

**NORWOOD FINANCIAL CORP.
COMPENSATION COMMITTEE CHARTER**

Statement of Purpose

The primary purpose of the Compensation Committee (the “Committee”) is to assist the Boards of Directors of Norwood Financial Corp. (the “Company”) and Wayne Bank (the “Bank”) (collectively, the “Boards”), in their review and approval of the compensation of members of the Boards, board committee members and the executive officers of the Company and the Bank. The Committee shall also develop and assess corporate goals, objectives and performance relevant to the compensation of the directors and executive officers. The Committee shall also serve as fiduciary and/or administrator of certain compensation or benefit plans as may be necessary or required.

Membership and Structure

The Committee shall consist of a minimum of two members. Each member of the Committee shall be an “Independent Director” as such term is defined by the rules of The Nasdaq Stock Market, LLC, (the “Nasdaq”) as may be amended from time to time, subject, if Committee shall consist of at least three members, to the limited exception provided under the Nasdaq rules for service by a non-independent director for no longer than two (2) years. In determining the independence of any director who will serve on the Committee, the Boards shall consider all factors specifically relevant to determining whether a director has a relationship to the Company which is material to that director’s ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to:

- (i) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Company to such director; and
- (ii) whether such director is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company.

At least two members of the Compensation Committee shall qualify as: (i) “outside” directors within the meaning of Internal Revenue Code Section 162(m); and (ii) “non-employee” directors under the definition of Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended. Committee members shall be elected annually by the Board of Directors of the Company (the “Board”). If a Committee Chairperson is not designated by the Board, the members of the Committee may designate a Chairperson by majority vote. The Committee shall establish its own rules of procedure, which shall be consistent with the Bylaws of the Company and this Charter.

The Committee shall meet as frequently as needed and at least annually. A meeting may be called by the Chairperson of the Committee or by majority of the members of the Committee. Notice of any meeting shall be given by the person or persons calling the meeting given to each other member of the Committee at least 24 hours prior to the meeting. Notice may be given in the same fashion as permitted for notice of Board meetings pursuant to the Company's Bylaws and applicable law. A meeting shall be deemed properly called if each member of the Committee shall have received notice given as aforesaid or, prior to the conclusion of the meeting, shall have signed a written waiver of notice.

A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum. A majority vote of the Committee members present at a meeting, if a quorum is present, shall constitute an act of the Committee. Any action required or permitted to be taken at any meeting of the Committee may be taken without a meeting if all members of the Committee consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Committee. Following each of its meetings, the Committee shall report its actions and recommendations to each of the Boards, as applicable.

Responsibilities

The authority and responsibilities of the Committee shall include, but not be limited to, the following:

1. The Committee shall review, establish and approve the Chief Executive Officer's compensation. In accordance with the rules of the Nasdaq, the Chief Executive Officer shall not be present during the Committee's voting on or deliberations of such matter.
2. The Committee, acting with the Chief Executive Officer and any other officers of the Company and the Bank, shall recommend to the Boards for their approval, the compensation of the other officers.
3. The Committee shall recommend to the Boards the establishment of incentive compensation plans and programs and review and monitor incentive compensation programs to ensure that effective controls exist so that the Company and the Bank are not exposed to unintended or excessive risks.
4. The Committee may, in its sole discretion, approve and retain independent compensation consultants to advise the Committee when appropriate.

