

# **1st CONSTITUTION BANCORP CORPORATE GOVERNANCE GUIDELINES**

Members of the Board of Directors (the “Board”) of 1st Constitution Bancorp (the “Company”) may serve as both directors of the Company and directors of 1st Constitution Bank (the “Bank”). These Corporate Governance Guidelines (these “Guidelines”) reflect the individual and/or dual roles of directors of the Company (“Directors”) and directors of the Bank (“Bank Directors”).

The Board intends that these guidelines serve as a flexible framework within which the Company may conduct its business, not as a set of binding legal obligations. These guidelines should be interpreted in the context of all applicable laws, the Company’s charter documents and other governing legal documents, and the Company’s other corporate policies.

## **1. Director Responsibilities**

The basic responsibility of Directors is to exercise sound business judgment and to act in what they reasonably believe to be in the best interests of the Company and its shareholders. In discharging this obligation, Directors should be entitled to rely on the honesty and integrity of the Company’s senior executives and its outside advisors and auditors. Directors shall also be entitled to have the Company purchase reasonable Directors’ and officers’ liability insurance on their behalf, to the benefits of indemnification to the fullest extent permitted by New Jersey law and the Company’s charter, by-laws and any indemnification agreements, and to exculpation as provided by New Jersey law and the Company’s charter.

Directors are expected to attend meetings of the Board and meetings of committees of the Board (each a “Committee”) on which they serve, and to spend the time needed, and meet as frequently as necessary, to properly discharge 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 should generally be distributed in writing to the Directors before the meeting, and Directors should review these materials in advance of the meeting.

The first duty of a Director is loyalty to the interests of the shareholders, to protect shareholder value and to assure the long term profitability of the Company.

Directors are expected to invest the time and effort necessary to understand the Company’s business and financial strategies and challenges. The basic duties of Directors include attending Board meetings and actively participating in Board discussions. Directors are also expected to make themselves available outside of Board meetings for advice and consultation.

Directors also should assure that the economic needs of the community are served, that the Bank operates in a manner that safeguards customer deposits and that policies and procedures are designed so that each of the Company and the Bank is a responsible employer and provides a pleasant and rewarding place for people to work.

Directors should work closely with the Chief Executive Officer (“CEO”), providing loyalty and support in the establishment of procedures and policies that are designed to achieve success.

Non-management Directors must maintain independence from management. Management works for the Board, not the other way around.

Certain responsibilities may be assigned by the Board to a Committee with the Committee reporting back to the Board.

Directors should spend a substantial portion of their Board time evaluating the Company's performance.

Directors have a responsibility to assure there is a process to determine a line of succession for senior management, including the CEO.

The Board should develop appropriate policies reflecting the ethical and moral concerns of the Company.

Directors are responsible for monitoring the Company to assure it is performing according to policy. Regular meetings with the CEO and senior officers provide the opportunity to review and measure performance.

The Board has responsibility for risk oversight, with reviews of certain areas being conducted by the relevant Committee(s). The Board is responsible for oversight of strategic, financial and execution risks and exposures associated with the Company's business strategy, policy matters, significant litigation and regulatory exposures, and other current matters that may present material risk to the financial performance, operations, infrastructure, plans, prospects or reputation, acquisitions and divestitures of the Company and the Bank.

Each Director should review all regulatory examination reports of the Bank and the Company and be familiar with their contents.

The Board should review the strategic plan for the Company on a periodic basis and monitor the effectiveness of management in implementing the plan.

Compliance with the law is a supervisory responsibility of the Board, so all Directors should be informed as to such requirements.

Significant compliance policies of the Bank should be reviewed and approved by the Board.

The Company should have and keep updated a Code of Business Conduct and Ethics to assure behavior which results in public trust and confidence.

All members of the Board must inform the Audit Committee of the Board of all types of transactions between them (directly or indirectly) and the Company or any of its subsidiaries as soon as reasonably practicable, even if these transactions are in the ordinary course of business. The Audit Committee of the Board will review and approve all related party transactions for which audit committee approval is required by applicable law or the rules of the Nasdaq Stock Market. The Board will also ensure that there is no abuse of corporate assets or unlawful related party transactions.

