



**CHARTER OF THE COMPENSATION COMMITTEE  
OF THE  
BOARD OF DIRECTORS**

**PURPOSE**

The Compensation Committee of the Board of Directors of Sound Financial Bancorp, Inc. executes the Board's responsibilities relating to the compensation of the Company's Chief Executive Officer and the Company's other executive officers (collectively, the Executive Officers), and makes recommendations to the Board regarding director compensation.

**COMMITTEE COMPOSITION AND MEETINGS**

The Committee is comprised of three or more directors (including a chairperson) as appointed by the Board, each of whom is an independent director as defined by the NASDAQ Stock Market (the "NASDAQ") listing standards and each of whom, in the opinion of the Board, is free from any relationship that would interfere with the exercise of his or her independent judgment, subject to any exception that may be permitted under the NASDAQ requirements. The Board also considers whether it is advisable for members of the Committee to also qualify as "non-employee directors" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), or any other standards of applicable law, rule or regulation.

The members of the Committee are selected annually by the Board, considering the recommendation of the Nominating Committee of the Board. The Board has the power at any time to change the membership of the Committee and to fill vacancies, subject to the qualification requirements of this Charter. The Committee meets at least annually or more frequently as circumstances require.

**COMMITTEE DUTIES, RESPONSIBILITIES, AND PROCESS**

The Committee maintains adequate minutes of all meetings, and reports its actions at the next meeting of the Board. Committee members are furnished with copies of the minutes of each meeting and any action taken by unanimous consent. The Committee is governed by the same rules regarding meetings (including meetings by conference telephone or similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board. The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with: (a) any provision of this Charter; (b) any provision of the Charter or Bylaws of the Company; or (c) the laws of its jurisdiction of incorporation.

The Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to

provide such pertinent information as the Committee requests.

The Committee has the following responsibilities:

1. Review from time to time the goals and objectives of the Company's compensation plans, and, if the Committee deems it appropriate, recommend that the Board amend these goals and objectives (unless the committee has the power to make such amendments, as set forth in the plan).
2. Review from time to time the Company's compensation plans in light of the Company's goals and objectives with respect to such plans, and, if the Committee deems it appropriate, recommend to the Board the adoption of new incentive-compensation plans, equity-based plans, other compensation plans or amendments to existing plans (unless the committee has the power to make such amendments, as set forth in the plan).
3. Annually review and recommend to the full Board corporate goals and objectives relevant to the Executive Officers' compensation.
4. Measure each Executive Officer's performance against each of his or her goals and objectives pursuant to the Company's plans and, after considering the full Board's evaluation of his or her performance, determine the compensation of each Executive Officer. The full Board reviews and ratifies the Compensation Committee's actions in determining compensation. In determining compensation of the Executive Officers, the Committee considers the Company's performance, relative stockholder return, the value of similar incentive awards to executive officers at comparable companies, the awards given to the Executive Officers in past years and any other information the Committee deems relevant. The Committee takes account of the CEO's recommendation and evaluation of each Executive Officer's performance. The CEO may not be present during deliberations or voting on his or her compensation.
5. Oversee the Company's submission to stockholders on executive compensation matters, including but not limited to, any required advisory votes on executive compensation and the frequency of such votes, and the requirement under the NASDAQ rules that, with limited exceptions, shareholders approve equity compensation plans.
6. Recommend to the Board the appropriate level of compensation and the appropriate mix of cash compensation and equity compensation for Board and Board committee service.
7. Perform such duties and responsibilities as may be assigned to the Committee under the terms of any executive or employee compensation plan.
8. Review and approve the creation or revision of any clawback policy allowing the Company to recoup compensation paid to employees.
9. Review, monitor and report to the Board, at least annually, on management development efforts to assure development of a pool of candidates for adequate and orderly management succession.
10. Review the Company's policies regarding the tax deductibility of compensation paid to the Company's executive officers for purposes of Section 162(m) of the Code.
11. Make regular reports to the Board of Directors.
12. Complete any other duties and responsibilities delegated to the Committee from time to time.
13. Review and reassess the adequacy of this Charter at least annually, submit the charter to the

Board of Directors for approval, and have the document published or made available to stockholders as may be required by the rules of the NASDAQ or the SEC.

14. Oversee regular Board self-evaluation to determine whether the Board and its committees are functioning effectively. The Compensation Committee receives comments from all directors and reports to the Board with an assessment of the Board's performance. The assessment is discussed with the full Board each year. The assessment focuses on the Board's contribution to the Company and specifically focuses on areas in which the Board or management believes that the Board could improve.

#### **INVESTIGATIONS AND STUDIES: OUTSIDE ADVISORS**

The Committee has the authority, in its sole discretion, to retain or obtain the advice of a compensation consultant, legal counsel or other adviser. The Committee is directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel and other adviser retained by the Committee. The Committee receives appropriate funding from the Company, as determined by the Committee, for payment of reasonable compensation to a compensation consultant, legal counsel or any other adviser retained by the Committee.

The Committee has the authority to select, or receive advice from, a compensation consultant, legal counsel or other adviser to the Committee, other than in-house legal counsel, only after taking into consideration the following factors: (i) the provision of other services to the Company (or any of its affiliates) by the person that employs the compensation consultant, legal counsel or other adviser; (ii) the amount of fees received from the Company (or any of its affiliates) by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser; (iii) the policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest; (iv) any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the Committee; (v) any stock of the Company owned by the compensation consultant, legal counsel or other adviser; and (vi) any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Company. Notwithstanding the foregoing, the Committee may retain, or receive advice from, any compensation advisor they prefer, including ones that are not independent, after considering the above factors.

The Committee is not required to assess the independence of any compensation consultant or other advisor that acts in a role limited to consulting on any broad-based plan that does not discriminate in scope, terms or operation in favor of executive officers or directors and that is generally available to all salaried employees or providing information that is not customized for a particular company or that is customized based on parameters that are not developed by the consultant or advisor, and about which the consultant or advisor does not provide advice.

The Committee is not required to implement or act consistently with the advice or recommendations of the compensation consultant, legal counsel or other adviser to the Committee. The authority granted in

this Charter does not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter.

**DOCUMENT APPROVAL HISTORY**

This Document's Approval Date: February 2, 2018

Previous Approval Date: November 29, 2016

**DOCUMENT OWNERSHIP AND APPROVAL REQUIREMENTS**

Maintained by: Chief Administrative Officer

Reviewed by: Compensation Committee

Approved by: Board of Directors

Review Cycle: As needed, but at least annually