

## **COMMUNITY FINANCIAL SYSTEM, INC. COMPENSATION COMMITTEE CHARTER**

### **Purpose**

The Compensation Committee is responsible for reviewing and approving the Company's compensation and benefit programs, reviewing and approving the compensation structure for the Chief Executive Officer and other executive officers, and approving broad-based compensation plans for the Company and its subsidiary entities.

Additionally, in connection with the Committee's oversight of the Company's human capital management, the Committee will regularly review the Company's management resources, culture and diversity programs, succession planning and talent development programs, as well as the performance of the CEO and executive officers.

### **Committee Membership and Meetings**

The Committee shall consist of at least three members of the Board of Directors (the "Board") each of whom shall (a) meet the independence requirements of the New York Stock Exchange ("NYSE") listing standards and any other applicable laws, rules and regulations governing independence of compensation committee members, as determined by the Board; (b) qualify as "non-employee directors" as defined under Section 16 of the Securities Exchange Act (the "Exchange Act"); and (c) qualify as "outside directors" under Section 162(m) of the Internal Revenue Code. Members of the Committee and the Chair of the Committee shall be appointed by the Board and may be replaced at any time by the Board.

The Committee shall meet as often as necessary to carry out its responsibilities. Any Committee member may request the Chair of the Committee to call a meeting. The Chair of Committee shall report on any Committee meeting held at the next regularly scheduled Board meeting following the Committee meeting.

### **Duties and Responsibilities**

The Committee shall have the following duties and responsibilities:

- Annually review and approve goals and objectives of the Company relevant to compensation, evaluate the Chief Executive Officer's performance in light of these goals and objectives, and, either as a committee or together with the other independent directors (as directed by the Board), make determinations on the Chief Executive's compensation level, including any salary, annual and long-term incentive awards, perquisites and termination arrangements, based on this evaluation.
- Annually review the Company's overall objectives and major components of its compensation programs in seeking to align compensation with business objectives and enable the Company to attract and retain individuals who are contributing to the long-

term success to the Company. The Committee shall report its determinations to the Board.

- Annually review and approve base salary, incentive compensation and long-term incentive compensation matters for executive officers, subject to ratification by the Board.
- In consultation with and based upon the advice of counsel, monitor the disclosure regarding compensation matters in the Company's proxy statement, assess advisory votes on executive compensation, and approve and recommend the Compensation Discussion and Analysis discussion and Committee report for inclusion in the Company's proxy statement, as required by the SEC.
- Review executive officer compensation for compliance with Section 16 of the Securities Exchange Act and Section 162(m) of the Internal Revenue Code, as each may be amended from time to time, and any other applicable laws, rules and regulations.
- In consultation with the Chief Executive Officer and executive management, review the talent development process within the Company to ensure it is effectively managed. The purpose of the performance and talent review is to ensure that there is a sufficient pool of qualified internal candidates to fill senior and leadership positions and to identify opportunities, performance gaps and next steps as part of the Company's executive succession planning and development process, all of which shall be reviewed by the Chief Executive Officer and executive management with the Committee.
- In consultation with the Board and the Chief Executive Officer, either the Committee as a whole or a subcommittee thereof, shall, as part of its executive succession planning process, evaluate potential successors to the Chief Executive Officer.
- Periodically review and make recommendations, with analysis provided by an independent compensation consultant, to the Board with respect to the compensation of the Directors.
- Annually review employee compensation strategies, benefits and equity-based programs and plans, including the review of relevant market data relating to compensation and benefits.
- Periodically review and, if appropriate, revise the peer group of companies used for comparative executive and director compensation purposes.
- Review and approve any employment agreements, severance arrangements or any special supplemental benefits for the CEO and other executive officers.
- Review and approve any severance policies and change in control agreements and provisions when, and if appropriate, subject to approval by Board.

- Prior to engaging a compensation consultant, outside counsel or other advisor, the Committee shall consider all factors relevant to such advisor's independence, including the factors specified by applicable NYSE listing standards. On an annual basis, the Committee will review an assessment of any potential conflicts of interest that may arise regarding such advisors involved in determining or recommending executive or director compensation, including advisors retained by the Committee and management, as applicable.
- Annually review the Company's compensation policies, practices and incentive compensation programs for employees, including senior management, to assess whether such policies, practices and programs could lead to unnecessary risk taking behavior.
- Regularly review the Company's programs, strategies, and initiatives regarding culture and diversity to support an engaged and inclusive work environment and encourage a culture of ethical behavior at all levels of the organization.
- Periodically review the Company's clawback policies, including a review of any significant events under review in connection with employee discipline and conduct which may trigger recoupment under the policies.
- Conduct an annual review of the Compensation Committee's performance, periodically assess the adequacy of its charter and recommend changes to the Board as needed.
- Regularly report to the Board on the Committee's activities.
- Obtain advice and assistance, as the Committee deems appropriate, from internal or external legal, accounting, search firms, compensation specialists or other advisors, including the supervision, retention, termination and negotiation of terms and conditions of the assignment or engagement. The Committee has the necessary funding to retain such advisors in accordance with the applicable NYSE listing standards.

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