

# **HAWTHORN BANCSHARES, INC.**

## **NOMINATING AND CORPORATE GOVERNANCE COMMITTEE CHARTER**

### **I. COMMITTEE PURPOSE**

The primary purpose of the Nominating and Corporate Governance Committee (the "Governance Committee") is (1) to identify individuals qualified to become members of the Board of Directors (the "Board") of Hawthorn Bancshares, Inc. (the "Company"), and to recommend to the Board proposed nominees for Board membership; (2) to recommend to the Board directors to serve on each standing committee of the Board; (3) to lead the Board in its annual review of the Board's performance; (4) to develop and recommend to the Board a set of Corporate Governance Guidelines; and (5) in general to take a leadership role in shaping the corporate governance of the Company.

### **II. PRINCIPAL COMMITTEE RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties, the Governance Committee:

1. Evaluates the current composition, size, role and functions of the Board and its committees to oversee successfully the business and affairs of the Company in a manner consistent with the Company's Corporate Governance Guidelines, and makes recommendations to the Board for approval.
2. Determines director selection criteria consistent with the Company's Corporate Governance Guidelines, and conducts searches for prospective directors whose skills and attributes reflect these criteria.
3. Evaluates nominees, including nominees nominated by shareholders, and recommends nominees for election to the Board.
4. Evaluates and makes recommendations to the Board concerning the appointment of directors to Board committees and the selection of Board committee chairs consistent with the Company's Corporate Governance Guidelines.
5. Determines the methods and execution of the annual evaluations of the Board's and each Board committee's effectiveness and supports the annual performance evaluation process.
6. Evaluates and makes recommendations to the Board regarding director retirements, director renominations and directors' changes in circumstances in accordance with the Company's Corporate Governance Guidelines.
7. Annually evaluates the Governance Committee's performance.
8. Performs any other activities consistent with this Charter, the Company's Articles of Incorporation and Bylaws, as amended from time to time, and any governing law, as the Board considers appropriate and delegates to the Governance Committee.

### **III. COMMITTEE COMPOSITION**

The Governance Committee will be comprised of at least three members. All members of the Governance Committee must satisfy, at a minimum, the independence requirements of the listing standards of the Nasdaq Stock Market<sup>1</sup> and the other director qualification standards set forth in the Company's Corporate Governance Guidelines.

### **IV. COMMITTEE MEETINGS**

The Governance Committee will meet as required to fulfill its responsibilities set forth in this Charter. The chairperson or his or her designee shall preside over all meetings of the Governance Committee. The Governance Committee shall meet at least three times annually and at such other times as the chairperson deems appropriate or as required by law or applicable rules and regulations. A majority of the members of the Governance Committee shall constitute a quorum. The vote of a majority of the members present at any meeting at which a quorum is present shall be the act of the Governance Committee. The Governance Committee may meet in person or telephonically. The Governance Committee shall establish its own rules of procedure, which shall be consistent with the Bylaws of the Company and this Charter. The chairperson or a majority of the members of the Governance Committee may call a special meeting of the Governance Committee.

### **V. APPOINTMENT AND REMOVAL**

Members of the Governance Committee shall be appointed by the Board and shall generally serve until their successors shall be duly appointed and qualified. The Governance Committee shall recommend, and the Board shall designate, one member of the Governance Committee as chairperson. The members shall serve until their resignation, retirement, removal by the Board or until their successors shall be duly appointed and qualified. No member of the Governance Committee shall be removed except by a majority vote of the independent directors, as determined in accordance with the listing standards of the Nasdaq Stock Market and the other director qualification standards set forth in the Company's Corporate Governance Guidelines, then in office. A member of the Governance Committee shall be deemed to have resigned from the Governance Committee at such time that the member shall have been removed from the Board pursuant to the Bylaws of the Company or such member has resigned or otherwise terminated his or her membership of the Board. A member of the Governance Committee shall also be deemed to have resigned from the Governance Committee at such time that a majority of the independent members of the Board have determined that such member of the Governance Committee is no longer an independent director of the Board.

### **VI. SUBCOMMITTEES**

As permitted by law or the listing standards, the Governance Committee may delegate its duties and authority to a subcommittee of fully independent directors who satisfy the requirements identified under "Committee Composition" above.

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<sup>1</sup> Nasdaq Rule 5605(e)(1).

## **VII. DIRECTOR QUALIFICATIONS**

In selecting nominees for the Board, the Governance Committee shall take into account the qualifications set forth in the Company's Corporate Governance Guidelines and in the listing standards of the Nasdaq Stock Market.

## **VIII. SEARCH FIRMS**

The Governance Committee shall have the sole authority to retain and terminate any search firm or other consultant, expert or advisor that it may deem necessary or helpful to the Governance Committee in the performance of its duties. The Governance Committee also shall have sole authority to approve the fees and other terms of engagement of any such party and approve the funding by the Company of such fees. In determining whether to retain or terminate a provider of such services, the Governance Committee may, in its discretion, obtain the input of senior management.

## **IX. RELIANCE ON OTHERS**

Unless the committee member has knowledge that makes reliance unwarranted, the Governance Committee members, in discharging their duties to the Company, may rely on information, opinions, reports, or statements, any of which may be written or oral, formal or informal, including financial statements, valuation reports, and other financial data, if prepared or presented by: (a) one or more officers or employees of the Company whom the committee member believes in good faith to be reliable and competent in the matters presented; (b) legal counsel, independent auditors, or other persons as to matters which the committee member believes in good faith to be within the professional or expert competence of such person; or (c) another committee of the Board of which such committee member is not a member if the committee member believes in good faith that such committee merits confidence.

## **X. CORPORATE GOVERNANCE OVERSIGHT**

**1. Corporate Governance Guidelines.** The Governance Committee shall: (a) develop and recommend to the Board a set of Corporate Governance Guidelines applicable to the Company; (b) review and reassess the adequacy of such Corporate Governance Guidelines annually, recommending to the Board any changes deemed appropriate; and (c) generally advise the full Board on corporate governance matters.

**2. Policies/Guidelines.** The Governance Committee shall have responsibility for interpretation and enforcement of, monitoring and reviewing compliance with, making recommendations to the Board with respect to changes, alterations and modifications of, and making recommendations to the Board with respect to Corporate Governance Guidelines and other policies, codes and guidelines of the Company, as the Governance Committee or the Board deems necessary or desirable.

## **XI. MINUTES; REPORTS TO BOARD OF DIRECTORS**

The Governance Committee shall keep correct and complete minutes of its proceedings and the names and places of residence of its members.

Following each of its meetings, the Governance Committee shall deliver a report on the meeting to the Board, including a description of all actions taken by the Governance Committee at the meeting.

## **XII. ANNUAL EVALUATION OF PERFORMANCE AND CHARTER**

1. At least annually, the Governance Committee shall conduct an evaluations of its performance. The Governance Committee shall report its conclusions regarding this evaluation to the Board. The Governance Committee's report should generally include an assessment of its compliance with this Charter, as well as identification of areas in which the Governance Committee could improve its performance.
2. The Governance Committee shall review and reassess the adequacy of this Charter on an annual basis and recommend any proposed changes to the Board for approval. This Charter will be made available on the Company's internet website.

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