



First Financial Northwest, Inc.

**COMPENSATION AND AWARDS
COMMITTEE CHARTER**

September 2019

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1.0 Purpose of the Compensation and Awards Committee

The Compensation and Awards Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of First Financial Northwest, Inc. (together with its direct and indirect wholly owned subsidiaries, unless the context indicates otherwise, the “Company”) to:

1. Discharge the responsibilities of the Board relating to cash compensation, equity-based awards, and perquisites outside the standard Company benefit programs (“Compensation”) of the Company’s Chief Executive Officer (the “CEO”) and senior executive officers reporting directly to the CEO (“SEOs”);
2. Conduct an evaluation of the Company’s CEO at least annually;
3. Provide recommendations to the Board for ultimate action related to director compensation;
4. Administer the Company’s equity compensation plans and make awards of equity-based compensation thereunder; and
5. Oversee the Company’s compensation practices, personnel policies and related matters, and provide consultative advice to the CEO on these matters.

2.0 Composition and Qualifications

The Committee shall be comprised of three or more directors as determined by the Board, after considering the recommendations of the Nominating and Corporate Governance Committee of the Board. Each member of the Committee must be (1) an “outside director” as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended, (2) a “non-employee director” as defined by Rule 16b-3(b)(3)(i) of the Securities Exchange Act of 1934, as amended (“Exchange Act”), and (3) an independent director as defined by the listing standards of The Nasdaq Stock Market. Members of the Committee may not accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or any subsidiary thereof, with the exception of fees received as a member of the Compensation and Awards Committee, the Board of Directors or any other Board committee.

In determining a director’s suitability for membership on the Compensation and Awards Committee, the Board shall consider whether the director is affiliated with the Company, a subsidiary of the Company, or an affiliate of a subsidiary of the Company. In making this determination, consideration shall be given to affiliate relationships that place a director under the direct or indirect control of the Company or its senior management, or create a direct or indirect relationship between the director and senior management, that would impair the director’s ability to make independent judgments about matters related to the Company’s compensation or personnel matters. The Board shall also consider whether a director has any relationship to the Company which is material to that director’s ability to be independent from management in connection with the duties of a Compensation and Awards Committee member.

Members of the Committee shall be appointed and removed only by the Board. The Board shall appoint one member of the Committee as its Chair.

3.0 Committee Meetings

The Committee shall meet at least twice annually, or more frequently as circumstances dictate. The Committee Chair, with input from Committee members, management, and key Committee advisors shall prepare and/or approve an agenda in advance of each meeting. The Committee Chair will preside at each meeting. If the Committee Chair is not present at a meeting, the Committee members present at that meeting shall designate one of its members as the acting chair of such meeting. A majority of the members of the Committee shall constitute a quorum for the transaction of any business at a meeting thereof, and action of the Committee must be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present. The Committee may request any officer or employee of the Company, or the Company's outside advisors, to attend a meeting of the Committee.

4.0 Responsibilities and Duties

In furtherance of its purposes, the Committee shall have the following responsibilities and authorities:

Compensation

1. **CEO and SEO Compensation.** The Committee shall annually recommend to the independent members of the Board the Compensation for the CEO and SEOs. The CEO shall not be present during voting or deliberation on his Compensation. The Committee shall have access to and review the CEO's evaluations of the SEOs. The Committee shall consider the recommendations made by the CEO in recommending to the independent members of the Board the Compensation of the SEOs.
2. **Evaluation of CEO.** The Committee shall be responsible for an annual evaluation of the performance of the CEO. The Committee shall (a) review and modify, as appropriate, the goals and objectives proposed by the CEO; and (b) determine the extent to which the achievement of those goals and objectives shall affect the Compensation of the CEO. The Committee shall provide recommendations to the independent members of the Board of Directors, consistent with the findings of the Committee.
3. **Director Compensation.** The Committee shall, at least annually, review and make recommendations to the Board regarding the level and form of the Company's director compensation. Such review will include a review of both cash and equity-based award compensation to the directors.
4. **Information Utilized.** The Committee may consider such matters as the levels of compensation of comparable companies, general economic conditions, and the Company's performance, as well as

any other factors it deems appropriate, in its determinations and recommendations regarding compensation.

