



## **FNCB Bancorp, Inc.**

### **CORPORATE GOVERNANCE GUIDELINES**

The following Corporate Governance Guidelines (the “Guidelines”) have been adopted by the Board of Directors (the "Board") of FNCB Bancorp, Inc. (the “Company”) to assist the Board in the exercise of its responsibilities to the Company, its shareholders and FNCB Bank (the “Bank”). These Guidelines should be interpreted in the context of all applicable laws and the Company's Certificate of Incorporation, Bylaws and other corporate governance documents, and are intended to serve as a flexible framework within which the Board may conduct its business. These Guidelines are subject to modification and the Board shall be able, in the exercise of its discretion, to deviate from these Guidelines from time to time, as the Board may deem appropriate or as required by applicable laws and regulations.

#### **1. Director Qualifications**

The Board will have a majority of directors who meet the criteria for independence required by the NASDAQ Stock Market. The Company’s Nominating and Governance Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics that the Board seeks in Board members as well as the composition of the Board as a whole, including an annual evaluation of whether members qualify as independent under applicable standards. During the course of a year, directors are expected to inform the Board of any material changes in their circumstances or relationships that may impact their status or designation by the Board as independent.

Nominees for director will be selected on the basis of the following criteria:

- personal and professional integrity, ethics and values;
- experience in corporate management, such as serving as an officer or former officers of a publicly held company, and a general understanding of marketing, finance and other elements relevant to the success of a publicly-traded company in today’s business environment;
- experience in the financial and banking industry and with relevant social policy concerns;
- experience as a board member of another publicly held company;
- expertise in an area of the Company and Bank’s operations; and
- practical and mature business judgment, including ability to make independent analytical inquires.

Nominees for directors to the Board will be recommended by the Nominating and Governance Committee to the full Board in accordance with the policies and principles of the

Nominating and Governance Committee's Charter. Notwithstanding anything to the contrary herein, no person shall be nominated by the Board of the Company and the Bank to serve as a Director after he or she has passed his or her 80<sup>th</sup> birthday. In the event that a Director turns the age of 80 during his or her term as a Director, he or she may serve the remaining time of his or her term until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal. In addition, thereto, FNCB's Executive Officers shall be subject to a mandatory retirement age of 75. Such retirement age may be waived for the CEO and President for strategic planning purposes in the sole discretion of the Board of Directors of the Company and Bank.

The number of directors on the Board of the Company shall be such number, not less than three (3), as shall be designated from time to time by resolution of the Board.

Directors of the Board shall advise the Chair of the Board and the Chair of the Nominating and Governance Committee, in advance, of accepting an invitation to serve on another publicly held company board.

## **2. Director Responsibilities**

The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company, its shareholders, and the Bank and to perform their duties of care and loyalty. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company and Bank's executive management and their outside advisors and auditors, as permitted by law.

The specific duties and responsibilities of the Board will include, among other things, overseeing the management of the business and affairs of the Company; selecting and recommending to shareholders appropriate candidates for election to the Board; reviewing and, where appropriate, approving the business plans, major strategies and financial objectives of the Company; evaluating Board processes and performance and the overall effectiveness of the Board; evaluating the performance of the Company and of executive management; requiring, approving and overseeing the implementation of the Company and Bank's succession plans; reviewing compliance with applicable laws and regulations and adopting policies of corporate conduct to assure compliance with applicable laws and regulations and to assure maintenance of necessary accounting, financial, and other controls; and showing, through its actions, its awareness that the Company and Bank's long-term success depends upon its strong relationship with its customers, employees, shareholders and the communities in which it operates.

Directors are expected to serve on Board committees. To the extent possible, directors will be appointed to the committee(s) in which he or she is best suited to serve given the overall makeup of the Board.

Directors are expected to regularly attend Board meetings and make a best effort to attend Special Board meetings and meetings of committees on which they serve, in accordance with the Board of Directors Attendance Policy, and to spend the time needed and meet as frequently as necessary to discharge properly their responsibilities. Information and data

that are important to the Board's understanding of the business to be conducted at a Board or committee meeting generally should be distributed in writing to the directors before the meeting, and directors should review these materials in advance of the meeting. Directors are also expected to attend all annual meetings of shareholders of the Company.

The Board will meet at least once on a monthly basis and will hold additional meetings when needed to address issues of special concern or urgency.

### **3. Board Committees; Chair Positions**

The Company Board will have at all times an Audit Committee, a Compensation Committee, a Nominating and Governance Committee, a Risk Management Committee and other committees that the Board deems appropriate from time to time. The members of the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee will be independent directors under the criteria established by the NASDAQ Stock Market. Committee members will be appointed annually by the Company Board. The Bank Board shall have a Directors' Loan Committee and ALCO Committee whose members shall be appointed annually by the Bank Board.

In connection with the organizational meeting each year, the Nominating and Governance Committee (or other appropriate independent committee designated by the Board) shall consider appropriate assignments for committee membership consistent with the qualifications of directors and applicable legal requirements for various committees and shall submit its recommendations for committee assignments and chair positions for the Board and the Board committees to the full Board for consideration and approval. The committee structure will be evaluated on an annual basis in connection with the organizational meeting.

### **4. Director Access to Officers, Employees and Outside Advisors**

Directors shall have full and free access to officers and other employees of the Company and Bank and the Company and Bank's outside advisors. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and Bank. It is the expectation of the Board that directors will keep the CEO informed of communications between a director and an officer or other employee of the Company and Bank, as appropriate.

Inclusion of the CEO and other executives at Board meetings provides the Board with information and insight about the Company and Bank. Other executives may attend Board meetings or committee meetings at the invitation of the Chair of the Board or the CEO to provide information and insight to the Board.

### **5. Director Compensation**

The form and amount of director compensation will be determined by the Compensation Committee, subject to approval by the Board, in accordance with the policies and

principles set forth in its Charter and applicable legal and regulatory guidelines. The Compensation Committee will conduct an annual review of director compensation.

## **6. Director Orientation and Continuing Education**

The Company will provide an appropriate program for new directors which will include familiarizing new directors with the Company and Bank's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Conflict of Interest Policy, its Code of Business Conduct and Ethics, its Insider Trading Policy and other relevant policies, its principal officers, and its internal and independent auditors. In addition, each director is expected to maintain the necessary level of expertise to perform his or her responsibilities as a director. The Company may, from time to time, offer continuing education programs or reimburse directors for attending continuing education programs to assist the directors in maintaining such level of expertise.

## **7. CEO Evaluation and Management Succession**

The Compensation Committee will conduct an annual review of the CEO's performance, as set forth in its Charter. The Board will review the Compensation report in order to ensure that the CEO is providing the best leadership for the Company in the long- and short-term.

The Compensation Committee should make an annual report to the Board on succession planning and development of appropriate skills and depth in executive management positions. The CEO should at all times make available his/her evaluation and recommendations of members of executive management, along with a review of any development plans recommended for such individuals.

## **8. Annual Performance Evaluation**

The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating and Governance Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's performance. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve.