

# PENNICHUCK CORPORATION

## COMPENSATION AND BENEFITS COMMITTEE CHARTER

The Compensation and Benefits Committee of Pennichuck Corporation (the “Company”) is a standing committee of the Board of Directors (the “Board”).

### A. Composition and Meetings

1. Number. The Committee shall consist of no less than three directors.
2. Independence. A person may serve on the Committee only if the Board of Directors determines that he or she is independent.
3. Chairman. The Committee shall elect one member as its chairman.
4. Selection and Removal. The members of the Committee shall be appointed by the Board. The Board may remove and replace any Committee member at any time with or without cause.
5. Meetings. The Committee shall meet at least annually, or more frequently as circumstances dictate. Meetings may be called by the Chairman of the Committee, the Chairman of the Board or Chief Executive Officer (“CEO”) of the Company, or a majority of the Committee members. The Committee shall operate pursuant to the Bylaws of the Company, including Bylaw provisions governing notice of meetings and waivers thereof, and the number of Committee members required to take actions at meetings. The Committee shall maintain minutes of its meetings and report its findings to the Board.

### B. Purposes and Responsibilities

The purposes and responsibilities of the Committee are to:

1. Annually review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO’s performance in light of those goals and objectives, and make recommendations to the other independent directors who shall, together with the Committee, determine and approve the CEO’s compensation based on this evaluation.
2. Review and approve the annual compensation of the Executive Officers who report directly to the CEO.

3. Periodically, as and when appropriate, (i) review and approve the following as they affect the Executive Officers other than the CEO, and (ii) recommend to the other directors who shall, together with the Committee, review and approve the following as they affect the CEO: (a) any employment agreements and severance arrangements; and (b) any special or supplemental compensation and benefits, including supplemental retirement benefits and the perquisites provided during and after employment.
4. Oversee the compensation and benefit policies of the Company.
5. Periodically compare the Company's compensation and employee benefit plans or programs to those at comparable companies.
6. Recommend to the Board of Directors the establishment, termination, amendment or modification of existing compensation and employee benefit plans or programs.
7. Recommend to the Board of Directors the senior corporate officers who shall serve as members of the benefit plans committees.
8. Require and review reports submitted at least annually by an individual or group to whom the Committee has delegated any of its duties, listing all actions taken by the delegates pursuant to their respective delegations.
9. Review the adequacy of this Charter at least annually and recommend any proposed changes to the Board for approval.
10. Conduct an annual performance evaluation of the Committee.
11. Develop a succession plan for the CEO and senior management and make recommendations for succession to the full Board of Directors. (The CEO Succession Plan Process is attached as Appendix A to this Charter.)

None of the above shall preclude discussion of CEO compensation with the Board generally, as it is not the intent of this Charter to impair communication among members of the Board.

### **C. Delegations of Responsibilities**

The Committee shall have the authority to delegate such administrative responsibilities as the Committee may deem appropriate in its sole discretion to the extent permitted by law, the Company's compensation and benefit plans and the applicable rules of the Internal Revenue Code.

**D. Additional Resources**

The Committee may, in its sole discretion, employ such independent consultants or experts, including lawyers, as it may deem appropriate to assist it in the performance of its duties. If a compensation consultant or other expert is to assist in the evaluation of CEO or senior executive compensation, the Committee shall have the authority to retain (including approval of fees and other retention terms) and terminate the consultant or other expert, although the Company's management may, with the Committee's approval, assist in negotiating the consultant's contract terms and tracking related expenses. The Company may also hire compensation consultants, provided that the Company does not use the same consultant as the Committee without the advance approval of the Committee Chairman. The Committee shall also have the right to use the Company's employees. The Committee shall keep the Chairman of the Board advised as to the general range of anticipated expenses for outside consultants and experts.

