

Orrstown Financial Services, Inc. Compensation Committee Charter

Purposes

The Compensation Committee (the “Committee”) is a joint committee appointed by the Board of Directors (the “Board”) of Orrstown Financial Services, Inc. and Orrstown Bank (collectively the “Company”). The purposes of the Committee are to discharge the responsibilities of the Board relating to the compensation of the Company’s Chief Executive Officer (the “CEO”), other executive officers (collectively, including the CEO, the “Executive Officers”) and the Board of Directors.

Committee Membership

The Committee shall consist of three or more members, and shall be appointed by the Board on the recommendation of the Nominating and Governance Committee. One member of the Committee shall be appointed as Committee Chairperson by the Board.

The members of the Committee shall meet the independence requirements of the NASDAQ Stock Market, LLC (“NASDAQ”), subject to the limited exception provided under the NASDAQ rules for service by a non-independent director for no longer than two (2) years. The Committee members shall also qualify as “outside” directors within the meaning of Internal Revenue Code Section 162(m) and as “non-employee” directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended. In addition, independence requires that the member, in the opinion of the Board, would not have a relationship to an executive officer or employee of the Company that would interfere with the exercise of independent judgment in carrying out the responsibilities of the Director. No member of the Committee may accept directly or indirectly any consulting, advisory, or other compensatory fee from the Company or any subsidiary thereof (other than compensatory fees for Board and Board committee service and fixed amounts received as compensation under retirement plans for prior service with the Company). In determining whether a director is eligible to serve on the Committee, the Board must consider whether the director is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary to determine whether such affiliation would impair the director’s judgment as a member of the Committee.

If the Company fails to comply with Committee membership as dictated by this charter because of one vacancy, or if a Committee member ceases to be independent due to circumstances beyond the member’s reasonable control, the Company must regain compliance by the earlier of its next annual meeting or one year from the occurrence of the event causing compliance failure (or if the next annual meeting is within 180 days, then with 180 days from event of failure). In the event of noncompliance, the Company must provide notice to NASDAQ immediately upon learning of the event or circumstance causing noncompliance.

Duties, Authorities and Responsibilities

The Committee's duties, authorities and responsibilities include the following:

Compensation Goals, Levels, Payments and Programs

- The Committee shall annually review and approve corporate goals and objectives relevant to Executive Officer compensation, evaluate each Executive Officer's performance in light of those goals and objectives, and determine and approve each Executive Officer's compensation level based on this evaluation. In determining the incentive components of Executive Officer compensation, the Committee may consider a number of factors, including, but not limited to, the Company's performance and relative shareholder return, the value of similar incentive awards to Executive Officers at comparable companies and awards given to Executive Officers in past years.
- The Committee shall, periodically and as and when appropriate, review and approve the following as they affect the Executive Officers: (a) all other incentive awards and opportunities, including both cash-based and equity-based awards and opportunities; (b) any employment agreements and severance arrangements; (c) any change-in-control agreements and change-in-control provisions affecting any elements of compensation and benefits; and (d) any special or supplemental compensation and benefits for the Executive Officers and individuals who formerly served as Executive Officers, including supplemental retirement benefits and the perquisites provided to them during and after employment.
- The Committee shall make recommendations to the Board with respect to the adoption, amendment, termination or replacement of incentive compensation plans, equity-based plans, and other types of compensation and benefit plans (the "Plans"); administer such Plans; interpret the provisions of the Plans; establish such rules as it determines to be necessary or appropriate for implementing or conducting the Plans; grant or approve or disapprove participation of individual employees in the Plans; and make all other decisions and determinations required by the Board or the Committee by the terms of the Plans or as the Committee determines to be appropriate for the operation of the Plans and the distribution of benefits there under.
- The Committee shall make recommendations to the Board with respect to compensation for Board members, such as retainer, committee fees, share-based compensation and other similar items as appropriate.
- The Committee shall oversee the administration and operation of and approve amendments to the Company's 401(k) plan, supplemental executive retirement plans and other similar qualified and non-qualified plans.
- The Committee may form and delegate authority to subcommittees as it deems appropriate.

- The Committee shall perform such other duties and carry out such other responsibilities as are consistent with this Charter.

