



**SBT Bancorp**

**COMPENSATION & HUMAN RESOURCES COMMITTEE  
CHARTER**

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## **I. PURPOSE**

The Board of Directors (Board) of Simsbury Bank (Bank) is committed to ensuring that the Bank's compensation and human resources principles, policies, procedures and practices promote achievement of the Bank's strategic and operating plans and comply with all applicable legal and regulatory requirements. The Board believes that achievement of this objective will result in the Bank's consistent ability to attract and retain a capable, talented, motivated and diverse workforce which is critical to achievement of the Bank's strategic and operating goals.

The purpose of this Charter is to describe the responsibilities delegated by the Board of Directors to the Compensation & Human Resources Committee of the Board (Committee).

The Committee's purpose is to assist the Board in its oversight responsibilities of the Bank's development and implementation of sound compensation and human resources principles, policies, procedures and practices.

## **II. RESPONSIBILITIES**

The Board is responsible for overall oversight of the Bank's compensation and human resources principles, policies, procedures and practices. Those responsibilities include:

- Annual review and approval of this Charter;
- Periodic review and approval of the Bank's Executive Compensation Philosophy; and
- Approval of Committee recommended actions as set forth in Exhibit A – Compensation and Human Resources Committee Approval Matrix.

The Board delegates to the Committee the following responsibilities:

- Oversight of the Bank's compensation and human resources policies, procedures and practices;
- Oversight of the Bank's compliance with legal and regulatory requirements including but not limited to those related to SEC requirements on public companies, Department of Treasury requirements related to the Bank's participation in the TARP program, FDIC and Connecticut Department of Banking requirements, the Americans with Disabilities Act (ADA), the Equal Employment Opportunity Act (EEO), Affirmative Action requirements, and workplace harassment laws and regulations;

- Oversight of Bank human resources policies;
- Assurance of the development and implementation of sound compensation principles and practices that adhere to the Bank's core values and beliefs;
- Assurance that no compensation plans or practices promote excessive risk-taking or encourage behavior inconsistent with the Bank's vision, strategy or compensation philosophy;
- Assurance that all employees are compensated effectively in a manner consistent with the Bank's performance, compensation philosophy, internal equity considerations, competitive practice and the requirements of appropriate regulatory bodies;
- Governance of total compensation of the Chief Executive Officer (CEO) and the Bank's other key executive officers, including base compensation, short-term incentive compensation, long-term incentive compensation, benefits, and perquisites;
- Annual performance review of the CEO and review of the annual performance reviews of the key executives prepared by the CEO;
- Oversight of the succession planning for the CEO and other key executive roles;
- Oversight and, as set forth in Exhibit A, approval or recommendation to the Board of compensation and benefit programs for all employees including
  - base and incentive compensation structures and plans
  - qualified and non-qualified retirement plans
  - Health and welfare plans and related policies.

The Committee also assists the Board with its oversight of the total compensation paid to the members of the Board for their service as Board members. The Board's Corporate Governance Committee is responsible for recommending changes to the Board's compensation. However, the Committee is responsible for periodically providing the Board's Corporate Governance Committee with analysis of Board member compensation and making recommendations to the Board's Corporate Governance Committee based on that analysis.

### **III. COMMITTEE MEMBERSHIP**

The Committee is established pursuant to the By-Laws of the Bank. Committee members, who must number at least three (3) Directors, are appointed by the Board and may be replaced by the Board. Three (3) members of this Committee shall constitute a quorum, unless there are only three (3) members in which case the quorum will be two

(2). Members of this Committee must be independent (non-employee) Directors, whose independence is determined pursuant to Item 407(a) of Regulation S-K under the Federal securities laws. The Committee may appoint a Secretary, who need not be a Director.

The Committee shall meet as often as necessary, but not less than four times per year; the affirmative vote of a majority of the members present at a meeting at which a quorum is present shall constitute action of the Committee. Members of the Committee shall receive compensation, as fixed by the Board of Directors, for actual attendance at Committee meetings.

