



**SBT Bancorp**



**Simsbury Bank<sup>SM</sup>**

**CORPORATE GOVERNANCE  
COMMITTEE CHARTER**

## **CORPORATE GOVERNANCE COMMITTEE CHARTER**

This Corporate Governance Committee Charter (the “Charter”) has been adopted by the Board of Directors (the “Board”) of SBT Bancorp, Inc. and The Simsbury Bank & Trust Company, Inc. (the “Company”) to assist the Company’s Corporate Governance Committee (the “Committee”) in the exercise of its responsibilities. The purpose of the Committee shall be to assist the Board in (1) identifying qualified individuals to become Board members, (2) determining the composition of the Board and its committees, (3) monitoring a process to assess Board effectiveness, (4) developing and implementing the Company’s corporate governance guidelines, and (5) annually reviewing and overseeing certain policies related to corporate governance.

### **Committee Composition**

The Committee shall be comprised of no fewer than three directors who are appointed annually by the Chairman of the Board. The Committee members must be independent of the management of the Company and free of any relationship that, in the opinion of the Board, would interfere with their exercise of independent judgment as Committee members.

If the full Board does not elect a chairperson for the Committee, then the Committee may designate a chairperson by majority vote of the full Committee membership.

### **Goals and Responsibilities**

The Committee shall:

- Periodically review the criteria for selecting new directors. The criteria shall include the qualifications, competencies, and personal attributes that the Committee deems necessary for effective Board membership.
- Identify individuals who are qualified to become Board members and recommend their nomination to the full Board for consideration and election.
- Plan for the periodic evaluation of the full Board and the Board chairperson.
- Oversee Board education, including new member orientation.
- Evaluate the performance of Board members eligible for reelection and recommend the reelection of Board members who are performing effectively.
- Annually review the Audit and Compliance Committee structure and recommend to the Chairman of the Board those directors to serve as members of the Audit and Compliance Committee. In making such recommendations, the Committee shall ensure that each recommended member is an outside director and meets the independence requirements of 12 C.F.R. § 363.5 of the FDIC regulations and guidelines 27 and 28 of Appendix A to 12 C.F.R. Part 363. The current FDIC independence requirements and guidelines are provided in Exhibit C to this Charter.
- Periodically, as warranted by evolution of the Company, review the structure of the Board’s other committees and recommend to the Chairman of the Board those directors to serve as members of each committee.

- Periodically review and make recommendations to the Board with respect to the compensation of directors.
- Annually review the adequacy of this Charter and recommend any proposed changes to the Board for approval.

The Committee shall have the authority to delegate any of its responsibilities to sub-committees as the Committee may deem appropriate in its sole discretion.

The Committee shall have the sole authority to obtain advice and assistance from internal or external legal, accounting or other advisers.

### **Meetings**

The Committee shall meet at least four times per year or when necessary at the call of the Committee chairperson.

## AUDIT COMMITTEE INDEPENDENCE REQUIREMENTS

Annually, the Committee shall determine whether each existing or potential Audit and Compliance Committee member is an “outside director” and whether the majority of all existing and potential Audit and Compliance Committee members are “independent of management” of the Company.

“Outside Director” Considerations. An outside director is a director who is not, and within the preceding fiscal year has not been, an officer or employee of the Company or any affiliate of the Company.

“Independent of Management” Considerations. It is not possible to list all circumstances that might signal potential conflicts of interest in, or that might bear on, an outside director's relationship to the Company and whether the outside director should be deemed “independent of management.” When assessing an outside director's relationship with the Company, the Committee should consider the issue not merely from the standpoint of the director himself or herself, but also from the standpoint of persons or organizations with which the director has an affiliation. These relationships can include, but are not limited to, commercial, banking, consulting, charitable, and family relationships. Paragraphs (a) and (b) below provide guidance for making this determination.

(a) If an outside director, either directly or indirectly, owns or controls, or has owned or controlled within the preceding fiscal year, 10 percent or more of any outstanding class of voting securities of the Company, the Committee should determine, and document its basis and rationale for such determination, whether such ownership of voting securities would interfere with the outside director's exercise of independent judgment in carrying out the responsibilities of a member of the Audit and Compliance Committee, including the ability to evaluate objectively the propriety of management's accounting, internal control, and reporting policies and practices. If the Committee determines that such ownership of voting securities would interfere with the outside director's exercise of independent judgment, the outside director will not be considered “independent of management.”

(b) The following list sets forth additional criteria that, at a minimum, the Committee should consider when determining whether an outside director is “independent of management.” The Committee may conclude that additional criteria also are relevant to this determination in light of the particular circumstances of the Company. An outside director will not be considered “independent of management” if:

(1) The director serves, or has served within the last three years, as a consultant, advisor, promoter, underwriter, legal counsel, or trustee of or to the Company or its affiliates.

(2) The director has been, within the last three years, an employee of the Company or any of its affiliates or an immediate family member is, or has been within the last three years, an executive officer of the Company or any of its affiliates.

(3) The director has participated in the preparation of the financial statements of the Company or any of its affiliates at any time during the last three years.

(4) The director has received, or has an immediate family member has received, during any twelve-month period within the last three years, more than \$100,000 in direct and indirect

compensation from the Company, its subsidiaries, and its affiliates for consulting, advisory, or other services other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service). Direct compensation would not include compensation received by the director for former service as an interim chairman or interim chief executive officer.

(5) The director or an immediate family member is a current partner of a firm that performs internal or external auditing services for the Company or any of its affiliates; the director is a current employee of such a firm; the director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance, or tax compliance practice; or the director or an immediate family member was within the last three years (but no longer is) a partner or employee of such a firm and personally worked on the audit of the Company or any of its affiliates within that time.

(6) The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another entity where any of the present executive officers of the Company or any of its affiliates at the same time serves or served on that entity's compensation committee.

(7) The director is a current employee, or an immediate family member is a current executive officer, of an entity that has made payments to, or received payments from, the Company or any of its affiliates for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$200 thousand, or 5 percent of such entity's consolidated gross revenues. This would include payments made by the Company or any of its affiliates to not-for-profit entities where the director is an executive officer or where an immediate family member of the director is an executive officer.

(8) For purposes of this paragraph (b):

(i) An "immediate family member" includes a person's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone (other than domestic employees) who shares such person's home.

(ii) The term affiliate of, or a person affiliated with, a specified person, means a person or entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

(iii) The term indirect compensation for consulting, advisory, or other services includes the acceptance of a fee for such services by a director's immediate family member or by an organization in which the director is a partner or principal that provides accounting, consulting, legal, investment banking, or financial advisory services to the Company, any of its subsidiaries, or any of its affiliates.

(iv) The terms direct and indirect compensation and payments do not include payments such as dividends arising solely from investments in the Company's equity securities, provided the same per share amounts are paid to all shareholders of that class; interest income from investments in the Company's deposit accounts and debt securities; loans from the Company that conform to all regulatory requirements applicable to such loans except that interest payments or other fees paid in association with such loans would be considered payments; and payments under non-discretionary charitable contribution matching programs.