



**COSTAR GROUP, INC.**  
**PRINCIPLES OF CORPORATE GOVERNANCE**

The Board of Directors of CoStar Group, Inc. (the “Company”) has adopted the corporate governance principles set forth below as a framework to assist the Board of Directors in carrying out its responsibility for the business and affairs of the Company to be managed by or under the direction of the Board of Directors. The Nominating & Corporate Governance Committee reviews the Principles periodically and recommends changes to the Board of Directors as appropriate. The Principles shall be administered by the Nominating & Corporate Governance Committee or the Board itself, either of which shall have authority to interpret and construe the Principles.

**1. ROLE AND COMPOSITION OF THE BOARD OF DIRECTORS**

***Role of the Board***

CoStar’s business is conducted by its employees, managers and officers, under the direction of the chief executive officer (the “CEO”) and the oversight of the Board of Directors, which is elected by the Company’s stockholders. Consistent with the oversight function of the Board, the Board’s core responsibilities include:

- Assessing the performance of the CEO and other senior management and setting their compensation;
- Planning for CEO and senior management succession;
- Reviewing the Company’s strategies and monitoring their implementation and results;
- Overseeing the integrity of the Company’s financial statements and the Company’s financial reporting process;
- Overseeing the Company’s processes for assessing and managing risk;
- Overseeing legal and regulatory compliance;
- Engaging in succession planning for the Board and key leadership roles on the Board and its committees;
- Nominating the Company’s director candidates and appointing committee members; and
- Providing advice and counsel to management regarding significant issues facing the Company and reviewing and approving significant corporate actions.

The Company’s senior management, under the direction of the CEO, are responsible for the operations of the Company; implementation of the strategic, financial and management policies of the Company; identification, assessment and management of risk and risk mitigation

strategies; preparation of financial statements and other reports that accurately reflect requisite information about the Company; and timely reports which inform the Board of Directors about the foregoing matters.

These Principles of Corporate Governance are not intended as binding legal obligations or inflexible requirements, and are not intended to interpret applicable laws and regulations or modify the Company's certificate of incorporation or bylaws.

### ***Size, Composition and Membership Criteria***

The Board determines the appropriate size of the Board from time to time, within the range of 2 to 10 directors, as specified in the Company's Bylaws. A substantial majority of the Board is made up of independent directors. An "independent" director is a director who meets the Nasdaq Stock Market LLC definition of independence, as determined by the Board. The Board makes an affirmative determination regarding the independence of each director annually, based upon the recommendation of the Nominating & Corporate Governance Committee.

The Nominating & Corporate Governance Committee considers and makes recommendations to the Board regarding the size, structure, composition and functioning of the Board. In addition, the Nominating & Corporate Governance Committee is responsible for establishing processes and procedures for the selection and nomination of directors and for developing Board membership criteria. The Board encourages the selection of directors who will contribute to the Company's success. As such, the Board's criteria include independence; judgment; integrity; ability to commit sufficient time and attention to the activities of the Board; and absence of potential conflicts with the Company's interests. Further, when evaluating candidates for nomination, the Board and the Nominating & Corporate Governance Committee shall consider candidates with diverse backgrounds in terms of knowledge, business experience, and skills. When identifying, screening, recruiting and recommending candidates to the Board, the Nominating & Corporate Governance Committee is committed to including in each search (whether conducted in-house or with the assistance of a third-party search firm) qualified candidates who reflect diverse backgrounds, including diversity of gender and race. The Nominating & Corporate Governance Committee evaluates candidates within the context of the current and anticipated needs of the Board as a whole, so that the members of the Board collectively possess the necessary skills, experience and background, given the Company's current standing and strategic plans.

The Nominating & Corporate Governance Committee reviews the qualifications of director candidates and incumbent directors and recommends the Company's candidates to the Board for election by the Company's stockholders at the annual meeting. The Committee also considers director candidates recommended by Company stockholders in accordance with the procedures set forth in the proxy statement.

