

1ST CONSTITUTION BANCORP COMPENSATION COMMITTEE CHARTER

Purpose

The Compensation Committee (“Committee”) is appointed by the Board of Directors (the “Board”) of 1st Constitution Bancorp (the “Company”) to assist the Board with respect to the compensation of the Company’s and its subsidiaries’ officers and its outside directors. The Committee has overall responsibility for evaluating and approving salary, incentive compensation and equity compensation for the Chief Executive Officer of the Company (“CEO”) and the other officers of the Company and its subsidiaries and for evaluating and recommending to the full Board the compensation levels of non-employee directors of the Company and its subsidiaries.

The Committee is also responsible for producing an annual report on executive compensation for inclusion in the Company’s annual proxy statement.

Committee Membership & Processes

The Committee shall consist of no fewer than three members, all of whom shall be non-management directors. The Committee shall undertake reasonable efforts to confirm to the Board that (i) each member of the Committee shall meet the applicable independence requirements set forth in the Nasdaq Stock Market rules, subject to any exceptions therein, and (ii) at least two members shall meet the “non-employee director” standard of Rule 16b-3 under the Securities Exchange Act of 1934 (“Rule 16b-3”) and the “outside director” standard of Section 162(m) of the Internal Revenue Code (“Section 162(m)"). Any member of the Committee who does not meet the “non-employee director” or “outside director” standard shall recuse him or herself from any Committee deliberations or actions required for purposes of Section 16 or Section 162(m), respectively.

The members of the Committee shall be appointed and removed or otherwise replaced by the Board. Vacancies on the Committee may be filled by the Board in its discretion. One member of the Committee shall be appointed by the Board to serve as Chairperson of the Committee.

The Committee shall conduct its business in accordance with this charter, the Company’s Certificate of Incorporation and By-laws and any direction by the Board. The Committee shall meet as often as it determines, but not less than twice annually.

A majority of the members of the Committee shall constitute a quorum for the transaction of any business at any Committee meeting. If a quorum is present when a vote is taken, then the affirmative vote of a majority of Committee members present shall constitute an act of the Committee.

Committee Authority and Responsibilities

1. The Committee shall annually review and approve for the CEO and the other officers of the Company and its subsidiaries, (a) the annual base salary level, (b) the annual incentive opportunity level, (c) any long-term incentive opportunity level, (d) equity compensation awards and (e) any other special compensation. The CEO may not be present during voting or deliberations by the Committee relating to the CEO’s performance or compensation.
2. The Committee shall regularly review and recommend to the Board the compensation of non-employee directors for their service on the Board and on Committees of the Board of the Company and its subsidiaries, including any additional compensation for chairpersons.

3. The Committee shall administer all equity compensation plans of the Company in which officers, directors or employees of the Company or its subsidiaries may participate, unless otherwise determined by the Board.
4. The Committee shall review and approve all equity compensation plans and amendments, and seek Board approval for such plans, prior to submitting such plans to shareholders for approval pursuant to Nasdaq Stock Market rules.
5. The Committee shall review annually an assessment of any potential conflicts of interest raised by the work of any compensation consultant who played a role in determining or recommending officer or director compensation and determine whether any proxy disclosure of a conflict of interest is required.
6. The Committee shall establish and oversee a policy allowing the Company to recover compensation from executive officers in accordance with such policy and Section 954 of the Dodd-Frank Act and Section 304 of the Sarbanes-Oxley Act of 2002.
7. The Committee shall ensure that the compensation, fees and benefits of the Company are being operated in a manner consistent with applicable laws, rules and regulations and do not create an unsafe and unsound practice that could provide any executive officer, employee or director with excessive compensation, fees and/or benefits, and that the compensatory arrangements could not lead to a material financial loss to the Company.
8. The Committee may when appropriate delegate authority to one or more members or to one or more subcommittees established by the Committee.
9. The Committee shall make regular reports to the Board.
10. The Committee shall review and reassess the adequacy of this charter annually and recommend to the Board any proposed changes.
11. The Committee shall annually review its own performance and report to the Board.

Advisors

The Committee may, in its sole discretion, retain or obtain the advice of any compensation consultant, legal counsel or financial, accounting or other advisor, including Company officers or employees (“Advisor”) to assist it in the evaluation of officer and outside director compensation levels and as it otherwise determines necessary to carry out its duties. The Committee shall be directly responsible for the appointment, compensation and oversight of any Advisor that it retains. The Committee shall receive appropriate funding, as determined by the Committee, from the Company for payment of reasonable compensation to any outside Advisor employed by the Committee.

To the extent required under the Nasdaq Stock Market rules, prior to retaining an outside Advisor or seeking advice from any Advisor (whether retained by the Committee or management) and on an annual basis, or more frequently if appropriate, the Committee must consider the independence of the Advisor, taking into consideration the following factors relevant to such Advisor’s independence from Company management:

- a. the provision of other services to the Company or any subsidiaries by the entity that employs the Advisor;
- b. the amount of fees received from the Company by the entity that employs the Advisor, as a percentage of the total revenue of such entity;

- c. the policies and procedures of the entity that employs the Advisor that are engaged to prevent conflicts of interest;
- d. any business or personal relationship of the Advisor with a member of the Committee;
- e. any stock of the Company owned by the Advisor; and
- f. any business or personal relationship of the Advisor or the entity employing the Advisor with an officer of the Company.

If the foregoing independence assessment is required under Nasdaq Stock Market rules, the Committee is not required to conduct such assessment with respect to in-house legal counsel or any Advisor that acts in a role limited to (i) 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 generally available to all salaried employees and/or (ii) providing information that is not customized for the Company or that is customized based on parameters that are not developed by the Advisor and about which such Advisor does not provide advice.

The Committee may retain, or receive advice from any Advisor it prefers, including ones that are not independent. The Committee is not required to implement or act consistently with the advice or recommendations of any Advisor, and the authority granted in this charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties.