

COMMUNITY BANK SYSTEM, INC. COMPENSATION COMMITTEE CHARTER

Purpose

The Compensation Committee is responsible for reviewing and approving the Company's compensation and benefit programs, determining the compensation for the Chief Executive Officer, reviewing and approving the compensation structure for senior management, and approving broad-based compensation plans for the Company and its subsidiary entities.

Additionally, the Committee will regularly review the Company's management resources, succession planning and development activities, as well as the performance of senior management.

Committee Membership and Meetings

The Committee shall consist of at least three members of the Board of Directors each of whom shall (a) meet the independence requirements of the New York Stock Exchange listing standards and any other applicable laws, rules and regulations governing independence, as determined by the Board; (b) qualify as "non-employee directors" as defined under Section 16 of the Securities Exchange Act; and (c) qualify as "outside directors" under Section 162(m) of the Internal Revenue Code. Members of the Committee and the Chair of the Committee shall be appointed by the Board and may be replaced at any time by the Board.

The Committee shall meet as often as necessary to carry out its responsibilities. Any Committee member may request the Chair of the Committee to call a meeting. The Chair of Committee shall report on any Committee meeting held at the next regularly scheduled Board meeting following the Committee meeting.

Duties and Responsibilities

The Committee shall have the following duties and responsibilities:

- Annually review and approve goals and objectives of the Company relevant to compensation, evaluate the Chief Executive Officer's performance in light of these goals and objectives, and, either as a committee or together with the other independent directors (as directed by the Board), make determinations on the Chief Executive's compensation level based on this evaluation.
- Annually review the Company's overall objectives and major components of its compensation programs in seeking to align compensation with business objectives and enable the Company to attract and retain individuals who are contributing to the long-term success to the Company. The Committee shall report its determinations to the Board.

- Annually review and approve base salary, incentive compensation and long-term incentive compensation matters for senior management subject to ratification by the Board of Directors.
- In consultation with and based upon the advice of outside counsel, monitor the disclosure regarding compensation matters in the Company's proxy statement and produce the annual Committee Report on executive compensation for inclusion in the Company's proxy statement.
- Review executive officer compensation for compliance with Section 16 of the Securities Exchange Act and Section 162(m) of the Internal Revenue Code, as each may be amended from time to time, and any other applicable laws, rules and regulations.
- In consultation with the Chief Executive Officer and senior management, review the talent development process within the Company to ensure it is effectively managed. The purpose of the performance and talent review is to ensure that there is a sufficient pool of qualified internal candidates to fill senior and leadership positions and to identify opportunities, performance gaps and next steps as part of the Company's executive succession planning and development process, all of which shall be reviewed by the Chief Executive Officer and senior management with the Committee.
- In consultation with the Board and the Chief Executive Officer, either the Committee as a whole or a subcommittee thereof, shall, as part of its executive succession planning process, evaluate potential successors to the Chief Executive Officer. The Committee will also provide an annual report to the Board on Chief Executive Officer succession.
- Annually review employee compensation strategies, benefits and equity-based programs and plans.
- Review and approve employment agreements, severance arrangements and change in control agreements and provisions when, and if appropriate, as well as any special supplemental benefits, subject to approval by Board of Directors.
- Conduct an annual review of the Committees performance, periodically assess the adequacy of its charter and recommend changes to the Board as needed.
- Regularly report to the Board on the Committee's activities.
- Obtain advice and assistance, as needed, from internal or external legal, accounting, search firms, compensation specialists or other advisors, including the retention, termination and negotiation of terms and conditions of the assignment.