## **Appendix A to Section B, Item 11 of the Compensation and Benefits Committee Charter**

### **Pennichuck Corporation**

#### **CEO Succession Plan Process**

The following is an outline of the steps and criteria that will be used when the Pennichuck Board of Directors (“Board”) is tasked with recruiting a CEO to lead the Corporation. Currently this responsibility has been given to the Compensation and Benefits Committee (“Committee”) who will consider and recommend candidates for presentation to the full Board. The Board has the authority and responsibility to make the final decision. The process should include and consider the following:

**1. Board Responsibilities in monitoring the internal candidate development process.**

The Board will be involved in an annual review of the CEO’s succession plan and evaluate the progress, training, and development of internal candidates. This annual review will provide the Board with an annual assessment of the talent pool of the senior managers within the Corporation and their readiness and willingness for other assignments. Items to be considered by the full Board include: spending time with high potential candidates in a variety of settings, getting to know the senior management team over time, spending time in discussions with senior management level employees in a work setting, and establishing an opportunity for senior managers to present to the full Board.

**2. Role of the Committee in choosing a new CEO.**

When it is determined by the full Board that a CEO needs to be selected, the task of finding a new CEO will be assigned to the Committee in accordance with Section 11 of the Committee’s Charter. The initial search will begin with a review and modification as needed at the time. The Committee will consider whether an internal candidate is available for the position or whether an external search should be conducted. An internal search will be conducted by reviewing the current succession plan, determining the readiness of internal candidates for such a position, interviewing any identified internal candidates, and making a determination if an internal candidate is identified. If a satisfactory qualified internal candidate is identified, the internal candidate may be recommended for the full Board’s review and approval. If no satisfactory qualified internal candidate is identified, the Committee may proceed with an external search.

**3. Determine the readiness of internal candidates.**

As the Committee and the Board review the performance and readiness of any potential internal candidates, several factors are important to consider: how well does a candidate fit the job profile, what gaps do they possess, and what is the potential for developing quickly enough to fill those gaps. If there are no immediately satisfactory qualified candidates identified, then an external search will be considered.

**4. Committee responsibilities in a CEO search.**

The responsibilities of the Committee include the following: creating a CEO profile that defines competencies, experience, leadership traits, etc., that are necessary for a CEO, identifying and contracting an external search consultant if needed, identifying and interviewing potential candidates, keeping the full Board apprised of the search progress, recommending final candidates to the full Board, facilitating the full Board's decision making process about the finalist candidate, and facilitating the offer to the finalist.

**5. Search for external candidates.**

Sometimes internal candidates are not yet ready for a full CEO role. Consideration may be given to hiring an interim CEO to mentor potential internal candidates who need time to fully prepare for the role. Sometimes the internal pool of candidates is small and so an external comparison is needed. By reviewing external candidates, a benchmark for internal candidates can be established. Finally, a strategic change in the business strategy may be needed and only an external candidate can accomplish a company culture change.

**6. Selecting an external recruiting firm.**

The Committee will select and vet external recruiting firms and bring forth a recommendation to the full Board for selection. When a firm is selected, the Committee will work with the search firm until a slate of candidates is presented to the full Board for consideration.

**7. Involvement of the Current CEO and management team during the process of selecting a CEO.**

The Committee will work closely with the current CEO and the Human Resources Director in the search process as they will participate in search criteria discussions, review of potential candidates, and interviewing and scheduling of candidates. Additional senior management members may also be involved in the interview process.

## **8. Considerations during the process of selecting a CEO.**

The following factors regarding Corporate mission and circumstances:

- the Corporation's strategic plan
- market position
- financial health of the Corporation
- competitive environment in which the Corporation does business

The following are some suggested steps and considerations:

- review of the leadership job profile and description
- compensation
- scheduling of candidates
- first interviews
- face to face discussion and debriefing of candidates
- targeted second interviews
- meetings with the management team
- full Board interviews
- reference and background checking
- recommendation to the full Board.

## **9. Additional resources that might be used by the Committee or Board to help in the final selection of a candidate.**

The following three additional resources beyond the search firm may be used to assist in the final selection of a candidate:

- compensation consultant
- management psychologist
- legal advisors.

## **10. Type of communication plan to be used.**

When a final candidate has been selected and will be presented to the full Board, a communication plan needs to be established. The plan will establish a timeline and message to be communicated to the employees, Board of Aldermen, and the press.

## **11. What is the timeline for a search for a CEO?**

While there is no specific timeline for such a search, it typically takes 6-9 months from the time a search begins until a candidate arrives to start in the position. This should be taken into consideration when such an event occurs.