

Harleysville

FINANCIAL CORPORATION

COMPENSATION AND HUMAN RESOURCE COMMITTEE CHARTER

Last Review – September 27, 2017

Last Update – September 27, 2017

Purpose and Authority

The purpose of the Compensation and Human Resource Committee (the “Committee”) of Harleysville Financial Corporation (the “Company”) is to:

- provide advice to management and make recommendations to the Board of Directors (“Board of Directors” or the “Board”) regarding the Company’s policies and procedures with respect to significant compensation and benefits issues;
- establish and maintain a competitive, fair and equitable compensation and benefits policy designed to attract, develop, motivate and retain officers and team members;
- review and recommend appointments, promotions and salary increases to the Board of Directors for Senior Officers, and annually review their performance;
- review with management and recommend to the Board of Directors new benefit plans and material changes to existing plans;
- review with management and make recommendations to the Board of Directors with respect to employment contracts and other compensation arrangements with the Company’s officers;
- review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer; evaluate his performance in light of those goals and objectives, and establish his compensation level based on this evaluation;
- annually approve the goals for the profit sharing incentive plan and equity-based plans and approve awards under such plans, if appropriate, or recommend approval of such awards by the appropriate committee or the Board of Directors; prepare an annual report on executive compensation;
- annually review the Company's incentive compensation arrangements to confirm that incentive pay does not encourage unnecessary risk taking; and review and discuss, at least annually, the relationship between risk management policies and practices, corporate strategy and senior executive compensation;
- annually review the Company’s compensation policies and practices for team members as they relate to risk management practices and risk-taking incentives and determine whether any risks arising from such compensation policies and practices are reasonably likely to have a material adverse effect on the Company; and
- review management succession plans.

The Committee shall meet with the Chief Executive Officer to review corporate performance, major changes in organizational plans and the performance of key executives.

The Committee is designated by the Board of Directors and receives its authority from the Board to which it reports. The Board has vested in the Committee the authority to carry out the responsibilities as noted in this Charter, and any other duties which the Committee deems necessary to fulfill its obligations to the Board and the shareholders of the Company. To such end, the Committee is authorized to employ independent counsel, consultants and such other outside assistance, as it may deem necessary. The Committee shall have access to data, information and relevant documents required to effectively execute its responsibilities.

Members of the Committee shall serve as the “Committee” as referred to in the 2000 and 2005 Stock Option Plans and 2009 and 2015 Stock Incentive Plans as approved by the stockholders of the Company.

Members of the Committee shall appoint the “Trustees” of the Harleysville Bank 401(k) Plan.

Members of the Committee shall serve as the administrator of the Profit Sharing Incentive Plan of the Bank.

The form and amount of Director compensation will be determined by the full Board of Directors on the recommendation of the Corporate Governance and Nominating Committee in accordance with its Charter.

Objectives of the Company's Compensation Programs

The primary objectives of the Company's executive compensation policies and programs are as follows:

- to attract, retain and motivate an experienced, competent executive management team;
- to ensure that compensation rewards are adequately balanced between short-term and long-term performance goals;
- to encourage ownership of the Company's common stock through grants of stock-based awards to all levels of bank management; and
- to maintain compensation levels that are competitive with other financial institutions considered to be the Company's peers based on criteria established by the Committee.

Membership

The Committee shall be comprised of three (3) or more directors as determined by the Board of Directors. Each member shall be an independent director as such term is defined in the Marketplace Rules of the Nasdaq Stock Market, as determined by the Board and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. Additionally, members of the Committee must qualify as “outside directors” for purposes of Section 162(m) of the Internal Revenue Code.

The members of the Committee are appointed annually by the Board of Directors of Harleysville Financial Corporation. The members of the Committee shall serve until their successors are duly appointed and qualified by the Board. The Board shall appoint one of the members of the Committee to serve as Committee Chairman and the Committee may also appoint a Secretary, who need not be a Director.

Administrative Procedures

The Committee shall meet at least tri-annually, or as frequently as deemed necessary by the Committee Chairman to fulfill its responsibilities. The regular attendance of non-Committee members is permitted at the invitation of the Committee Chairman. A quorum shall consist of a majority of the Committee members. The Committee Chairman shall report the Committee's activities and make recommendations to the Board.

The Committee shall review this Charter annually and recommend to the Board any proposed changes to this Charter which shall be adopted by the full Board.