

# CITIZENS & NORTHERN CORPORATION

## CITIZENS & NORTHERN CORPORATION COMPENSATION COMMITTEE CHARTER

### **A. Purpose**

The purpose of the Compensation Committee is (i) to oversee the discharge of the responsibilities of the Board of Directors of Citizens & Northern Corporation (the "Company") relating to compensation of the Company's executive officers; (ii) to provide oversight of the Company's compensation, benefit, perquisite and employee equity programs; and (iii) produce a Compensation Discussion and Analysis on executive compensation for inclusion in the Company's proxy statement in accordance with applicable rules and regulations.

### **B. Structure and Membership**

1. *Number.* The Compensation Committee shall consist of at least three (3) members of the Board of Directors.
2. *Independence.* Except as otherwise permitted by the applicable Nasdaq rules, each member of the Compensation Committee shall be an "independent director" as defined by Nasdaq Rule 5605(a)(2) and shall not accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or any subsidiary thereof. In determining whether a director is eligible to serve on the Compensation Committee, the Board shall consider whether the director is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company to determine whether such affiliation would impair the director's judgment as a member of the Compensation Committee.
3. *Chair.* Unless the Board of Directors elects a Chair of the Compensation Committee, the Compensation Committee shall elect a Chair by majority vote.
4. *Compensation.* Subject to paragraph B.2. above, the compensation of Compensation Committee members shall be as determined by the Board of Directors.
5. *Selection and Removal.* The Board, upon recommendation of the Governance and Nominating Committee, shall appoint members to the Compensation Committee. The Board may remove or reassign members of the Compensation Committee, with or without cause.

## **C. Authority and Responsibilities**

### **General**

The Compensation Committee shall discharge its responsibilities and shall assess the information provided by the Company's management and others, in accordance with its business judgment.

### **Compensation Matters**

- 1. *CEO Compensation.*** The Compensation Committee shall annually review and approve corporate goals and objectives relevant to the compensation of the Company's Chief Executive Officer (the "CEO"), evaluate the CEO's performance in light of those goals and objectives, and set the CEO's compensation level based on this evaluation.
- 2. *Executive Officer Compensation.*** The Compensation Committee shall review and approve for recommendation to the Board of Directors executive officer (including CEO) compensation, including salary, bonus and incentive compensation levels; deferred compensation; executive perquisites; equity compensation (including awards to induce employment); severance arrangements; change-in-control benefits and other forms of executive officer compensation. The CEO may not be present during voting or deliberations on his or her compensation. The Compensation Committee may, in its discretion, invite the CEO or other executive officers to be present during approval of another executive officer's compensation.
- 3. *Plan Recommendations and Approvals.*** The Compensation Committee shall periodically review and make recommendations to the Board of Directors with respect to incentive-compensation plans and equity-based plans that are subject to approval by the Board. In addition to any recommendation provided by the Compensation Committee to the full Board of Directors, the Compensation Committee shall approve any tax-qualified, non-discriminatory employee benefit plans (and any parallel nonqualified plans) whether or not stockholder approval is sought for such plans and pursuant to which options or stock may be acquired by officers, directors, employees or consultants of the Company.
- 4. *Incentive Plan Administration.*** The Compensation Committee shall exercise all rights, authority and functions of the Board of Directors under all of the Company's stock option, stock incentive, employee stock purchase and other equity-based plans, including without limitation, the authority to interpret the terms thereof, to grant options thereunder and to make stock awards there under; provided, however, that, except as otherwise expressly authorized to do so by this Charter or by a plan or resolution of the Board of Directors, the Compensation Committee shall not be

authorized to amend any such plan. To the extent permitted by applicable law and the provisions of a given equity-based plan, and consistent with the requirements of applicable law and such equity-based plan, the Compensation Committee may delegate to one or more executive officers of the Company the power to grant options or other stock awards pursuant to such equity-based plan to employees of the Company or any subsidiary of the Company who are not directors or executive officers of the Company. The Compensation Committee, or a majority of the independent directors serving on the Board, shall approve any inducement awards to be granted in reliance on the exemption from stockholder approval contained in Nasdaq Rule 5635(c)(4).