#### **IV. DUTIES AND AUTHORITY**

In order to carry out its purposes, the Committee shall have the following duties and authority.

- Review and approve the Bank's Human Resources Policy Manual.
- Review and approve the Bank's Compensation Policy.
- Review the Bank's documentation prepared to comply with legal and regulatory requirements including that related to ADA, EEO, Affirmative Action, and participation in the Treasury Department's TARP program.
- Annual review of the Bank's Bank Owned Life Insurance exposure.
- Annual review of performance and cost of the Bank's group medical and retirement savings programs and other such group benefit programs as the Committee may determine.
- Administer, as outlined in the attached Exhibit A, the Bank's compensation and benefit plans and, from time to time, approve or recommend to the Board, as provided in the attached Exhibit A, changes to any compensation or benefit plan the Committee deems appropriate and consistent with all regulations and sound compensation principles and practices which do not encourage inappropriate risk-taking.
- Semi-annual review of compensation plans for the five highest paid senior executive officers with the Bank's senior risk officers to ensure that the compensation plans do not encourage these senior executive officers to take unnecessary and excessive risks that threaten the value of the Bank.

- Semi-annual review of all employee compensation plans with the Bank's senior risk officers for the risks posed by such compensation plans and the methods to limit such risks.
- Semi-annual review of all employee compensation plans to ensure that such compensation plans do not encourage the manipulation of the Bank's reported earnings to enhance the compensation of any employee.
- Provide a narrative description annually to the Treasury Department and the Bank's primary Federal regulatory agency that (a) identifies each senior executive officer's compensation plan and explains how the senior executive officer's compensation plan does not encourage the senior executive officer to take unnecessary and excessive risks that threaten the value of the Bank and (b) identifies each employee compensation plan and explains how any unnecessary risks posed by the employee compensation plans have been limited and how the employee compensation plans do not encourage the manipulation of the Bank's reported earnings to enhance the compensation of any employee.
- Certify annually to the Treasury Department and the Bank's primary Federal regulatory agency that the Committee has completed the semi-annual reviews of the senior executive officers' compensation plans and employee compensation plans.
- Recommend to the Board adjustments regarding the compensation of the CEO based upon its assessment of the CEO's performance and the Bank's performance, and make other recommendations as necessary and appropriate. Annually review and agree upon goals and objectives for the CEO for the upcoming fiscal year.
- Review base and short-term compensation of the key executive officers or other employees as designated by the Committee from time to time, taking into account Bank and individual performance, as well as Peer Group practices and any other considerations it deems appropriate. Recommend to the Corporate Governance Committee adjustments to the compensation and benefits of the members of the Board.
- Perform such functions as may be assigned to it from time to time by the Board or as may be required by applicable rules and regulations.
- Report regularly to the Board on its activities with such recommendations and other matters as the Committee may deem appropriate, so that the Board is informed of the Committee's activities.

- Maintain minutes of its meetings and records relating to those meetings and to the Committee's activities.
- Annually review and reassess the adequacy of the Compensation and Human Resources Committee Charter and recommend to the Board any proposed changes to the Charter.
- At each meeting hold an executive session to further foster the Committee's independence and to review such matters as the Chief Executive Officer's performance and total compensation.

## **V. DELEGATION TO SUBCOMMITTEE**

The Committee may, in its discretion, delegate any portion of its duties and responsibilities to a Subcommittee of the Compensation and Human Resources Committee.

## **VI. RESOURCES AND AUTHORITY**

The Committee shall have the authority and resources appropriate to discharge its duties and responsibilities at the Bank's expense, and may obtain advice from external legal, accounting, compensation consultants or other advisors. The Committee shall have the authority to select and retain its own consultants to assist in the evaluation of executive compensation, Board member compensation, to terminate the services of any such consultant, and to approve the consultant's fees and other retention terms, all at the Bank's expense.