5. Officer and Employee Compensation. The determination of base compensation levels for officers (other than the CEO and SEOs) and employees is delegated to senior management with an annual review to be performed by the Committee. Additionally, the total incentive compensation pool for officers and employees, and the incentive compensation for the CEO and SEOs are to be approved by the Committee.
6. Standard Company Benefit Programs. The determination of standard Company benefit programs is delegated to senior management with an annual review to be performed by the Committee.
7. Safety and Soundness Considerations. The Committee shall ensure that the Company's incentive compensation arrangements for all covered employees (within the meaning of the banking agencies' Guidance on Sound Incentive Compensation Policies) are appropriately balanced, including from a risk management perspective, and do not jeopardize the safety and soundness and reputation of the Company.
8. Equity Compensation Plans. The Committee shall administer and make all decisions regarding the Company's equity compensation plans. The Committee shall make all awards under the Company's equity compensation plans.
9. Reports. The Committee shall review and discuss with the Company's management the Compensation Discussion and Analysis ("CD&A") disclosure to appear in the Company's Annual Report on Form 10-K and/or annual meeting proxy statement, recommend whether the CD&A, in the form presented to the Committee, should be included in the Annual Report on Form 10-K and/or annual meeting proxy statement and issue a report to appear in the Annual Report on Form 10-K and/or annual meeting proxy statement.
10. Shareholder Vote on Executive Compensation. The Committee shall review and recommend to the Board for approval the frequency with which the Company will conduct shareholder advisory votes on executive compensation ("say-on-pay"), taking into account the results of the most recent shareholder advisory vote on the frequency of say-on-pay required by Section 14A of the Exchange Act, and review and evaluate the proposals regarding say-on-pay and the frequency of say-on-pay to be included in the Company's proxy statement.
11. Employment and Severance Agreements. The Committee shall review and approve and, when appropriate, recommend to the Board for approval, any employment agreements and any severance arrangements or plans, including any benefits to be provided in connection with a change in control, for the CEO and other SEOs, which includes the ability to adopt, amend and terminate such agreements, arrangements or plans.

Administrative Matters

12. Charter. The Committee shall annually review its own performance and the adequacy of this Charter and recommend any proposed changes to the Board for approval, which review may be completed during a meeting of the Committee and reflected in the minutes. The Committee shall also ensure the publication of this Charter in accordance with the regulations of the Securities and Exchange Commission.
13. Minutes. Minutes of each meeting (and any actions by unanimous consent in lieu of a meeting) will be provided to the Board on a timely basis. In addition, the Committee may, from time to time, make special presentations to the Board on specified topics related to Committee activities and responsibilities.
14. Training. Committee members shall make reasonable efforts to maintain and/or enhance understanding of prudent compensation best-practices and related topics by attending conferences, seminars, or participating in periodic training sessions with appropriate management staff. The Board considers it desirable that Directors participate in such continuing education and considers participation an appropriate expense to be reimbursed by the Company, in addition to applicable Board fees.

5.0 Authority and Limitations

In addition to fulfilling the responsibilities specified above, the Committee may perform any other activities consistent with this Charter as the Committee deems necessary or appropriate and shall perform any other duties and responsibilities delegated to the Committee by the Board from time to time or assigned to the Committee by applicable law, rule, regulation or stock exchange listing standard.

The Committee has the authority to retain/appoint, compensate, and provide oversight of any consultants or other advisors as the Committee may deem appropriate in its sole discretion, at the Company's expense, only after taking into consideration the following six factors per the Nasdaq Listing Standard Rules:

1. The provision of other services to the Company by the firm that employs the compensation consultant, legal counsel, or other adviser;
2. The amount of fees received from the Company by the firm that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the firm that employs the compensation consultant, legal counsel, or other adviser;
3. The policies and procedures of the firm that employs the compensation consultant, legal counsel, or other adviser that are designed to prevent conflicts of interest;
4. Any business or personal relationship of the compensation consultant, legal counsel, or other adviser with a member of the Compensation and Awards Committee;

5. Any stock of the Company owned by the compensation consultant, legal counsel, or other adviser; and
6. Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the firm employing the adviser with an executive officer of the Company.

The CEO shall serve as the primary liaison between the Committee and the Company's other senior executive officers. However, the Committee, in its discretion, shall also have full access to the other senior executive officers of the Company on an as-needed basis in order to fulfill its responsibilities and duties. Committee members must use reasonable efforts to ensure that in exercising this right, their actions will not be distracting or intrusive to the business operations of the Company.



Approved: September 25, 2019
The Board of Directors
First Financial Northwest, Inc.

Previous Revision/Review Dates

December 2018
December 2017
December 2016
December 2015
January 2014
December 2013
June 2013
December 2012
August 2011
August 2010
August 2009
November 2008