

## **Arrow Financial Corporation**

### **Charter of the Governance Committee**

The principal tasks of the Committee are to 1) establish procedures for the nomination process, review and consider candidates for nomination as director and recommend to the Board the nomination of qualified candidates for election to the Board; 2) review and recommend Board practices and policies concerning corporate governance; 3) review annually and report to the Board concerning which directors are “independent” under the AMEX corporate governance listing standards; 4) review annually and report to the Board concerning the performance of the Board of Directors; 5) review and recommend the following policies to the Board; a) Uniform Code of Conduct and Ethics for Directors, b) Code of Conduct for the CEO and Senior Financial Officers, c) Code of Conduct and Ethics for Officers and Employees, and d) Board Policy, including Board committee charters; and 6) review training initiatives for directors. This charter governs the responsibilities, authority and operations of the Committee.

#### **Membership**

The Committee shall consist of three (3) or more directors of the Company as determined from time to time by the Board. The Board shall appoint or designate the members of the Committee, including the chairperson, annually and shall have the power to remove directors as members, with or without cause, and to appoint replacement or new members to the Committee at any time. No member of the Committee shall be a current employee of the Company or any of its subsidiaries. To the extent that applicable laws and regulations, including applicable listing requirements of the principal securities exchange on which the Company's stock is listed from time to time, may impose certain requirements on one or more members of the Committee, such as requirements relating to independence from management or prior business experience, the membership of the Committee shall be structured so as to meet such requirements.

#### **Nomination of Directors**

In connection with each annual meeting of shareholders, the Committee shall conduct a review and assessment of appropriate candidates for nomination as director of the Company, including any incumbent directors desiring and willing to continue to serve, and shall make a recommendation to the full Board on a slate of nominees, with such accompanying analysis and support as the Committee deems appropriate or as the full Board may request. In connection with its annual recommendation on nominees, the Committee also shall make recommendations to the full Board on the membership of the committees of the Board for the forthcoming year, assuming its recommended candidates for directors are nominated and elected.

In connection with any periodic vacancies or newly-created directorships as may occur from time to time on the Board, the Committee shall make a similar review and assessment regarding appropriate candidates to fill such positions, and make a recommendation to the full Board regarding its nominees, as well as the committee assignments, if any, of such nominees.

The Committee shall periodically review the qualifications and prerequisites for serving as a director of the Company, including legal and regulatory requirements for serving on the Board or committees of the Board, and shall make recommendations regularly regarding desirable attributes and qualities for individual directors and for the Board generally.

The Committee shall periodically review the membership of the boards of directors of the Company's subsidiaries and committees of such boards, and shall make such recommendations as it deems appropriate to the subsidiaries' boards of directors regarding the continuing service of incumbent directors on such boards, suitable candidates for vacancies or newly-created directorships on such boards, and membership of committees of such boards.

The Committee shall review annually and approve, with such changes as it deems appropriate, the Company's policies and procedures on shareholder nomination of candidates for director, and shall ensure the conformity of such policies and procedures to all applicable laws and regulations and the disclosure of such policies and procedures to shareholders and the public.

If any shareholder not serving on the Board attempts to nominate a candidate for director in accordance with the Company's shareholder nomination policies and procedures, the Committee shall review such nomination and submit a recommendation to the full Board in a timely fashion on the Company's response thereto.

In considering candidates for the Board, the committee should include individuals who may be recommended by directors, management, or shareholders. The committee shall use the same judgment and criteria in considering all director nominees. The committee is not required to conduct or document full reviews of all names submitted to it.

Candidates recommended by the committee for nomination as directors should, as a group, meet the corporation's strategic needs; possess the highest personal values, judgment and integrity; understand the regulatory and policy environment in which the Corporation does business; have an understanding of, and interest in, the communities served by the Corporation; and have experience in the key business, financial and management challenges that face a financial services corporation such as Arrow Financial Corporation.

### **Committee and Board Review of Charter**

The Committee shall annually review and reassess its ability to perform its duties and responsibilities consistent with this charter and, if it so elects, shall recommend to the full Board appropriate changes in this charter. The full Board and, to the extent required or permitted under this charter, one or more other committees of the Board also may review this Committee's charter and performance of its duties under the charter.

### **Disclosure of Charter**

This charter or portions hereof shall be disclosed as part of the Company's annual meeting proxy statement or otherwise, if and as required under applicable securities laws and regulations.

### **Access to Company Books, Records, Personnel, Experts**

In discharging its duties and responsibilities, the Committee is empowered to examine, under the direction of its chairperson, those matters appropriate to fulfilling its responsibilities, with unrestricted access to all books, records, facilities and personnel of the Company, and, if and as appropriate, to retain outside counsel, consultants or other experts.

### **Further Committee Duties and Responsibilities; Board Oversight**

The Board has ultimate authority for the delegation of duties and responsibilities to the Committee and the specification of these duties and responsibilities in this charter, subject to applicable law and any applicable rules, regulations and listing standards.

From time to time, the Board may add to, delete from or modify the duties and responsibilities of the Committee set forth herein and amend this charter accordingly. The Board also may assign to the Committee such further and particular tasks as it chooses, consistent with this charter, without so specifying in this charter.

On a regular basis, the Chairman of the Committee will report to the full Board regarding the actions and decisions of the Committee, in such detail as may be appropriate or as the full Board may request. Any

Committee recommendations to the full Board for action by the latter shall be accompanied by all necessary or appropriate information and documentation.

### **Outside Advisors**

The committee shall have the authority to retain such outside counsel, experts, and other advisors as it determines appropriate to assist it in the full performance of its functions.