

**LAKE SHORE BANCORP, INC.**  
**CHARTER FOR COMPENSATION COMMITTEE**

**Purpose**

The purpose of the Compensation Committee (the “Committee”) of the board of directors (the “Board”) of Lake Shore Bancorp, Inc. (the “Company”) shall be to discharge the Board’s responsibilities relating to compensation of the Company’s directors and Chief Executive Officer (the “CEO”) and all other Named Executive Officers of the Company as defined under applicable Securities and Exchange Commission rules. The Committee has overall responsibility for approving and evaluating compensation plans, policies, and programs of the Company.

The Committee is also responsible for producing an annual report on executive compensation for inclusion in the Company’s proxy statement, if required by, and in accordance with, applicable rules and regulations.

**Membership and Appointment**

The Committee shall consist of no fewer than three members, each of whom shall be a director of the Company. All members of the Committee shall meet the criteria, including independence, established by the rules and regulations of the Nasdaq Stock Market and all other applicable legal requirements. In affirmatively determining the independence of any director who will serve on the Committee, the Board must consider all factors specifically relevant to determining whether a director has a relationship to the Company which is material to that director’s ability to be independent from management in connection with the duties of a Committee member, including, but not limited to:

- (i) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Company to such director; and
- (ii) whether such director is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company.

Members of the Committee shall be appointed annually in accordance with the Company’s bylaws upon the recommendation of the Nominating and Corporate Governance Committee, after consultation with the Chairman of the Board and the Chief Executive Officer.

**Meetings and Procedures**

The Committee shall have a chairperson who must, and a secretary who may but need not, be a member of the Committee. The Board shall designate the chairperson of the Committee and the Committee shall designate the secretary for the Committee. If the Board does not designate a chairperson, or if the chairperson shall not be present at a meeting, the Committee shall select its own chairperson. The Chief Executive Officer may be present at and participate in Committee meetings, provided, however, that he or she may not be present or participate during voting or deliberations regarding his or her own compensation.

The Committee shall establish its own rules of procedure, which shall be consistent with the Bylaws of the Company and this Charter. The Committee shall meet at least four times annually and may meet more frequently. A meeting may be called by the chairperson of the Committee or by majority of the members of

the Committee. Notice of any meeting shall be given by the person or persons calling the meeting given to each other member of the Committee at least 48-hours prior to the meeting. Notice may be given in the same fashion as permitted for notice of Board meetings pursuant to the Company's Bylaws and applicable law. A meeting shall be deemed properly called if each member of the Committee shall have received notice given as aforesaid or, prior to the conclusion of the meeting, shall have signed a written waiver of notice.

A quorum shall consist of at least a majority of the voting members of the Committee, and in no event less than two (2) voting members of the Committee. The vote of a majority of the voting members present at any meeting at which a quorum exists, including the chairman of the Committee who shall be eligible to vote, shall constitute the action of the Committee.

The Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information as the Committee requests.

Following each of its meetings, the Committee shall report its actions and recommendations to the Board. The secretary of the Committee shall keep written minutes of its meetings, which minutes shall be subject to approval by the members of the Committee and, once approved, shall be maintained with the books and records of the Company.

The Committee shall have the authority to delegate any of its responsibilities to the subcommittees as the Committee may deem appropriate in its sole discretion.

### **Committee Authority and Responsibilities**

The Committee shall have the following authority and responsibilities:

1. The Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of director, CEO and Named Executive Officer compensation and shall have sole authority to approve the consultant's fees and other retention terms. The Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.
2. The Committee shall annually review and approve corporate goals and objectives relevant to CEO and Named Executive Officers' performance in light of those goals and objectives, and set the CEO's and Named Executive Officers' compensation levels based on this evaluation. In determining the incentive components of CEO and Named Executive Officer compensation, the Committee will consider the Company's performance and relative shareholder return, the value of similar incentive awards to named executive officers at comparable companies, and the awards given to the CEO and Named Executive Officers in past years.
3. The Committee shall annually review, and make recommendations to the Board with respect to, the compensation of all directors and Named Executive Officers, including incentive-compensation plans and equity-based plans.

4. The Committee shall annually review and recommend to the Board for approval, for the CEO and Named Executive Officers of the Company, (a) the annual base salary level, (b) the annual incentive opportunity level, (c) the long-term incentive opportunity level, (d) employment agreements, severance arrangements, and change in control agreements/provisions, in each case as, when and if appropriate, and (e) any special or supplemental benefits.
5. The Committee shall serve as the fiduciary and/or administrator of any compensation or benefit plan of the Company for which a fiduciary consisting of members of the Board is required by law or by the terms of the plan. In such capacity it shall have and exercise the power, authority, and discretion conferred by law or the terms of the relevant plan, as applicable.
6. The Committee shall review and reassess the adequacy of this charter annually and, as appropriate, adopt and recommend changes to the Board for its approval.
7. All deliberations, actions, and recommendations of the Committee relevant to the CEO and Named Executive Officers shall be undertaken by the Committee in executive session. Any other deliberations, actions or recommendations may be made in the presence of, or take into consideration the recommendation of the CEO and Named Executive Officers or other senior management officials, at the discretion of the Committee.
8. The Committee shall perform any other activities consistent with this charter, the Company's Bylaws, and applicable law, as the Committee deems appropriate to carry out its assigned duties or as requested by the Board.