With the assistance of management, the Bank's Loan Policy should be approved annually by the Board.

Other duties of the Board include oversight of policies for the Bank and the Company focusing on investment funds management, investment policy, bank liquidity and capital adequacy.

Directors are responsible for reviewing the Company's Annual Form 10-K, as well as each Quarterly Report on Form 10-Q and other significant Securities and Exchange Commission ("SEC") reports.

Non-management Directors will meet in executive session periodically at least two times per year. The Chairman of the Board will preside at these meetings. In the event the Chairman of the Board is unavailable, the Chairman of the Audit Committee, the Compensation Committee or the Nominating and Corporate Governance Committee will preside in his or her place. The Chairman for each executive session should prepare and distribute to non-management Directors an agenda. Non-management Directors should provide the Chairman with agenda items the Directors desires to have addressed with appropriate prior notice so the presiding Director can circulate the agenda.

The Board believes that management speaks for the Company. Individual Directors may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. However, it is expected that Directors would do this with the knowledge of management and, absent unusual circumstances or as contemplated by the Committee charters, only at the request of management. Access to officers and employees are covered by Section 4 of these Guidelines.

## **2. Director Qualifications**

The Board will have a majority of Directors who meet the criteria for independence required by Nasdaq and the SEC, as well as the additional criteria set forth below applicable to all Directors. The Nominating and Corporate Governance Committee will be responsible for reviewing with the Board, on an annual basis, the requisite skills, experience and characteristics of Directors in the context of the needs of the Board and the Committees, as well as the size and composition of the Board as a whole. This assessment will include each Director's qualification for being independent, as well as consideration of the gender, racial, cultural, geographical, professional, educational and generational diversity. Shareholder Director nominees will be reviewed by the Nominating and Corporate Governance Committee in accordance with the Company's by-laws and in accordance with the policies and principles in its charter and these Guidelines. Director nominees will be selected by the Nominating and Corporate Governance Committee in accordance with the policies and principles in its charter and these Guidelines. Any invitation to join the Board must be agreed to by the Board as well.

Directors are expected to meet the following criteria. Any criteria for Board membership may be waived by a resolution of the Board as provided herein, including, without limitation criteria applicable to Directors who initially join the Board pursuant to a merger and served on the board of directors of the acquired company prior to the acquisition.

A. Competence

- Directors must demonstrate that they are mentally and physically able to serve regardless of age.

B. Attendance

- Unless there are mitigating circumstances (such as medical or family emergencies), any Director who attends less than 85% of the aggregate Board and assigned Committee meetings for two consecutive years will not be nominated for re-election. Attendance will be measured from January 1 to December 31 of each year.
- Directors must prepare for meetings by reading information provided prior to the meeting. Each Director should participate in meetings, for example, by asking questions and by inquiring about policies, procedures or practices of the Company and the Bank.
- Directors should be available for continuing education opportunities throughout the year.

C. Integrity

- Directors are expected to be above reproach in their financial dealings with the Company, the Bank and the community;
- If a Director (a) has his or her integrity challenged by a governmental agency (indictment or conviction), (b) files for personal or business bankruptcy, (c) materially violates the Code of Business Conduct and Ethics, or (d) has a loan made by the Bank to or guaranteed by the Director classified as doubtful or loss, the Director shall resign. If a loan made to a Director or guaranteed by a Director is classified substandard, the Board may ask the Director to resign.
- Directors may not serve on the board of any other bank or financial institution while on the Board.

D. Business Development

- Each Director should be an advocate for the Bank within the community.
- It is expected that the Bank will be utilized by the Director for his personal and business affiliation banking business.

E. Age

- No person shall be eligible for election or re-election as a Director or as a Bank Director after such person attains the age of seventy-five (75) years, except that the Board may waive this policy with respect to any such person upon the approval of a majority of the Directors then in office.

### **3. Board Committees**

The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. All of the members of the Audit Committee must meet the criteria established by Nasdaq and the SEC for independent directors. Committee members will be appointed by the Board upon recommendation of the Nominating and Corporate Governance Committee with consideration of the desires and experience of individual Directors.

Each of the Committees required under these Guidelines shall have its own charter, which will conform to Nasdaq requirements. The charters will set forth the purposes, goals and responsibilities of the Committees, as well as qualifications for Committee membership, procedures for Committee member appointment and removal, Committee structure and operations and Committee reporting to the Board. The charters will also provide that each Committee will annually evaluate its performance.

The Chairman of each Committee, in consultation with its Committee members, will determine the frequency and length of the Committee meetings consistent with any requirements set forth in the Committee's charter. The Chairman of each Committee, in consultation with the appropriate members of its Committee and management, will develop the Committee's agenda. At the beginning of each year, each Committee will establish a schedule of agenda subjects to be discussed during the year (to the degree these can be foreseen). The schedule for each Committee will be furnished to all Directors.

The Board and each Committee has the power to hire independent legal, financial or other advisors as they may deem necessary, without obtaining the approval of any officer of the Company or the Bank.

The Board may, from time to time, establish or maintain additional Committees as necessary or appropriate and may, on occasion, for educational purposes, rotate Directors onto those additional Committees.

### **4. Director Access to Officers and Employees**

Directors have full and free access to officers and employees of the Company and the Bank. Any meetings or contacts that a Director wishes to initiate may be arranged through the CEO or the Secretary or directly by the Director or in accordance with the applicable Committee charter. Directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company or the Bank and will, to the extent not inappropriate, copy the CEO on any written communications between a Director and an officer or employee of the Company or the Bank.

The Board welcomes regular attendance at Board meetings of senior officers of the Company or the Bank. If the CEO wishes additional Company or the Bank personnel to attend, this suggestion should be brought to the Board for approval.

## **5. Director Compensation**

The form and amount of non-management Director compensation will be determined by the Compensation Committee in accordance with the policies and principles set forth in its charter. The Compensation Committee will consider that Directors' independence may be jeopardized if Director compensation and perquisites exceed customary levels, if the Company or the Bank makes substantial charitable contributions to organizations with which a Director is affiliated, or if the Company enters into consulting contracts with (or provides other indirect forms of compensation to) a Director or an organization with which the Director is affiliated.

Directors will be compensated appropriately for service. Annually, the Compensation Committee will review all aspects of Director compensation and, if warranted, make recommendations to the full Board for changes. Any change will not be effective until after the annual meeting of shareholders of the Company.

## **6. Director Orientation and Continuing Education**

All new Directors should familiarize themselves with the Company's strategic plans, significant financial, accounting and risk management issues, compliance programs, Code of Business Conduct and Ethics, principal officers, and internal auditors. It is expected that independent Directors will attend continuing education programs made available.

## **7. CEO Evaluation and Management Succession**

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

The Nominating and Corporate Governance Committee shall oversee the Board's succession planning program and monitor and review the development and progression of Directors and potential Director candidates. The entire Board will work with the Nominating and Corporate Governance Committee to evaluate potential successors to the CEO. The CEO should periodically report on his or her evaluations of potential successors, along with a review of any development plans recommended for such individuals. Although external recruitment remains a valuable tool, the Board shall focus on maintaining a robust succession planning program for senior management positions, including CEO. In its succession planning program, the Board may use professionals it might deem appropriate. Notwithstanding the preference to promote internally, the Board shall not be precluded from considering applicants from outside the Company.

The Board also conducts advance planning for emergency and ordinary course contingencies, such as the departure, death or disability of the CEO and other senior members of management.

## **8. Annual Performance Evaluation**

The Board will conduct an annual self-evaluation to determine whether the Board and its Committees are functioning effectively. The Nominating and Corporate Governance Committee will lead the Board in its annual review, and will receive comments from all Directors and report annually to the Board with an assessment of the Board's performance. This will be discussed with the full Board following the end of each fiscal year. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes the Board could improve.

#### **9. Periodic Review of Guidelines**

These Guidelines shall be reviewed periodically by the Nominating and Corporate Governance Committee, and the Board will make appropriate changes based on recommendations from the Committee. The Board may amend these Guidelines for any reason or for no reason, at any time or from time to time, upon the approval of a majority of the Directors then in office.