

# WESTERN NEW ENGLAND BANCORP, INC.

## CORPORATE GOVERNANCE GUIDELINES

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### A. INTRODUCTION

The following Corporate Governance Guidelines (the “**Guidelines**”) have been adopted as principles for the conduct of the Board of Directors (the “**Board**”) of Western New England Bancorp, Inc. (the “**Company**”). They reflect the Board’s commitment to monitoring the effectiveness of decision-making at the Board and management level and ensuring adherence to good corporate governance principles, all with a goal of enhancing shareholder value over the long term. The Nominating and Corporate Governance Committee of the Board (the “**Nominating Committee**”) reviews these Guidelines at least annually.

The Guidelines should be interpreted in the context of all applicable laws and regulations and the Company’s articles of organization (as may be amended or restated from time to time, the “**Articles**”) and bylaws (as may be amended or restated from time to time, the “**Bylaws**”). The Guidelines are not intended to supersede or interpret any federal or state law, rule or regulation, including the Massachusetts General Laws, or the Articles or Bylaws.

### B. THE BOARD OF DIRECTORS

#### 1. *Size*

The number of directors constituting the Board should be consistent with the Bylaws or resolution of the Board. The Nominating Committee will periodically review the size of the Board and may recommend adjustments from time to time.

#### 2. *Composition of the Board of Directors – Independence*

The Company defines an “independent” director in accordance with the applicable provisions of the Securities Exchange Act of 1934, as amended, together with the rules promulgated thereunder (the “**Exchange Act**”) and the applicable rules of The NASDAQ Stock Market (the “**NASDAQ**”). Because it is not possible to anticipate or explicitly provide for all potential situations that may affect independence, the Nominating Committee reviews each director’s status as an independent director and whether any independent director has any other relationship with the Company that, in the judgment of the Board, would interfere with the director’s exercise of independent judgment in carrying out such director’s responsibilities as a director. The Board will make an annual determination as to whether each director is “independent” under the applicable provisions of the Exchange Act and the applicable rules of the NASDAQ. The following guidelines will apply to independence:

- (a) Per Se Exclusions. A director will not be deemed independent if: (i) the director was employed by the Company or a subsidiary of the Company within the previous three years; (ii) a family member of the director was employed by the Company or a subsidiary of the Company as an executive officer within the previous three years; (iii) the director or any of his or her family members accepted any compensation (including political contributions and payments pursuant to consulting or personal service contracts) from the Company or any subsidiary of the Company of more than \$120,000 during any period of twelve

consecutive months within three years preceding the Company's determination of independence (other than (A) payments for service as a member of the Board or a committee of the Board, (B) compensation paid to a family member who is a nonexecutive employee of the Company or a subsidiary of the Company, or (C) benefits under a tax-qualified retirement plan, or non-discretionary compensation); (iv) the director or a family member of the director is a partner in, or an executive officer or controlling shareholder of, any for-profit or not-for-profit organization to which the Company made or from which the Company received, payments in the current fiscal year or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year or \$200,000, whichever is more (other than (A) payments arising solely from investments in the Company's securities or (B) payments under nondiscretionary charitable contribution matching programs); (v) the director or a family member of the director is or was employed as an executive officer of another entity that has or had within the past three years as a member of its compensation committee of the board of directors any of the Company's executive officers; and (vi) the director or a family member of the director is a partner of the Company's independent auditors, or was a partner or employee of the Company's independent auditors and worked on the Company's audit during any of the past three years. For the purpose of the Guidelines, "family member" means a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home.

- (b) Board Determinations. In connection with relationships other than those listed in subsection (a) above that preclude a determination of independence; the determination of whether the relationship would interfere with the director's independent judgment in carrying out his or her responsibilities shall be made by the Board, subject to applicable listing standards or legal requirements.
- (c) Additional Audit Committee Membership Requirements. Members of the audit committee of the Board (the "**Audit Committee**") may not accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any Company subsidiary. For the purpose of this paragraph, compensatory fees do not include fees for service on the Board or a Board committee, or the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided that such compensation is not contingent in any way on continued service). In addition, Audit Committee members may not be "affiliated persons" of the Company or any Company subsidiary, as defined in Rule 10A-3 under the Exchange Act. Moreover, Audit Committee members may not have participated in the preparation of the financial statements of the Company or any subsidiary of the Company (other than entities that have ceased to be subsidiaries of the Company) at any time during the preceding three years.
- (d) Additional Compensation Committee Membership Requirements. In determining the independence of a member of the compensation committee of the Board (the "**Compensation Committee**"), the Board must consider all factors relevant to determining whether such member has a relationship with the Company which is material to his or her ability to be independent from management in connection with the duties of a Compensation 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.

