

## **DATAWATCH CORPORATION**

### **Charter of the Corporate Governance and Nominating Committee of the Board of Directors**

#### **A. PURPOSE**

The primary function of the Corporate Governance and Nominating Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of Datawatch Corporation (the “Corporation”) in fulfilling its responsibilities by: (i) identifying individuals qualified to become members of the Board, and recommending that the Board select the director nominees for election at the next annual meeting of shareholders, (ii) oversee and ensure compliance with all corporate governance policies, (iii) adopting a corporate code of ethics and conduct applicable to all officers, directors and employees (a “Code of Ethics and Business Conduct”) and (iv) monitoring compliance with and periodically reviewing the Code of Ethics and Business Conduct.

#### **B. COMMITTEE COMPOSITION AND PROCEDURES**

##### Independence Requirements

1. Each Committee member shall meet any applicable independence requirements promulgated by any Regulatory Body.

##### Number of Members

2. The Committee shall be comprised of a minimum of three members of the Board, provided, however, that if fewer than three independent directors sit on the Board, the Committee shall be comprised of such lesser number as the Board from time to time may designate.

##### Committee Member Appointment and Removal

3. Members of the Committee shall be elected by the Board and shall serve until their successors shall be duly elected and qualified or until their earlier resignation or removal. Unless the Board elects a Chair, the members of the Committee may designate a Chair by majority vote of the members of the Committee.

##### Committee Structure and Operations

4. The Committee may delegate its authority to subcommittees as it deems appropriate.

##### Meetings of the Committee; Quorum

5. The Committee shall meet as necessary, but at least annually, to enable it to fulfill its goals and responsibilities as set forth herein. A majority of the members of the Committee shall constitute a quorum for the transaction of business, and the action of a majority of those present, after determining a quorum, shall be the act of the Committee.

### Committee Reporting to the Board

6. The Committee shall report its findings to the Board and shall keep written minutes of its meetings which shall be recorded and filed with the books and records of the Corporation.

### **C. GOALS AND RESPONSIBILITIES**

To fulfill its responsibilities and duties the Committee shall:

#### Board Composition and Nominations

1. Evaluate the current composition and organization of the Board and its committees in light of requirements established by the Securities and Exchange Commission, the National Association of Securities Dealers, any exchange upon which the securities of the Corporation are traded or any governmental or regulatory body exercising authority over the Corporation (each, a “Regulatory Body”) as in effect from time to time, or any other applicable statute, rule or regulation which the Committee deems relevant and make recommendations regarding the foregoing to the Board for approval.
2. Review the composition and size of the Board in order to ensure that the Board is comprised of members reflecting the proper expertise, skills, attributes and personal and professional backgrounds for service as a director of the Corporation, as determined by the Committee.
3. Recommend to the Board for selection nominees for election as directors of the Corporation in accordance with the criteria specified in the Policy Governing Director Nominations as adopted by this Committee.
4. Recommend to the Board for selection Board members to be appointed to serve on committees of the Board.
5. Evaluate the performance of current Board members proposed for reelection, and approve those members of the Board standing for reelection who the Committee determines are appropriate. However, if the Corporation is legally obligated by contract or otherwise to provide third parties with the ability to nominate directors (for example, the rights of preferred stockholders, rights under shareholder agreements or other agreements), the selection and nomination of such directors shall not be subject to the criteria above.
6. Review and recommend to the Board an appropriate course of action upon the resignation of current Board members or any planned expansion of the Board and review the qualifications for service on the Board of any potential additional or replacement members of the Board. If a vacancy on the Board exists, the Committee will follow the procedures set forth in the Policy Governing Director Nominations.

#### Establishment and Review of Corporate Governance Policies

7. Evaluate and recommend to the Board a Code of Ethics and Business Conduct for Corporation employees, directors and officers.

8. The Code of Ethics and Business Conduct at a minimum shall (i) comply with any requirements established by any Regulatory Body or any other applicable statute, rule or regulation that the Committee deems relevant, (ii) address conflicts of interest and full and fair disclosure and compliance with laws, (iii) encourage the reporting of any illegal or unethical behavior and expressly prohibit retaliation of any kind for any such reports or complaints, (iv) provide clear and objective standards for compliance with the Code of Ethics and Business Conduct and a fair process by which to determine violations thereof, and (v) contain an enforcement mechanism. Once formulated, the Committee shall recommend the adoption of such Code of Ethics and Business Conduct to the Board.
9. Review and assess the adequacy of the Code of Ethics and Business Conduct periodically, but at least annually. The Committee shall recommend any amendments to the Code of Ethics and Business Conduct to the Board for approval.
10. Collaborate with the Corporation's officers and legal counsel to disclose to the shareholders any amendments to the Code of Ethics and Business Conduct required to be disclosed by any Regulatory Body.
11. Collaborate with the Corporation's officers and legal counsel to develop a means by which allegations of violations of or non-compliance with the Code of Ethics and Business Conduct can be reported to the Committee in a confidential manner.
12. Review and assess the adequacy of this Charter periodically as conditions dictate, but at least annually and recommend any modifications to this Charter if and when appropriate to the Board for its approval.
13. Review and assess the adequacy of the Corporation's articles of incorporation and by-laws and the charters of any committee of the Board (the "Governing Documents") periodically and recommend to the Board any necessary modifications to the Governing Documents.
14. To the extent required by any Regulatory Body or otherwise deemed advisable by the Committee, develop, implement, review and monitor an orientation and education program for members of the Board.

#### Oversight of the Evaluation of the Board and Management

15. Evaluate and determine an appropriate response to credible evidence indicating violations of or non-compliance with the Code of Ethics and Business Conduct or the Governing Documents after consulting with legal counsel, including reporting any violation of law to any appropriate Regulatory Body
16. Evaluating any requests for waivers of the Code of Ethics and Business Conduct, evaluate any such requests, make a recommendation to the Board whether to grant any waivers and establish a process for prompt disclosure to the shareholders upon the grant of any such waivers as may be required by any Regulatory Body.
17. At least annually, conduct a performance evaluation of the Board to determine whether it and its committees are functioning effectively.

## General

18. To the extent deemed appropriate by the Committee, engage outside counsel and/or independent consultants at the Corporation's expense to review any matter for which it is responsible and approve the terms of engagement and fees of any outside counsel and/or independent consultants and terminate any such engagement if necessary.
19. Take such other actions regarding the Corporation's corporate governance that are in the best interests of the Corporation and its shareholders as the Committee shall deem appropriate or as shall otherwise be required by any Regulatory Body.

### **D. ANNUAL PERFORMANCE EVALUATION OF THE COMMITTEE**

The Committee will conduct a self-evaluation at least annually to determine whether it is functioning effectively, and provide the result to the Board for discussion. The assessment may include an evaluation of the Committee's contribution as a whole and a review of any specific areas in which the Committee believes it can make a better contribution to the governance of the Corporation. The purpose of any review should be to improve the performance of the unit and not to target the performance of any individual Committee member.