### ***Board Leadership***

The Board believes it is in the best interests of the Company to make a determination regarding the separation of the roles of Chief Executive Officer and Chairman of the Board based on the position and direction of the Company and the membership of the Board at the particular time. Therefore, the Board believes that it is in the best interests of the Company for the Board periodically to evaluate and make a determination regarding whether or not to separate the roles of Chairman and CEO based upon the circumstances. Currently, the roles are separate and the Chairman is an independent director.

### ***Service on Other Boards and Audit Committees***

Ordinarily, directors may not serve on the boards of more than five public companies, including the Company's Board. Directors who are serving as chief executives of public companies may not serve on the boards of more than two other public companies in addition to the Company's Board. For clarification only, service on the boards of subsidiary companies with no publicly traded stock (or that issue only debt), non-profit organizations and private companies is not included in this calculation. Moreover, if a director sits on several mutual fund boards within the same fund family, it will count as one board for purposes of this calculation.

In addition, directors should advise the chairperson of the Nominating & Corporate Governance Committee in advance of accepting an invitation to serve on the board of another public company.

Ordinarily, members of the Audit Committee may not serve on the audit committees of more than two other public companies.

### ***Director Elections***

Each director stands for election by the Company's stockholders annually to serve a one-year term.

The Company has adopted majority voting in the uncontested election of directors and plurality voting in contested elections. In uncontested elections, directors are elected by a majority of the votes cast, which means that the number of shares voted "for" a director must exceed the number of shares voted "against" that director. The Nominating & Corporate Governance Committee has established procedures for any director who is not elected to tender his or her resignation. The Nominating & Corporate Governance Committee will recommend to the Board whether to accept or reject the resignation offer, or whether other action should be taken. In determining whether to recommend that the Board accept any resignation offer, the Nominating & Corporate Governance Committee may consider all factors that the Committee's members believe are relevant.

The Board will act on the Nominating & Corporate Governance Committee's recommendation within 90 days following certification of the election results. In deciding whether to accept the resignation offer, the Board will consider the factors considered by the Nominating & Corporate Governance Committee and any additional information and factors that the Board believes to be relevant. If the Board accepts a director's resignation offer pursuant to this process, the Nominating & Corporate Governance Committee will recommend to the Board and the Board will thereafter determine whether to fill the vacancy or reduce the size of the Board. Any director who tenders his or her resignation pursuant to this provision will not participate in the proceedings of either the Nominating & Corporate Governance Committee or the Board with respect to his or her own resignation offer.

## **2. FUNCTIONING OF THE BOARD**

### ***Agendas***

The Chairman of the Board establishes the agenda for each Board meeting. Agenda items that fall within the scope of responsibilities of a Board committee are reviewed with the chairperson of that committee. Directors are encouraged to suggest the inclusion of items on the agenda.

Directors are also free to raise subjects at a Board meeting that are not on the agenda for that meeting.

### ***Distribution and Review of Board Materials***

Board materials related to agenda items are provided to directors sufficiently in advance of Board meetings to allow directors to review and prepare for discussion of the items at the meeting. In some cases, due to timing or the sensitive nature of an issue, materials are presented only at the Board meeting.

### ***Meetings***

The Board holds regularly scheduled meetings throughout the year and holds additional meetings as necessary to carry out its responsibilities. Directors are expected to attend Board meetings and meetings of the Board committees on which they serve.

### ***Executive Sessions***

The independent directors meet in executive session without management present regularly. The Chairman of the Board presides at executive sessions.

### ***Strategic Planning***

The Board reviews the Company's long-term strategic plan at least annually and monitors implementation of the strategic plan throughout the year.

### ***Confidentiality***

Directors must protect and hold confidential all non-public information that comes to them, from whatever source, in their capacity as a director of the Company, unless disclosure is authorized or required by law. Proceedings and deliberations of the Board and its committees are confidential.

## **3. STRUCTURE AND FUNCTIONING OF COMMITTEES**

### ***Number, Structure and Independence of Committees***

The Board has three standing committees: Audit, Nominating & Corporate Governance and Compensation.

