

**TWO HARBORS INVESTMENT CORP.  
CORPORATE GOVERNANCE GUIDELINES**

**Role of the Board and Management**

The business and affairs of Two Harbors Investment Corp. (the “**Company**”) shall be conducted under the direction of its officers and the oversight of the Company’s Board of Directors (the “**Board**”), and pursuant to a Management Agreement (the “**Management Agreement**”) between the Company and PRCM Advisers LLC (the “**Manager**”). The Board, which is elected by the Company’s stockholders, shall oversee the management of the Company and shall act in a manner that helps assure that the long-term interests of the stockholders are being served.

**Composition of the Board**

The Company’s Bylaws provide that the Board shall consist of no more than fifteen members nor less than the minimum number required by the Maryland General Corporation Law, with the specific number of members determined from time to time by a majority vote of the Board.

All members of the Board are elected annually by the Company’s stockholders, except for Board action to fill vacancies arising between stockholder elections.

**Functions and Responsibilities of the Board**

The Board shall have a minimum of four regularly scheduled meetings per year, generally one per calendar quarter, at which it shall meet to review and discuss reports furnished by management on the performance of the Company, its plans and prospects, as well as other issues facing the Company. The Board shall meet at such other times, as necessary, in person or by telephone. All meetings shall be duly noticed and held as provided in the Company’s Bylaws. Actions of the Board may also take the form of unanimous written consent in accordance with the Maryland General Corporation Law, as may be necessary and appropriate from time to time.

It is the policy of the Board to encourage and promote the attendance by each director at all scheduled meetings of the Board and all meetings of the Company’s stockholders. Each director is expected to review, before attending meetings of the Board, all materials provided by the Company relating to the matters to be considered at the meetings so that they may participate in a productive fashion. The independent directors shall meet at regularly scheduled executive sessions without management.

In addition to the general oversight of management, the Board, either itself or through its committees, shall also perform a number of specific functions, including:

- Reviewing, approving and monitoring the Company’s fundamental financial and business strategies and major corporate actions;
- Assessing the major risks facing the Company and reviewing options for the mitigation of such risks;
- Selecting, evaluating and compensating the Chief Executive Officer;
- Providing counsel and oversight on the selection, evaluation, development, retention and compensation of senior management of the Company;

- Overseeing the relationships between the Company and the Manager, and any affiliates of the Manager and any other related parties, and the payment of all amounts owing under any agreements with any such parties, including under the Management Agreement; and
- Ensuring that policies and procedures are in place for maintaining the integrity of the Company, including the integrity of the financial statements, the integrity of compliance with laws and ethics and the integrity of business relationships with investors, counterparties and others.

### **Committees of the Board**

The Board has established the following standing committees to assist it in discharging its responsibilities: Audit Committee, Compensation Committee, Risk Oversight Committee and Nominating and Corporate Governance Committee. The charters of the Audit Committee, Compensation Committee, Risk Oversight Committee and Nominating and Corporate Governance Committee will be made available on the Company's website. These committees shall meet regularly, typically in conjunction with regular scheduled meetings of the Board, or otherwise as necessary, to carry out their functions and responsibilities. Each director is expected to attend all meetings of each committee on which the director serves. Minutes of the committee meetings shall be provided to the full Board.

In accordance with their respective charters and the rules and standards established by the New York Stock Exchange, Inc. (the "NYSE"), each of the Audit Committee, Compensation Committee, Risk Oversight Committee and Nominating and Corporate Governance Committee shall be comprised entirely of "independent" directors.

### **Director Qualification Standards**

The Company's directors shall be nominated in accordance with the procedures set forth in the charter of the Nominating and Corporate Governance Committee. Directors should (i) possess the highest personal and professional ethics, integrity and values, exercise good business judgment and be committed to representing the long-term interests of the Company and its stockholders and (ii) have an inquisitive and objective perspective, practical wisdom and mature judgment. The Company shall endeavor to have a Board representing a diverse education and experience that provides knowledge of business, financial, governmental or legal matters that are relevant to the Company's business and to its status as a publicly owned company.

Directors must be willing to devote sufficient time and effort to carrying out their duties and responsibilities effectively and should be committed to serve on the Board for an extended period of time. Directors who also serve as chief executive officers or hold equivalent positions at other companies should not serve on more than two other boards of public companies in addition to the Board and other directors should not serve on more than four other boards of public companies in addition to the Board. Current positions in excess of these limits may be maintained, unless the Board determines that doing so would impair the quality of the director's service to the Board. Before accepting a position on the board of another entity (including public and private companies, as well as not-for-profit entities), Directors shall consult with the Chairperson, the lead independent director and the Secretary of the Company. The Secretary of the Company shall maintain a record of the other board memberships and committee memberships of the directors.

A majority of the directors serving on the Board shall be "independent" as determined by the Board in accordance with the rules and standards established by the NYSE from time to time. The Board shall

undertake an annual review of the independence of all directors and, in accordance with the independence criteria established by the Board from time to time, shall make an affirmative determination that each “independent” director has no direct or indirect material relationship with the Company.