5. *Director Compensation.* The Compensation Committee shall periodically review and make recommendations to the Board of Directors with respect to director compensation.
6. *Compensation Committee Report on Executive Compensation.* The Compensation Committee shall prepare for inclusion where necessary in a proxy or information statement of the Company relating to an annual meeting of security holders at which directors are to be elected (or special meeting or written consents in lieu of such meeting), the report required by Item 407(e)(5) of Regulation S-K.
7. *Review and Discussion of Compensation Discussion and Analysis: Recommendation to Board.* The Compensation Committee shall review and discuss annually with management, the Company's "Compensation Discussion and Analysis" required by Item 402(b) of Regulation S-K (the "CD&A"), if applicable. The Compensation Committee shall consider annually whether it will recommend to the Board that the CD&A be included in the Company's Annual Report on Form 10-K, proxy statement on Schedule 14A or information statement on Schedule 14C.
8. *Compensation Consultants, Counsel and Other Advisors.* The Compensation Committee shall have the authority, in its sole discretion, to retain or obtain the advice of such compensation consultants, legal counsel and other advisors as the Compensation Committee deems necessary or appropriate to carry out its responsibilities. In connection with retaining or obtaining the advice of such consultants, counsel and advisors, the Compensation Committee shall take into consideration the applicable factors affecting independence that are specified in SEC and Nasdaq rules. The Compensation Committee shall be directly responsible for the appointment, compensation and oversight of the work of any consultants, counsel and advisors that it retains. Such independent advisors may be the regular advisors to the Company. The Compensation Committee is empowered, without further action by the Board, to cause the Company to pay the compensation of such consultants, counsel and advisors as established by the Compensation Committee.

9. *Succession Planning and Leadership Development.* The Compensation Committee shall review and recommend for adoption by the Board a corporate Succession Plan. The Committee shall assign the operational duties of the Plan to the CEO, who will be responsible for the Plan's implementation. The CEO will report, at least annually, on the current efforts and results of the Succession Planning Committee as set forth in the Plan.
10. The Committee shall provide oversight to the Corporation's Human Resources function.
11. *Additional Duties and Responsibilities.* The Compensation Committee shall take such other action with respect to compensation matters as may be delegated from time to time by the Board of Directors.

#### **D. Procedures and Administration**

1. *Meetings.* The Compensation Committee shall meet (in person or by telephonic meeting) as often as it deems necessary in order to perform its responsibilities, but at least twice per year. The Compensation Committee may also act by unanimous written consent in lieu of a meeting. The Compensation Committee shall keep such records of its meetings, as it shall deem appropriate.
2. *Subcommittees.* The Compensation Committee may form and delegate authority to one or more subcommittees as it deems appropriate from time to time under the circumstances (including (a) a subcommittee consisting of a single member and (b) a subcommittee consisting of at least two members, each of whom qualifies as a "nonemployee director," as such term is defined from time to time in Rule 16b-3 promulgated under the Exchange Act, and an "outside director," as such term is defined from time to time in Section 162(m) of the Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder).
3. *Reports to Board.* The Compensation Committee shall ensure that the Board of Directors receives regular reports of the Compensation Committee's meetings.
4. *Charter.* The Compensation Committee shall review and reassess the adequacy of this Charter on an annual basis and recommend any proposed changes to the Board of Directors for approval.
5. *Investigations.* The Compensation Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate, including the authority to request any officer, employee or advisor of the Company to meet with the Compensation Committee or any advisors engaged by the Compensation Committee.

6. *Annual Self-Evaluation.* At least annually, the Compensation Committee shall evaluate its own performance and report on such evaluation to the Board.