

**CONNECTICUT WATER SERVICE, INC.  
THE CONNECTICUT WATER COMPANY**

**Charter of the Compensation Committee**

**I. Committee's Purpose**

The Compensation Committee shall assist the Board in fulfilling the Board's responsibilities in relation to compensation of the Company's officers and directors. The Committee has overall responsibility for evaluating, approving and revising (as needed) all compensation plans, policies, and programs for the Company's Chief Executive Officer, other officers (including the "executive officers "as defined under SEC rules), the "Executive Officers" and the directors of the Company. The Committee is also responsible for preparing the annual report on executive compensation for inclusion in the Company's proxy statement.

**II. Committee Membership**

The Committee shall consist of no fewer than three members approved by the Board. All members of the Committee shall be independent in accordance with the provisions of Rule 10AC-1(b)(1) under Securities Exchange Act of 1934, as amended (the "Exchange Act") and shall satisfy the independence standards adopted by the NASDAQ Stock Market, Inc., shall be "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, and shall be "non-employee" directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934.

The members shall be nominated by the Corporate Governance Committee and appointed by the Board of Directors. Committee members shall have terms of one year and may be removed by a majority vote of the full Board. Vacancies occurring in the membership of the Committee shall be filled by the Board. (expand to say until the next Annual Meeting of Shareholders?)

**III. Meetings**

The Committee shall meet annually or as often as necessary to carry out its responsibilities.

**IV. Committee Authority and Responsibilities**

The basic responsibility of the members of the Committee is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company. In discharging that responsibility, the Committee should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisers and auditors, to the extent it deems necessary or appropriate.

1. Professional Advisors, Meetings with Management and Advisers -

The Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel or other adviser. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel and other adviser retained by the Committee. The Company shall provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to a compensation consultant, legal counsel or any other adviser retained by the Committee. The Committee may select, or receive advice from, a compensation consultant, legal counsel or other adviser to the Committee only after taking into consideration either the specific factors to be used to determine the independence of compensation consultants as prescribed by applicable rules and regulations of the SEC and NASDAQ.

Nothing in this Charter shall be construed to: (i) require the Committee to implement or act consistently with the advice or recommendations of the compensation consultant, legal counsel or other adviser to the Committee; or (ii) affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of the duties of the Committee. The Committee shall have the authority to request any officer, director or employee of the Company, or any other persons whose advice and counsel are sought by the Committee, such as members of the Company's management or outside legal counsel and independent accountants, to meet with the Committee or any of its advisers and to respond to their inquiries.

2. Executive Compensation – The Committee shall 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 determine and approve the CEO's compensation based on this evaluation and any other criteria deemed relevant by the Committee. In any deliberations or voting to determine the compensation of the CEO, the CEO must not be present; however, in any deliberations or voting to determine the compensation of other officers, the Committee may elect to invite the CEO to be present but not vote.

The Committee shall, at least annually, review and approve the annual base salaries and annual incentive opportunities of the Company's officers other than the CEO.

In determining the incentive components of compensation for the CEO and the other officers, the Committee may consider a number of factors, including, but not limited to, the Company's performance and relative shareholder return, the value of similar incentive awards to CEOs and other similarly situated officers serving at companies comparable to the Company, the mix of incentive and salary compensation, and the incentive components given to the CEO and the other officers in past years.

The Committee shall, periodically and as when appropriate, review and approve the following as they affect the CEO and the Company's officers: (a) all short and long term incentive opportunity levels; (b) any employment agreements and severance arrangements; (c) any change-in-control agreements and change-in-control provisions

affecting any elements of compensation and benefits; and (d) any special or supplemental compensation and benefits for the officers and individuals who formerly served as officers, including supplemental retirement benefits and the perquisites provided to them during and, if applicable, after employment. The effective date for any actions taken regarding the Executive Compensation items listed above is the date they are reported to the full Board as specified in item (14).

3. Director Compensation – The Committee shall periodically review and have the sole authority to approve, increase, decrease or otherwise amend the compensation of the Company’s non-employee directors. The Committee shall consider director compensation policies and practices as the Company’s principal competitors and other comparable companies to ensure that the compensation paid to the Company’s non-executive directors is reasonable and appropriate. The effective date for any actions taken regarding the Executive Compensation items listed above is the date they are reported to the full Board as specified in item (14).

