

COMMUNITY BANK SYSTEM, INC.

CORPORATE GOVERNANCE GUIDELINES

The following Corporate Governance Guidelines have been adopted by the Board of Directors (the “Board”) of Community Bank System, Inc. (the “Company”) to assist the Board in the exercise of its responsibilities to the Company and its shareholders. These Guidelines should be interpreted in the context of all applicable laws and the Company's Certificate of Incorporation, Bylaws and other corporate governance documents, and are intended to serve as a flexible framework within which the Board may conduct its business. These Guidelines are subject to modification and the Board shall be able, in the exercise of its discretion, to deviate from these Guidelines from time to time, as the Board may deem appropriate or as required by applicable laws and regulations.

1. Director Qualifications

The Board will have a majority of directors who meet the criteria for independence required by the New York Stock Exchange. The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics that the Board seeks in Board members as well as the composition of the Board as a whole, including an annual evaluation of whether members qualify as independent under applicable standards. During the course of a year, directors are expected to inform the Board of any material changes in their circumstances or relationships that may impact their status or designation by the Board as independent.

Nominees for director will be selected on the basis of outstanding achievement in their personal careers; broad experience; wisdom; integrity; ability to make independent, analytical inquiries; understanding of the business environment; and willingness to devote adequate time to Board duties. The Board believes that each director should have a basic understanding of (i) the principal operational and financial objectives and plans and strategies of the Company, (ii) the results of operations and financial condition of the Company and of any significant subsidiaries or business segments, and (iii) the relative standing of the Company and its business segments in relation to its competitors.

Nominees for directorship will be recommended by the Nominating and Corporate Governance Committee to the full Board in accordance with the policies and principles in its Charter.

In general, the number of directors on the Board shall range between 9 to 15 directors. However, the Board would be willing to consider a somewhat larger size in order to accommodate the availability of an outstanding candidate.

It is the sense of the Board that individual directors who significantly change responsibilities or job positions should volunteer to resign from the Board. It is not the sense of the Board that in every instance the directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. There should, however, be an

opportunity for the Board, through the Nominating and Corporate Governance Committee, to review the continued appropriateness of Board membership under the circumstances.

Directors should advise the Chair of the Board and the Chair of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another public company board.

Consistent with the mandatory retirement provision in the Company's Bylaws, directors shall retire at age 70 with the exception of certain express waivers which have been granted by the Board.

2. Director Responsibilities; Board Leadership

The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders, and to perform their duties of care and loyalty. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors, as permitted by law.

The specific duties and responsibilities of the Board will include, among other things, overseeing the management of the business and affairs of the Company; selecting and recommending to shareholders appropriate candidates for election to the Board; reviewing and, where appropriate, approving the business plans, major strategies and financial objectives of the Company; evaluating Board processes and performance and the overall effectiveness of the Board; evaluating the performance of the Company and of senior management; requiring, approving and overseeing the implementation of the Company's succession plans; reviewing compliance with applicable laws and regulations and adopting policies of corporate conduct to assure compliance with applicable laws and regulations and to assure maintenance of necessary accounting, financial, and other controls; and showing, through its actions, its awareness that the Company's long-term success depends upon its strong relationship with its customers, employees, shareholders and the communities in which it operates.

Directors are expected to serve on Board committees. To the extent possible, directors will be appointed to the committee(s) in which he or she is best suited to serve given the overall make up of the Board.

Directors are expected to regularly attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to discharge properly their responsibilities. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting generally should be distributed in writing to the directors before the meeting, and directors should review these materials in advance of the meeting. Directors are also expected to attend all annual meetings of shareholders of the Company.

The Board will meet on a regular basis typically at least on a bi-monthly basis and will hold additional meetings when needed to address issues of special concern or urgency. The

Board has a policy of separating the offices of Chair of the Board and Chief Executive Officer (“CEO”).

