

**FSB BANCORP, INC.  
FAIRPORT SAVINGS BANK  
COMPENSATION COMMITTEE CHARTER**

**Approved January 30, 2019**

**PURPOSE**

The purpose of this Charter is to address the responsibilities delegated by the Board of Directors (Board) to the Compensation Committee of the Board (Committee).

The Committee's purpose is to assist the Board in promoting the best interests of Fairport Savings Bank (Bank) and FSB Bancorp, Inc. (Company) through the implementation of sound compensation principles and practices.

**RESPONSIBILITIES**

The Committee is responsible for the appropriate governance of total compensation of Executives, including base compensation, short-term incentive compensation, long-term incentive compensation, benefits, and perquisites. Compensation and benefit matters related to the Chief Executive Officer (CEO) must also be approved by a quorum of all outside (non-employee) members of the Board. The Committee is responsible, as well, for compensation and benefit programs for certain non-Executives. It may delegate to management the implementation of as much responsibility and authority as it deems advisable.

The Committee may assist the Board in its oversight of the evaluation and succession planning of the CEO and the Executive Management Team (EMT). As used in this Charter, Executive Management Team shall include any officer of the Bank who has been designated as an EMT member by the Board or the Committee for the purposes of this Charter. The Executive Management Team includes the CEO, Chief Financial Officer (CFO), Chief Lending Officer (CLO) and Senior Vice President/Retail Banking Manager.

The Committee assists the Board with its oversight of the total compensation paid to the members of the Bank's Board of Directors for their service as Board members.

The primary responsibilities of the Committee are:

- to assure the development and implementation of sound compensation principles and practices that adhere to the Bank's core values and beliefs.
- to ensure that no compensation plans or practices promote excessive risk-taking or encourage behavior inconsistent with the Bank's vision, strategy or compensation philosophy.
- to ensure that the Chief Executive Officer, Executive Management Team, key employees, non-Executive employees and Board members of the Bank, its subsidiaries and its affiliates are compensated effectively in a manner consistent with the Bank's performance, compensation philosophy, internal equity considerations, competitive practice and the requirements of appropriate regulatory bodies.
- to review and act on major changes to all of the Bank's
  - base and incentive compensation structures and plans
  - qualified and non-qualified retirement plans
  - health and welfare plans
  - related policies

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## **COMPOSITION**

The Compensation Committee is established pursuant to the By-Laws of the Bank. Committee members, who must number at least four (4) Directors, are appointed by the Board and may be replaced by the Board. The members of the Committee shall meet the independence requirements of the NASDAQ Marketplace Rules. Three (3) members of this Committee shall constitute a quorum. All members of the Committee shall also qualify as “outside” directors within the meaning of Internal Revenue Code 162(m) and as “non-employee” directors within the meaning of Rule 16b-3 of the Securities and Exchange Act of 1934. The Committee may appoint a Secretary, who need not be a Director. The Board shall appoint the Committee Chair.

The Committee shall meet as often as necessary, but not less than 3 times per year; the affirmative vote of a majority of the members present at a meeting at which a quorum is present shall constitute action of the Committee. The Chairman shall preside at each meeting. In the event the Chairman is not present at a meeting, the Committee members present at that meeting shall designate one of its members as Acting Chair of such meeting. Members of the Committee shall receive compensation, as fixed by the Board of Directors, for actual attendance at Committee meetings.

## **DUTIES AND AUTHORITY**

In order to carry out its purposes, the Compensation Committee shall have the following duties and authority.

### **Compensation Matters**

- Administer, as outlined in the attached matrix, the Bank’s compensation and benefit plans and, from time to time, approve or recommend to the Board, as provided in the attached matrix, changes to any compensation or benefit plan the Committee deems appropriate and consistent with all regulations and sound compensation principles and practices which do not encourage inappropriate risk-taking.
- Recommend for full Board of Directors approval, at least annually, adjustments regarding the compensation of the Chief Executive Officer based upon its assessment of the CEO’s performance and the Bank’s performance, approval of the Executive Management Team’s annual adjustments of compensation based on the CEO’s recommendation, and review on an annual basis other Senior Officers’ annual adjustments of compensation approved by CEO. The CEO shall not be present during any Committee deliberations or voting regarding his or her compensation.
- Review and agree upon goals and objectives for the Chief Executive Officer for the upcoming fiscal year and recommend approval of such goals and objectives to the Board of Directors.
- Approve, at least annually adjustments regarding the compensation of the Bank’s Executive Management Team or other employees as designated by the Committee from time to time, taking into account Bank and individual performance, as well as Comparator Group practices and any other considerations it deems appropriate. In reviewing and approving the annual base salaries and incentive opportunities for

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Executive Officers other than the CEO, the Committee shall obtain recommendations from the CEO prior to approving such compensation.

- 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, clawback policies 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 persons who formerly served as Executive Officers, including supplemental retirement benefits and the perquisites provided to them during and after employment.
- Recommend to the full Board of Directors adjustments to the compensation and benefits of the members of the Board.
- Receive periodic reports on the Company's compensation and benefits program as they affect all employees.
- Perform such functions as may be assigned to it from time to time by the Board or as may be required by applicable rules and regulations.
- Report regularly to the Board on its activities with such recommendations and other matters as the Committee may deem appropriate, so that the Board is informed of the Committee's activities.
- Maintain minutes of its meetings and records relating to those meetings and to the Committee's activities.
- Annually review and reassess the adequacy of the Committee's Charter and recommend to the Board any proposed changes to the Charter.
- Meet in Executive session to review such matters as the Chief Executive Officer's total compensation and any other matters as deemed appropriate.
- If applicable under SEC rules, the Committee shall review and discuss with management, the Compensation Discussion and Analysis (the "CD&A") required to be included in the Company's proxy statement and annual report on Form 10-KSB by the rules and regulations of the SEC and based on such review and discussion, determine whether or not to recommend to the Board that the CD&A be so included.
- If applicable to the Company under SEC rules, the Committee shall produce the annual Committee Report for inclusion in the Company's proxy statement in compliance with the rules and regulations promulgated by the SEC.

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- The Committee shall monitor the Company's compliance with the requirements under the Sarbanes-Oxley Act of 2002 relating to 401(k) plans and loans to directors and officers and with all other applicable laws affecting employee compensation and benefits. The Bank's Compliance Officer will provide an attestation statement regarding this regulation on an annual basis to the Board of Directors.
- The Committee shall oversee the Company's compliance with the requirement under the NASDAQ Marketplace Rules that, with limited exceptions, shareholders approve equity compensation plans.

**Resources and Authority**

The Committee shall have the authority and resources appropriate to discharge its duties and responsibilities at the Bank's expense, and may obtain advice from external legal, accounting, compensation consultants or other advisors. The Committee shall have the authority to select and retain its own consultants to assist in the evaluation of Executive compensation, to terminate the services of any such consultant, and to approve the consultant's fees and other retention terms, all at the Bank's expense.

In performing responsibilities, each Committee member is entitled to rely in good faith on information, opinions, reports or statements prepared or presented by:

- One or more officers or employees of the Bank whom the Committee member reasonably believes to be reliable and competent in the matters presented.
- Counsel, independent auditors, or other outside advisors as to matters which the Committee member reasonably believes to be within the professional or expert competence of such person.
- Another Committee of the Board as to matters within its designated authority which the Committee member reasonably believes to merit confidence.