4. Incentive-Compensation Plans – The Committee shall have the sole authority to approve, amend, or terminate incentive-compensation plans, (i.e. the Company’s Performance Stock Plans), subject to any applicable shareholders’ approval requirements provided by applicable law, Securities and Exchange Commission (“SEC”) regulations or NASDAQ rules. The Committee shall also serve as the administrative committee for the Company’s Performance Stock Program. The effective date for any actions taken regarding the Executive Compensation items listed above is the date they are reported to the full Board as specified in item (14).

5. Ratification Required by the Board – The following shall be presented as a recommendation to the full Board and approved by the full Board:

- (i) any action, including the adoption or amendment of any non-qualified equity compensation plan that is required by law or regulation to be submitted to the shareholders for approval;
- (ii) any approval, amendment or termination of employment change in control or severance agreements related to the officers of the Company.

6. Annual and Other Disclosures – The Committee shall (a) review and discuss the Company’s annual Compensation Discussion and Analysis disclosure (“CD&A”) with the Company’s management and, based on such review and discussion, make a recommendation to the full Board as to whether the CD&A should be included in the Company’s annual report filed with the SEC and, as applicable, the Company’s annual proxy statement; (b) render a Compensation Committee Report annually which complies with SEC rules and regulations to be included in the Company’s annual proxy statement;

and (c) prepare any other reports to shareholders required by SEC regulations or any other legal requirements.

7. Competitive Compensation Position – The Committee shall periodically assess the Company’s competitive position for each component of executive compensation (especially base salary, annual incentives, long-term incentives, and supplemental executive benefit programs) by reviewing market data for appropriate peer companies.

8. Cash Effect – The Committee shall monitor the cumulative cash effect on the Company financial position caused by the operation of the bonus and other cash-based incentive plans of the Company, especially in relation to the Company’s net income for the applicable year(s).

9. Succession Plan– The Committee shall develop and recommend to the Board for approval a CEO succession plan (the "Succession Plan"), to review the Succession Plan periodically [with the CEO], develop and evaluate potential candidates for CEO and recommend to the Board any changes to, and any candidates for succession under, the Succession Plan.

10. Stock Ownership Guidelines– The Committee shall develop, and recommend to the Board for its approval, stock ownership guidelines for the CEO and the Company’s other executive officers and shall monitor compliance with such guidelines.

11. Clawbacks/Hedging– The Committee shall develop, adopt and/or recommend that the Board adopt such policy or policies as may be appropriate to comply with the requirements of Sections 954 and 955 of the Dodd-Frank Act of 2012 and any regulations promulgated by the SEC pursuant thereto, relating to “clawbacks” of executive compensation and “hedging” of risks related to the holding and/or receipt of the Company’s equity securities.

12. Compensation Advisory Vote Matters – The Committee shall review and recommend to the Board for approval the frequency with which the Company will conduct Say-on-Pay Votes, taking into account the results of the most recent shareholder advisory vote on frequency of Say-on-Pay Votes required by Section 14A of the Exchange Act, and review and approve the proposals regarding the Say-on-Pay Vote and the frequency of the Say-on-Pay Vote to be included in the Company's proxy statement.

13. Risk Oversight – The Committee will meet at least annually to review the Company's incentive compensation arrangements to determine whether they encourage excessive risk-taking, to review and discuss at least annually the relationship between risk management policies and practices and compensation, and to evaluate compensation policies and practices that could mitigate any such risk.

14. Report to the Board – Following each action by the Committee, the Committee shall make a report to the full Board at its next regularly scheduled meeting.

15. Miscellaneous – The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee is authorized to establish its own rules and procedures consistent with the Company’s Bylaws, Certificate of Incorporation and this Charter and carry out additional functions as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Committee, in its discretion, may conduct or authorize investigations into any matters within the scope of its responsibilities. The Committee may form and delegate authority to subcommittees as it deems appropriate. The Committee shall annually review its own performance and shall present the results of the evaluation to the Board and/or Corporate Governance Committee, as appropriate. The Committee shall conduct this evaluation in such manner as it deems appropriate or as otherwise directed by the Board or Corporate Governance Committee.

16. Other Matters – The Committee shall undertake such additional activities within the scope of its primary function as the Committee may determine or any activities requested by the full Board.

17. Reliance on Others – Nothing in this charter is intended to preclude or impair the protection provided in Section 33-756 of the Connecticut Business Corporation Act for good faith reliance by members of the Committee on reports or other information provided by others.

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