### **3. *Board Leadership Structure and Selection of Chairperson and Chief Executive Officer***

The Board elects its chairperson and appoints the Company's Chief Executive Officer according to its view of what is best for the Company at any given time. The Board does not believe there should be a fixed rule as to whether the offices of the chairperson and Chief Executive Officer should be vested in the same person or two different people, or whether the chairperson should be an employee of the Company or should be elected from among the non-employee directors. The needs of the Company and the individuals available to play these roles may dictate different outcomes at different times, and the Board believes that retaining flexibility in these decisions is in the best interest of the Company. The Nominating Committee will periodically review this matter and provide recommendations to the Board.

In the event the Board elects as its chairperson a director who is not independent, the Board shall also designate a lead director who is independent. The lead director's duties shall include: (i) presiding at all meetings of the Board at which the chairperson is not present, including executive sessions of the independent directors; (ii) serving as liaison between management and the independent directors; (iii) calling meetings of the independent directors; (iv) consulting with the chairperson in planning and setting schedules and agendas for Board meetings to be held during the year; and (v) performing such other functions as the Board may direct.

### **4. *Board Membership Criteria***

The Nominating Committee is responsible for reviewing with the Board, in accordance with its charter, the appropriate qualities, skills and characteristics desired of nominees for Board members in the context of the current make-up of the Board. The Board as a whole should collectively possess a broad range of skills, expertise, industry and other knowledge, and business and other experience useful to the effective oversight of the Company's business.

### **5. *Attendance at Board and Committee Meetings***

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively. Board members are expected to prepare for, attend, and participate in meetings of the Board and the committees of which they are members. Although the Board recognizes that, on occasion, circumstances may prevent Board members from attending meetings, the Board expects its members to ensure that other commitments do not materially interfere with the performance of their duties.

### **6. *Selection of Board Members; Vacancies***

The Board is responsible for filling vacancies in its membership, replacing directors who are unable to continue to serve effectively, and nominating candidates to stand for election at the annual meeting of shareholders. The Board has delegated to the Nominating Committee the process of identifying and screening candidates when a vacancy is to be filled and making preliminary recommendations to the Board for nominations. In accordance with the Bylaws, directors elected by the Board to fill a vacancy or newly created directorship shall hold office until the expiration of

the term for which elected and until their respective successors are elected, except in the case of the death, resignation or removal of any director.

#### **7. *Occupations and Memberships on Other Boards***

Directors should not serve on boards of companies or organizations in addition to the Company's Board where such service is likely to create an interlock or a conflict of interest with Company's Board or interfere with the performance of the director's duties to the Company, taking into account the individual, the nature of his or her other activities and such other factors or considerations as the Board deems relevant. In selecting nominees for membership, the Board shall take into account the other demands on the time of a candidate.

#### **8. *Term of Office***

The Board has determined that an arrangement of staggered three-year terms of office is in the Company's best interest. It both provides continuity of membership and is an effective part of a structure designed to provide the Board with tools to negotiate for better terms for shareholders in the event of an unsolicited takeover effort. The Board reviews that determination periodically and will recommend to the shareholders that it be modified if it appears appropriate to do so.

#### **9. *Term Limits***

The Board does not believe it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, such limits may arbitrarily force the Company to lose the contribution of directors who over time have developed increased insight into the Company and its operations. The Board seeks, therefore, to maintain a balance of directors who have longer terms of service and directors who have joined more recently.

#### **10. *Board Compensation***

The Compensation Committee shall review the compensation and benefits paid to non-employee directors at least every three years and recommend any appropriate changes to the Board for its approval. Directors who are officers or employees shall not receive any additional compensation for serving on the Board. To assist in setting compensation, the Compensation Committee or the full Board may request information from the staff of the Company or from independent consultants on the compensation of boards of comparable companies.