Disclosure and Compliance

- The Committee shall review and discuss the Compensation Discussion and Analysis (the “CD&A”) required to be included in the Company’s proxy statement or annual report on Form 10-K by the rules and regulations of the Securities and Exchange Commission (the “SEC”) with management, and, based on such review and discussion, determine whether or not to recommend to the Board that the CD&A be so included.
- The Committee shall produce the annual Compensation Committee Report for inclusion in the Company’s proxy statement in compliance with the rules and regulations promulgated by the SEC.
- 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.
- The Committee shall recommend to the Board 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 is not exposed to unintended or excessive risks.
- The Committee shall monitor the Company’s compliance with the requirements under the Sarbanes-Oxley Act of 2002 relating to loans to directors and officers, and with all other applicable laws affecting employee compensation and benefits.
- The Committee shall oversee the Company’s compliance with SEC rules and regulations regarding shareholder approval of certain executive compensation matters, including advisory votes on executive compensation and frequency of such votes, and the requirement under NASDAQ rules that, with limited exceptions, shareholders approve equity compensation plans.
- The Committee shall participate, on a periodic basis, in a risk assessment of the Company’s compensation plans and policies to ensure that such plans and policies are not reasonably likely to have a material adverse effect on the Company.
- Upon the effectiveness of NASDAQ’s requirements to do so, the Committee will certify in a manner acceptable to NASDAQ that it has adopted a formal written compensation committee charter and that the Committee will review and reassess the adequacy of the charter on an annual basis.
- The Committee shall report regularly to the Board with respect to its meetings and activities and make recommendations to the Board as appropriate.
- The Committee may request of the Company’s management, and shall receive reports on the Company’s compensation programs as they affect all employees, as requested.

- The Committee shall have the sole authority to retain or seek outside advice and terminate any professional (such as legal counsel, compensation consultants or other advisers) engaged to assist it in the evaluation of Board and Executive Officer compensation. The Committee is directly responsible for the oversight of the work of any such adviser retained by them. 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. In selecting such professionals, the Committee shall consider the level to which a professional is considered independent under applicable rules and regulations, and/or pursuant to the Company's policies as appropriate, taking into account the following factors:

- a) Whether any stock of the Company is owned by the compensation consultant, legal counsel or other adviser;

- b) Whether other services are provided to the Company by the firm that employs the compensation consultant, legal counsel or other adviser;

- c) The amount of fees received from the Company by the firm that employs the compensation consultant, legal counsel or other adviser as a percentage of the total revenue of the firm that employs such compensation consultant, legal counsel or other adviser;

- d) What policies and procedures the person that employs the compensation consultant, legal counsel or other adviser has adopted to prevent conflicts of interest;

- e) Whether there are any business or personal relationships between the compensation consultant, legal counsel or other adviser and a member of the Committee; and

- f) Whether there are any business or personal relationships between the compensation consultant, legal counsel or other adviser and the firm employing such person with an executive officer of the Company.

If any of the above factors are present, the Committee shall determine any actions that must or should be taken for any potential conflict of interest to be resolved. The Committee shall periodically, at a minimum once per year or more frequently as circumstances may dictate, reconsider the factors set forth above with respect to a compensation consultant, legal counsel or other adviser whom it has previously retained or from whom it continues to obtain advice. In addition, the Committee shall periodically review the performance of each professional that it retains.

The Committee shall have sole authority to approve the professional fees and other terms and conditions of the consultant's retention. The Company will be responsible for the funding of the payment of the professional fees from the compensation consultant, legal counsel or other adviser.

Meetings

The Committee shall meet as often as it deems necessary to fulfill its responsibilities. The majority of the members will constitute a quorum. The Committee Chairperson shall preside at each meeting. In the event the Committee Chairperson is not present at a meeting; the Committee members present at that meeting shall designate one of its members as the acting chair of such meeting. The Committee Chairperson, in consultation with other members of the Committee and appropriate executive officers of the Company, shall establish the agenda for each Committee meeting. The Committee may request any officer or employee of the Company or representative of the Company's advisers to attend a meeting to meet with any members of the Committee. Any member of the Company's management, including the CEO, whose performance or compensation is to be discussed at a Committee meeting, may not be present at the meeting during the voting or deliberations over his or her own compensation.

As adopted by the Orrstown Financial Services, Inc. Board of Directors on May 3, 2016.