controls and monitoring systems; and
- the dissemination of timely, accurate information to the regulators and the public.

The remainder of this document addresses how the Bank has integrated all these elements into its corporate governance structure.

C. The Board of Directors

- (1) General Standards. The Bank's Board is responsible for setting the strategic direction of the Bank and confirming the establishment of a corporate governance system, including effective risk governance. The Board oversees management and holds them accountable for implementing the strategic business plan and managing the Bank in a safe and sound manner. In carrying out these responsibilities, directors owe fiduciary duties of loyalty and care to the Bank and its shareholders. To that end:
 - (a) Directors should be independent and accountable to the Bank's shareholder members;
 - (b) Directors' oversight should be active and engaged;
 - (c) Directors should be knowledgeable about the business and operations of the Bank;
 - (d) Directors and employees should act with absolute integrity and honesty;
 - (e) The Bank should maintain a strong control environment; and
 - (f) The governance and operations of the Bank should be transparent to its constituencies.

- (2) Finance Agency Requirements. Pursuant to Section 1239.4 of the Finance Agency's regulations, each Bank director has a duty to:
- (a) Carry out his or her duties as director in good faith, in a manner such director believes to be in the best interests of the Bank, and with such care, including reasonable inquiry, as is required under the Massachusetts Business Corporation Act.
 - (b) Administer the affairs of the Bank fairly and impartially and without discrimination in favor of or against any member.
 - (c) At the time of election, or within a reasonable time thereafter, have a working familiarity 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 internal and external auditors.
 - (d) Direct the operations of the Bank in conformity with the requirements set forth in the Bank Act, the Safety and Soundness Act, and applicable regulations.
 - (e) Adopt and maintain in effect at all times bylaws governing the manner in which the Bank administers its affairs. Such bylaws shall be consistent with applicable laws and regulations administered by the Finance Agency, and with the body of law designated in the Bank's bylaws for its corporate governance practices (the Massachusetts Business Corporation Act).
- (3) Specific Responsibilities. In particular, the Board has the responsibility to:
- (a) Select, employ, and regularly evaluate a highly qualified President and Chief Executive Officer to provide leadership for the management of the Bank;
 - (b) Ensure that the Bank maintains a highly qualified senior management team committed to fulfilling the Bank's mission with the highest standards of ethics and integrity;
 - (c) Oversee the establishment of a strong system of internal controls and monitor its ongoing effectiveness;
 - (d) Have in place adequate policies to assure the Board's oversight of, among other matters:
 - (i) The Bank's risk management and compensation programs;
 - (ii) The processes for providing accurate financial reporting and other disclosures, and communications with shareholders; and

- (iii) The responsiveness of executive officers in providing accurate and timely reports to the Finance Agency and in addressing all supervisory concerns of the Finance Agency in a timely and appropriate manner.
- (e) Provide strategic direction for the Bank's business; and
- (f) Review regularly the effectiveness of the Board's corporate governance structure and the performance of the Board.

D. The Senior Management Team

- (1) The Bank's senior management team is accountable to the Board to manage the Bank in accordance with the policies and principles established by the Board and applicable legal requirements.
- (2) Senior management's primary responsibilities are to:
 - (a) Manage the Bank safely and soundly, and in accordance with the highest standards of ethics and integrity;
 - (b) Implement the strategic direction established by the Board;
 - (c) Establish and maintain a strong system of internal controls;
 - (d) Implement the policies approved by the Board; and
 - (e) Ensure the Bank's compliance with applicable legal and regulatory requirements.

IV. Administration

A. Roles and Responsibilities

- (1) Owner. The Bank's Ethics Officer shall be the owner of this document, responsible for maintaining (including reviewing and updating) this document.
- (2) Authorized Approver. The Board of Directors (acting upon the recommendation of the Governance Committee of the Board of Directors) shall be authorized to approve all changes to this Statement of Principles.

B. Governance

- (1) Re-Adoption Frequency. The Owner of this document will be responsible for presenting it for re-adoption by the Authorized Approver annually, whether or not any changes have been made. The Owner will also present this document for re-adoption by the Authorized Approver at any time that the Owner determines that a change is appropriate.

- (2) Review Frequency: The Owner of this document is expected to review it on at least an annual basis, and to revise/update this policy (for re-adoption by the Authorized Approver) whenever the Owner deems such a revision/update to be necessary or appropriate.

C. Exception Management/ Interpretations

- (1) Approval of Exceptions. Not applicable.
- (2) Responsibility for Interpretations. The Governance Committee (with support from the Owner) is responsible for all interpretations of this Statement of Principles.

V. Compliance Monitoring

Not applicable, as this is a statement of principles, not a policy.

VI. Applicable Laws and Regulations

12 C.F.R § 1239.4.

VII. Related Policies; Procedures

The following Bank policies cover subject matter that is related to this document:

- Code of Ethics and Business Conduct
- Conflict of Interest Policy for Bank Directors

VIII. Glossary/Definitions

None

IX. Revision History Log

Date Approved	Purpose	Author	Approved by
12-17-10	Amending language regarding the number of Directors	Carol Pratt	Governance Committee and Full Board of Directors
12-16-11	Add Revision History Log	Carol Pratt	Governance Committee and Full Board of Directors
6-29-12	Re-format to conform with Bank-wide formatting style	Carol Pratt	Governance Committee and Board of Directors

Date Approved	Purpose	Author	Approved by
12-20-13	Annual Review – No changes	Carol Pratt	Governance Committee and Board of Directors
10-24-14	Annual Review – No substantive changes	Carol Pratt	Governance Committee and Board of Directors
10-23-15	Annual Review – Added reference to securities laws and regulations	Carol Pratt	Governance Committee and Board of Directors
10-28-16	Annual Review – Deleted redundancies and added requirements of new 12 CFR §1239	Carol Pratt	Governance Committee and Board of Directors
10-27-2017	Annual Review – No changes	Carol Pratt	Governance Committee and Board of Directors
10-19-2018	Annual Review – Minor wording change based on new FHFA exam manual	Carol Pratt	Governance Committee and Board of Directors
10-25-2019	Annual Review – Minor changes	Carol Pratt	Governance Committee and Board of Directors
10-30-2020	Annual Review – No changes	Carol Pratt	Governance Committee and Board of Directors
10-22-2021	Annual Review – No changes	Carol Pratt	Governance Committee and Board of Directors
10-21-2022	Annual Review – No substantive changes	Keith Walsh	Governance Committee and Board of Directors
10-20-2023	Annual Review – No substantive changes	Keith Walsh	Governance Committee and Board of Directors