#### **11. *Orientation and Continuing Education***

Members of the Board are selected with attention to their diverse professional backgrounds and experience. In addition to their individual professional expertise, it is important that members of the Board be knowledgeable about the Company and its business. They should also be familiar with the duties and responsibilities of directors of public companies and emerging practices in corporate governance. Newly appointed Board Members and Board Committee members shall complete an orientation schedule with members of Management and/or Committee Chairs to fully understand their role and responsibilities associated with serving on the Board and their respective Committees.

Board members may, at their discretion attend seminars, conferences, and other continuing education programs designed especially for directors of public companies, including, specifically, accredited director education programs, which may be attended at the Company's expense during

service on the Board. The Company's regular outside advisors should make presentations to the Board on issues affecting the Company and developments in the law, corporate governance practices or other matters related to the duties and responsibilities of directors in general. Although most of the outside directors have significant experience on boards of directors, participation in such programs is helpful to keep them abreast of current developments in the evolving area of corporate governance and other matters relevant to their service on the Board.

## ***12. Voting for Directors***

Directors are elected in accordance with the Articles and Bylaws. As provided in the Bylaws, in any election of directors, each director will be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. The Company's policy regarding election of directors will be summarized in each proxy statement relating to an election of directors.

## ***13. Attendance at Annual Meeting***

All Board members are encouraged, but not required, to attend our Annual Meeting of Shareholders.

## ***14. Annual Performance Evaluation***

The Board will conduct an annual review and self-evaluation to determine whether it and its committees are functioning effectively. The review will focus on the Board's contribution to the Company and will seek to identify specific areas, if any, that need improvement or strengthening. Such review shall include reviews and/or presentations by the Company's independent advisors, including its legal counsel and independent auditing firm. The Nominating Committee shall be responsible for overseeing the Board and committee evaluation process and reporting its assessments to the Board.

Legal counsel to the Board also will conduct on going reviews to ensure that the Company is in compliance with all applicable NASDAQ listing requirements and to ensure that all required certifications and public disclosures are made.

# **C. BOARD MEETINGS**

## ***1. Board Chairmanship; Selection of Agenda Items for Board Meetings***

The chairperson of the Board, and in the absence of the chairperson of the Board, the lead director, or if there is no lead director, the senior independent director present shall preside at meetings of shareholders and the Board.

The chairperson of the Board and the lead director, if any, in consultation with appropriate members of management, and the Board committee chairs, will develop the agenda for each Board meeting and circulate to the Board members in advance of each meeting. Although materials relevant to the agenda are generally circulated to the Board in advance, exceptions are sometimes made for

materials related to particularly sensitive topics. Each Board member is free and encouraged to suggest the inclusion of items on the agenda.

## **2. *Board Presentations; Access to Employees and Independent Advisors***

The Board has access to members of management on board-related and administrative matters. It is the Company's policy that employees may contact Board members directly to express concerns about the direction or management of the Company. Board members may, at the expense of the Company, consult with independent legal, financial and accounting advisors to assist them in the performance of their duties to the Company and its shareholders.

The Board encourages presentations at its meetings by employees who can provide additional insight into the topics because of their direct involvement in the area, or have leadership potential of which the Board should be aware.

## **3. *Executive Sessions of Independent Directors***

The independent directors may, at their discretion, meet in executive session without management and any non-independent directors.. The lead director, if any, or an independent director selected by a majority of the Board, will preside over and develop the agenda for the executive sessions of independent directors. The lead director, if any, or an independent director selected by a majority of the Board, may call meetings of the independent directors of the Board. Each Board member is free and encouraged to suggest the inclusion of items to be discussed in the executive sessions of independent directors. The lead director, if any, will serve as liaison between management and the independent directors.

# **D. BOARD COMMITTEES**

## **1. *Standing and Special Committees***

The Board currently has standing committees on (i) Executive, (ii) Audit, (iii) Nominating, (iv) Compensation, and (v) Finance and Risk Management. Each of these committees operates under a written charter outlining its duties and responsibilities. The Board may form new standing committees when it believes the work of the Board requires it. The Board also appoints special committees from time to time to assist it in carrying out particular responsibilities.

## **2. *Assignment and Term of Service of Committee Members***

The Board, with the advice and recommendation of the Nominating Committee, appoints the members and the chair of each of its standing committees. Where possible, the chair of a standing committee will have had previous service on the committee. There are no fixed terms for service on standing committees. The Board may replace committee members when it believes that to be appropriate.