Each independent director is expected to disclose promptly to the Board any existing or proposed relationships with the Company (other than service as a Board member or on Board committees) or the Manager which could affect the independence of the director under applicable NYSE rules or any additional standards as may be established by the Board from time to time. These include direct relationships between the Company or Manager and the director and his or her family members, and indirect relationships between the Company or Manager and any business, nonprofit or other organization in which the director is a general partner or manager, officer, significant stockholder or otherwise materially financially interested. Additionally, each independent director is expected to disclose promptly to the Board any existing or proposed relationships with the Company’s independent registered public accounting firm which could affect such firm’s independence from the Company.

The Board does not believe that arbitrary term limits on directors’ service are appropriate nor does it believe that directors should expect to be nominated for re-election until they reach a mandatory retirement age. The Board self-evaluation process, together with the procedures set forth in the charter of the Nominating and Corporate Governance Committee, shall be an important determinant for Board tenure.

#### **Chairperson; Lead Independent Director**

The Board will periodically appoint a Chairperson. Both independent and non-independent directors, including the Chief Executive Officer, are eligible for appointment as the Chairperson. The independent directors shall appoint one of their number to serve as the lead independent director. The lead independent director is responsible for coordinating the activities of the other independent directors, including scheduling and conducting separate meetings of the independent directors and for such other duties as are assigned from time to time by the Board. The Company will disclose on its website the name of the lead independent director.

#### **Access to Management and Independent Advisors**

Directors are encouraged to maintain contact between Board meetings with each other and the members of the Company’s senior management in order to keep themselves adequately informed with respect to the Company’s affairs. In addition, the Board and its committees have the right to consult with and retain independent legal, financial or other advisors, as necessary and appropriate from time to time.

#### **Director Compensation**

In fixing the compensation to be paid to the independent directors of the Company for serving on the Board and its committees, the Board may consider the following:

- The compensation that is paid to directors of other companies that are comparable to the Company;
- The amount of time it is likely directors will be required to devote to preparing for, and attending meetings of, the Board and the committees on which they serve;
- The success of the Company (which may be reflected in compensation related to the price of the Company’s shares);

- If a director is a Chairperson of one of the Board's committees and the time commitment related thereto;
- If a committee on which a director serves undertakes a special assignment, the importance of that special assignment to the Company and its stockholders; and
- The risks involved in serving as a director of the Board or a member of its committees.

The non-independent directors serving on the Board shall not be separately compensated for serving on the Board or any of its committees. All directors shall be reimbursed for expenses related to their attendance at Board and committee meetings.

### **Director Stock Ownership**

Directors are encouraged to own shares of the common stock of the Company, in order to better align their personal interests with the interests of stockholders. In furtherance of this objective, a director shall not be permitted to sell shares of the Company's common stock if, upon the completion of such sale, the director would own common stock of a value that is less than \$300,000.

### **Management Succession**

As part of their role in directing the management of the business and affairs of the Company, the directors shall be responsible for selecting, evaluating and compensating the Chief Executive Officer and overseeing the Company's succession planning activities. The Board may delegate elements of this responsibility to one or more of its committees or to senior management. In carrying out this function, the Board shall endeavor to ensure that the Company's management, and management of the Manager, have the capabilities to cause the Company to operate in an efficient and business-like fashion in the event of a vacancy in senior management, either anticipated or sudden. The Board shall develop, as and when necessary, relevant policies and procedures to address succession issues for senior management and for replacement of the Manager.

### **Director Orientation and Continuing Education**

The Company encourages directors and committee chairpersons to participate in orientation and continuing education programs that will enhance their ability to effectively discharge their duties as members of the Board. Each new director shall, within three months of election to the Board, be required to visit the Company's principal executive office for a personal briefing by senior management regarding the Company's business, strategic plans, asset portfolio, financial statements and key policies and procedures. All directors shall be given an opportunity to discuss the Company and its business with senior management and be informed of the Company's policies that affect directors, including these Corporate Governance Guidelines. Management of the Company will also make available to directors materials or briefing sessions regarding director responsibilities and other matters related to service on the Board. The Company also encourages directors to participate in continuing education programs to enhance their ability to effectively discharge their duties as members of the Board.

### **Annual Performance Evaluation of the Board**

The Board shall conduct an annual review and evaluation of its performance based upon, among other things, an assessment of (i) the Board's composition and independence, (ii) the Board's access to and review of information from management and the quality of such management, (iii) the Board's responsiveness to stockholder concerns, (iv) the Board's maintenance and implementation of these

Corporate Governance Guidelines, and (v) the general effectiveness of the Board and its committees. The review shall seek to identify specific areas, if any, that need improvement or strengthening in order to increase the effectiveness of the Board as a whole and its committees.

**Availability of these Corporate Governance Guidelines**

The Company will make available on its website a copy of these Corporate Governance Guidelines, as may be amended from time to time.

*Adopted: August 20, 2015*