The Audit, Nominating & Corporate Governance and Compensation Committees consist solely of independent directors. In addition, directors who serve on the Audit Committee and the Compensation Committee must meet additional, heightened independence criteria applicable to directors serving on these committees under Nasdaq Stock Market LLC listing standards.

The Board may also establish and maintain other committees from time to time as it deems necessary and appropriate.

### ***Assignment of Committee Members***

The Nominating & Corporate Governance Committee considers and makes recommendations to the Board regarding committee size, structure, composition and functioning. Committee members and chairpersons are recommended to the Board by the Nominating & Corporate Governance Committee and appointed by the full Board.

## ***Responsibilities***

Each standing committee operates under a written charter that sets forth the purposes and responsibilities of the committee as well as qualifications for committee membership. Each standing committee assesses the adequacy of its charter annually and approves changes or recommends changes to the Board, as appropriate. All committees report regularly to the full Board with respect to their activities.

## ***Meetings and Agendas***

The chairperson of each committee determines the frequency, length and agenda of the committee's meetings. Materials related to agenda items are provided to committee members sufficiently in advance of meetings where necessary to allow the members to review and prepare for discussion of the items at the meeting.

## **4. DIRECTOR ACCESS TO MANAGEMENT, EMPLOYEES AND ADVISERS**

At the invitation of the Board, members of senior management may attend Board meetings or portions of meetings for the purpose of presenting matters to the Board and participating in discussions. Directors also have full and free access to other members of management and to employees of the Company.

The Board has the authority to retain such outside counsel, experts and other advisers as it determines appropriate to assist it in the performance of its functions. Each of the Audit, Nominating & Corporate Governance and Compensation Committees has similar authority to retain outside advisers as it determines appropriate to assist it in the performance of its functions.

## **5. DIRECTOR COMPENSATION**

The Compensation Committee periodically reviews the compensation of directors. Director compensation is set by the Board based upon the recommendation of the Compensation Committee. Compensation consists of a combination of cash and equity. A substantial portion of director compensation is equity-based to assist in aligning directors' interests with the long-term interests of stockholders. Management directors do not receive compensation for service on the Board.

## **6. STOCK OWNERSHIP REQUIREMENTS**

In order to align the interests of directors with the long-term interests of the Company's stockholders, the Board has adopted stock ownership requirements. Each non-management director is required to own shares of the Company's common stock with a value equal to five times the annual, standard director cash retainer.

## **7. SUCCESSION PLANNING**

The Board is responsible for oversight of succession planning for certain senior management positions. Periodically, the Board reviews succession planning and management development, including recommendations and evaluations of potential successors to fill the CEO and other senior management positions. The succession planning process includes consideration of both ordinary course succession, in the event of planned promotions and retirements, and planning for situations where the CEO or another member of senior management unexpectedly become unable to perform the duties of their positions.

## **8. FORMAL EVALUATION OF THE CEO**

The Compensation Committee is responsible for setting corporate goals and objectives for the CEO, evaluating the CEO's performance against those goals and objectives, and setting the CEO's compensation. The results of the evaluation are shared with the CEO and used by the Compensation Committee in setting the CEO's compensation.

## **9. DIRECTOR ORIENTATION**

The Company provides new directors with materials designed to familiarize them with various aspects of the Company's business, including the Company's strategy, operations, finances, risk management processes, compliance program and governance practices.

## **10. BOARD AND COMMITTEE PERFORMANCE EVALUATIONS**

The Board conducts periodic self-evaluations to assess its performance. The Audit, Nominating & Corporate Governance and Compensation Committees conduct periodic self-evaluations to assess their performance. The ability of individual directors to contribute to the Board is considered in connection with the re-nomination process.

The Nominating & Corporate Governance Committee is responsible for developing, administering and overseeing processes for conducting evaluations.

## **11. STOCKHOLDER ENGAGEMENT**

To enable the Company to speak with a single voice, as a general matter, senior management serves as the primary spokesperson for the Company and is responsible for communicating with various constituencies, including stockholders, on behalf of the Company. Directors may participate in discussions with stockholders and other constituencies on issues where Board-level involvement is appropriate.

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