## **3. *Frequency and Length of Committee Meetings and Committee Agenda***

Each standing committee may fix its own rules of procedure, which shall be consistent with the Bylaws. Pursuant to their own rules of procedure, the committees may, with the assistance of appropriate members of management, determine the frequency and length of meetings of the

committee and develops the agenda for each meeting. At the direction of the chair, a member of the committee or a member of management takes minutes of each committee meeting. Board members who are not members of a committee are nevertheless welcome to attend its meetings.

## **E. OVERSIGHT OF RISK**

The Board believes that risk management is an important part of establishing, updating and executing on the Company's business strategy. The Board, as a whole and at the committee level, has oversight responsibility relating to risks that could affect the corporate strategy, business objectives, compliance, operations, and the financial condition and performance of the Company. The Board focuses its oversight on the most significant risks facing the Company and on its processes to identify, prioritize, assess, manage and mitigate those risks. The Board and its committees routinely receive reports from members of the Company's senior management on areas of material risk to the Company, including strategic, operational, financial, legal and regulatory risks. While the Board has an oversight role, management is principally tasked with direct responsibility for management and assessment of risks and the implementation of processes and controls to mitigate their effects on the Company.

The Audit Committee, as part of its responsibilities, oversees the Company's significant financial risk exposures. The Audit Committee is also responsible for overseeing the management of risks relating to the performance of the Company's internal audit function and its independent registered accounting firm, as well as the Company's systems of internal controls and disclosure controls and procedures. The Compensation Committee is responsible for overseeing the Company's major compensation-related risk exposures, including risks related to executive compensation and overall compensation and benefit strategies, plans, arrangements, practices and policies. The Finance and Risk Management Committee oversees the Company's major legal compliance risk exposures, including the Company's procedures and any related policies with respect to risk assessment and risk management. The Finance and Risk Management Committee also has primary oversight for enterprise risk management, including credit risk, operational risk, capital and liquidity risk, interest rate risk, price risk, compliance risk, reputation risk, technology risk, cybersecurity risk, strategic risk, and risks associated with merger, acquisition and divestiture activity. Further, the Finance and Risk Management Committee oversees the Company's Business Continuity Plan, Policies and Testing, inclusive of the remediation and public disclosure of any material cyber incident. These committees provide regular reports to the full Board.

## **F. MANAGEMENT REVIEW AND RESPONSIBILITY**

### ***1. Evaluation and Compensation of Officers***

The Compensation Committee annually evaluates the performance of, and determines and recommends to the non-employee members of the Board for approval the compensation package for, the Chief Executive Officer. It also determines and approves or recommends to the Board for approval the compensation packages for the executive officers of the Company, other than the Chief Executive Officer, and any executive officers whose compensation is required to be disclosed in detail in the Company's annual proxy statement. In evaluating and determining or making recommendations regarding such executive compensation, the Compensation Committee shall give consideration to the recommendations of the Chief Executive Officer.

## **2. *Succession Planning***

The Board plans for the succession to the position of the Chief Executive Officer. The Nominating Committee annually reviews and assesses the Company's succession plans for the Chief Executive Officer and other key officers and senior executives of the Company, and makes recommendations to the Board.

## **3. *Board Interaction with Institutional Investors, Press, Customers, Etc.***

The Board believes that management should speak for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that outside Board members would do this with the knowledge, and in most instances at the request, of management.

## **G. TRANSACTIONS WITH DIRECTORS**

It is the policy of the Board that any transaction in which a director (or any member of a director's immediate family) has a personal or financial interest (direct or indirect) should be scrutinized in accordance with the Company's Code of Conduct Policy for Directors and Officers, Related Party Transaction Policy or Regulation O Policy, as applicable. It is incumbent upon each director to promptly notify the Nominating Committee when he or she becomes aware of a matter in which he or she (or any member of a director's immediate family) has, or may have, a personal or financial interest (whether direct or indirect) or may otherwise have a potential conflict of interest.

## **H. REVIEW AND MODIFICATION OF THESE PRINCIPLES**

The Guidelines, as set forth herein, will be reviewed by the Nominating Committee at least annually. If the Nominating Committee determines that modifications are in order, it will make recommendations of changes for the Board to consider. The Guidelines, as may be amended from time to time, shall be posted on the Company's website.

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