In performing responsibilities, each Committee member is entitled to rely in good faith on information, opinions, reports or statements prepared or presented by:

- One or more officers or employees of the Bank whom the Committee member reasonably believes to be reliable and competent in the matters presented;
- Legal Counsel, independent auditors, consultants or other outside advisors as to matters which the Committee member reasonably believes to be within the professional or expert competence of such person;
- Another Committee of the Board as to matters within its designated authority which the Committee member reasonably believes to merit confidence.

**EXHIBIT A**

**COMPENSATION and HUMAN RESOURCES COMMITTEE CHARTER  
APPROVAL MATRIX**

	<b>COMPENSATION and HUMAN RESOURCES COMMITTEE</b>			<b>FULL BOARD</b>
	Review	Approve	Recommend	Approve
<b>BASE COMPENSATION</b>				
Salary of Chief Executive Officer			X	X
Salary of Key Executives		X		
Salary of Designated Other Senior Officers		X		
Major Structure Changes			X	X
<b>SHORT-TERM INCENTIVE COMPENSATION</b>				
Annual Awards For Chief Executive Officer			X	X
Annual Awards for Key Executives		X		
Annual Awards for Designated Other Senior Officers		X		
Annual Goals		X		
New Bank-Wide Short Term Incentive Plans			X	X
<b>LONG-TERM INCENTIVE COMPENSATION</b>				
Annual Awards For Chief Executive Officer			X	X
Annual Awards to Key Executives and Other Designated Employees		X		
New Long-Term Incentive Plans (LTI)			X	X
Addition of New Participants		X		
Major Design Changes			X	X

	<b>COMPENSATION and HUMAN RESOURCES COMMITTEE</b>			<b>FULL BOARD</b>
	Review	Approve	Recommend	Approve
Annual Goals		X		
<b>NON-QUALIFIED AND DEFERRED COMPENSATION RETIREMENT PLANS</b>				
New Non-Qualified or Deferred Comp. Plans			X	X
Major Changes to Non-Qualified or Deferred Comp. Plans			X	X
Addition of New Participants		X		
<b>ERISA QUALIFIED RETIREMENT PLANS</b>				
Annual Review of Qualified Retirement Plans		X		
New Qualified Plans			X	X
Major Design Changes			X	X
<b>HEALTH AND WELFARE PLANS (i.e. MEDICAL, LIFE, LTD)</b>				
Annual Review of Health and Welfare Plans		X		
New Health and Welfare Plans		X		
Major Design Changes		X		
<b>OTHER COMPENSATION RELATED MATTERS</b>				
Change of Control Agreements		X		
Employment Agreements			X	X
<b>POLICY REVIEW</b>				
Human Resources Policy			X	X
Compensation Policy			X	X
Americans with Disabilities Act Policy			X	X
Equal Employment Opportunity and Affirmative Action Policy			X	X
Harassment Policy			X	X

	COMPENSATION and HUMAN RESOURCES COMMITTEE			FULL BOARD
	Review	Approve	Recommend	Approve
<b>CORPORATE GOVERNANCE COMMITTEE</b>				
Fees for Board Members			X	X
Retainers for Board Members			X	X
Incentive Plans for Board Members			X	X
Benefit Plans of Board Members			X	X
<b>ANNUAL REVIEW OF THE COMMITTEE'S CHARTER</b>				
Annual Review of the Committee's Charter			X	X
Changes to the Charter			X	X
<b>PERFORMANCE REVIEWS</b>				
CEO and President			X	X
Key Executives		X		
Other Designated Senior Officers		X		
<b>DEVELOPMENT PLANS</b>				
Succession Plan for CEO			X	X
Succession Plan for Key Executives		X		
Succession Plans for Other Designated Officers		X		
<b>SENIOR EXECUTIVE OFFICERS' COMPENSATION PLANS</b>				
Unnecessary and Excessive Risks	X			
<b>EMPLOYEE COMPENSATION PLANS</b>				
Risks and Methods to Limit Risks	X			
Identify and Eliminate Features that encourage Manipulation of Earnings	X			