The independent directors will meet in executive session at least quarterly, without the Company's management. The Chair of the Audit Committee will preside at executive sessions of the Board and serve as the Lead Director, unless the independent directors select another independent director to serve as the Lead Director. The Lead Director will provide an additional source of independent leadership for the Board and shall have the following responsibilities:

- serve as liaison between the Chair and the independent directors;
- preside at all meetings of the Board at which the Chair is not present and at executive sessions of the independent directors;
- make recommendations for matters to be considered by the Board, including the meeting agenda, information to be supplied to directors and the schedule of meetings to insure there is sufficient time for discussion of agenda items;
- has authority to call meetings of the independent directors; and
- serve as an independent point of contact for shareholders wishing to communicate with the Board other than through the Chair or CEO.

The role and the identity of the Lead Director will be disclosed in the Company's Proxy Statement. The Lead Director will be appointed to serve a minimum term of one year. The Board may, in the exercise of its judgment, allow for a shorter or longer term of service in any particular situation. In the event the Chair of the Board is deemed to be an independent director, the Chair shall act as and perform the responsibilities of the Lead Director. The Company will disclose in the proxy statement a method for interested parties to contact the Lead Director, or the independent directors as a group.

3. Board Committees; Chair Positions

The Board will have at all times an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee, a Strategic/Executive Committee, and other committees that the Board deems appropriate from time to time. The members of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee will be independent directors under the criteria established by the New York Stock Exchange, any other exchange on which the Company's securities are traded, and any other applicable rules or regulations. Committee members will be appointed annually by the Board.

In connection with the organizational meeting each year, the Nominating and Corporate Governance Committee (or other appropriate independent committee designated by the Board) shall consider appropriate assignments for committee membership consistent with the qualifications of directors and applicable legal requirements for various committees and shall submit its recommendations for committee assignments and chair positions for the Board and the Board committees to the full Board for consideration and approval. The committee structure will

be evaluated on an annual basis in connection with the organizational meeting and there will be a four year term limit for the chair of each committee unless such term limit is waived by the Board. There will also be a four year term limit for the Chair of the Board with the potential for appointment for a longer period at the judgment of the Board. The Nominating and Corporate Governance Committee will conduct a performance evaluation of the Chair of the Board and a review of the effectiveness of the committee structure on an annual basis.

4. Director Access to Officers, Employees and Outside Advisors

Directors have full and free access to officers and other employees of the Company and its subsidiaries and the Company's outside advisors. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company. It is the expectation of the Board that directors will keep the CEO informed of communications between a director and an officer or other employee of the Company, as appropriate.

At least once per year, management will report to the Board regarding management development and succession, including initiatives and progress with respect to long-term strategic planning.

Inclusion of the CEO and other executives at Board meetings provides the Board with information and insight about the Company. Other executives may attend Board meetings or committee meetings at the invitation of the Chair of the Board or the CEO to provide information and insight to the Board.

5. Director Compensation

The form and amount of director compensation will be determined by the Compensation Committee, subject to approval by the Board, in accordance with the policies and principles set forth in its Charter and applicable legal and regulatory guidelines. The Compensation Committee will conduct an annual review of director compensation.

6. Director Orientation and Continuing Education

The Company will maintain an orientation program for new directors which will include familiarizing new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Ethics, Insider Trading Policy and other relevant policies, its principal officers, and its internal and independent auditors. In addition, each director is expected to maintain the necessary level of expertise to perform his or her responsibilities as a director. The Company may, from time to time, offer continuing education programs or reimburse directors for attending continuing education programs to assist the directors in maintaining such level of expertise.

7. CEO Evaluation and Management Succession

The Compensation Committee will conduct an annual review of the CEO's performance, as set forth in its Charter. The Board will review the Compensation report in order to ensure that the CEO is providing the best leadership for the Company in the long- and short-term.

The Compensation Committee should make an annual report to the Board on succession planning and development of appropriate skills and depth in senior management positions. The CEO should at all times make available his evaluation and recommendations of members of senior management, along with a review of any development plans recommended for such individuals.

8. Annual Performance Evaluation

The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's performance. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve.

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