5. If the Company is required by Securities and Exchange Commission regulations to include a Compensation Discussion & Analysis (“CD&A”) in its annual proxy statement or Form 10-K, the Committee shall review and discuss with management the Compensation Discussion and Analysis the CD&A and determine whether to recommend to the Board that the CD&A be included in the Company’s annual proxy statement or Form 10-K, as applicable.
6. If required by Securities and Exchange Commission regulations, the Committee shall submit its Compensation Committee Report on executive compensation to the Board for inclusion in the Company’s annual proxy statement.
7. The Committee shall review the results of any non-binding shareholder say-on-pay votes, and determine whether any modifications to the Company’s executive compensation program are necessary based on such results.
8. The Committee shall annually review and approve corporate goals and objectives relevant to Chief Executive Officer compensation, evaluate the Chief Executive Officer’s performance in light of those goals and objectives, and recommend to the Boards the Chief Executive Officer’s compensation levels based on this evaluation. In determining the incentive component of Chief Executive Officer compensation, the Committee will consider, among other things, the Company’s performance and relative shareholder return, the value of similar incentive awards to Chief Executive Officers at comparable companies, and the awards given to the Chief Executive Officer in past years. The Committee’s review of compensation levels and incentive compensation may include a review of compensation surveys and data for similar companies in the industry, including local, regional and national surveys and data.
9. The Committee shall annually review, and make recommendations to the Boards with respect to the compensation of directors, including incentive compensation plans and equity-based plans.
10. The Committee shall annually review and recommend to the Boards for approval for the executive officers of the Company whose compensation is to be set by the Boards: (a) the annual base salary level, (b) the annual incentive opportunity level, (c) employment agreements, severance arrangements, and change in control agreements/provisions, in each case as, when and if appropriate, and (d) any special or supplemental benefits, including, but not limited to special life insurance benefits and supplemental retirement arrangements.
11. The Committee shall serve as the fiduciary and/or administrator of any compensation or benefit plan of the Company or the Bank for which fiduciaries

consisting of members of the Boards are required by law or by the terms of the plan. In such capacity, it shall have and exercise the power, authority and discretion conferred by law or the terms of the relevant plan, as applicable.

12. All deliberations, actions and recommendations of the Committee relevant to the Chief Executive Officer shall be undertaken by the Committee in executive session. Any other deliberations, actions or recommendations may be made in the presence of, or take into consideration the recommendation of, the Chief Executive Officer or other executive officers.
13. The Committee shall review and reassess the adequacy of this Charter annually and, as appropriate, adopt and recommend changes to the Boards for their approval.
14. The Committee shall oversee the Company's compliance with the Securities and Exchange Commission's shareholder approval requirements related to certain executive compensation matters, including advisory votes on executive compensation and the frequency of such votes, and the requirements under the rules of the Nasdaq, with limited exceptions, that Company's shareholders approve its equity compensation plans.
15. The Committee shall monitor the Company's compliance under the Sarbanes-Oxley Act of 2002 relating to loans to directors and officers and with respect to all other laws relating to compensation and benefits.
16. The Committee shall have the authority to take any actions necessary to carry out the above provisions of this charter.
17. The Committee shall have such other duties or responsibilities as are expressly delegated to the Committee by the Boards from time to time.

Authority

The Committee will have the authority, to the extent it deems necessary and appropriate, to retain or obtain the advice of a compensation consultant, legal counsel and or other adviser. Unless the Company qualifies as a "smaller reporting company" under Securities and Exchange Commission regulations, the Committee may select, or receive advice from such advisers, other than in-house legal counsel, only after taking into consideration the six independence factors set forth in Rule 10C-1(b)(4) under the Securities Exchange Act of 1934. These six factors to be considered are:

- i. whether the person (firm) employing the compensation adviser is

- providing any other services to the Company;
- ii. how much the person employing the compensation adviser has received in fees from the Company, as a percentage of that person's total revenue;
- iii. what policies and procedures have been adopted by the person employing the compensation adviser to prevent conflicts of interest;
- iv. whether the compensation adviser has any business or personal relationship with a member of the Committee;
- v. whether the compensation adviser owns any stock of the Company; and
- vi. whether there are any business or personal relationships between the executive officers and the compensation adviser or person employing the advisor.

The Committee shall not be required to conduct an independence assessment for a compensation adviser that acts in a role limited to the following activities for which no disclosure is required under Item 407(e)(3)(iii) of Regulation S-K of the Securities and Exchange Commission: (a) consulting on any broad-based plan that does not discriminate in scope, terms, or operation, in favor of executive officers or directors of the Company, and that is available generally to all salaried employees; and/or (b) providing information that either is not customized for a particular issuer or that is customized based on parameters that are not developed by the adviser, and about which the adviser does not provide advice.

The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel and other adviser retained by the Committee. The Committee shall not be required to implement or act consistently with the advice or recommendations of any compensation adviser, but rather shall retain the ability and obligation to exercise its own judgment in fulfillment of its duties. The Company will provide appropriate funding, as determined by the Committee, for payment of reasonable compensation to such advisers.

The Committee may delegate such of its authority to any one or more of its members or to management selected by it, to the extent it deems desirable and appropriate, except as may be limited by applicable law or Nasdaq rule. The Committee may revoke any such delegation at any time.