

Codorus Valley Bancorp, Inc.

and

PEOPLESBANK, A Codorus Valley Company

AUDIT COMMITTEE CHARTER

This charter governs the operations of the Audit Committees of Codorus Valley Bancorp, Inc. and PeoplesBank, A Codorus Valley Company and their respective subsidiaries (the “Corporation and its affiliates”). Since the Boards of Directors and the Audit Committees of Codorus Valley Bancorp, Inc. and PeoplesBank, A Codorus Valley Company are currently composed of the same members, reference throughout this charter to the plural and singular shall refer to both Boards of Directors and Audit Committees, unless the context clearly requires otherwise.

Audit Committee Organization

The Audit Committee (the “Committee”) and its chairperson shall be appointed by the Board of Directors. The Committee shall be comprised of at least three directors, who are independent as defined in Rule 10A-3 of the Securities Exchange Act of 1934 and by NASDAQ. A member may not receive compensation from the Corporation or its affiliates other than board member or board committee member fees. The individual must also be free of any relationship that, in the opinion of the Board of Directors, would interfere with their exercise of independent judgment as a committee member. All Committee members shall be financially literate, or shall become financially literate within a reasonable period of time after appointment to the Committee. At least one member shall be a “financial expert” as defined by Section 407 of the Sarbanes Oxley Act of 2002; provided, however, that if no member meets the definition, the Committee will direct the company to make appropriate disclosures in Securities and Exchange Commission (SEC) filings. At least one member shall have financial sophistication as defined by NASDAQ.

Audit Committee Responsibilities

The Committee shall provide assistance to the Board of Directors in fulfilling its oversight responsibility to the shareholders, potential shareholders, and the investment community. This oversight shall relate to: Codorus Valley Bancorp’s consolidated financial statements and the annual independent audit of those statements, the financial reporting process, systems of internal accounting and financial controls, the Corporation’s compliance with laws, regulations, and its Code of Conduct, and the internal audit function. In so doing, it is the responsibility of the Committee to maintain free and open communication among the directors, the independent auditors, the internal auditors, and the financial management of the Corporation and its affiliates. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention, has full access to all books, records, facilities, and personnel of the Corporation and its affiliates, and has the authority to retain and compensate outside counsel or other advisors for this purpose.

The following shall be the principal recurring processes of the Audit Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

1. The Committee shall have a clear understanding with management and the independent auditors, that the independent auditors are ultimately accountable to the Board of Directors and the Committee, as representatives of the shareholders. The Committee shall have the ultimate authority and responsibility to appoint, evaluate, compensate, and, when deemed appropriate, replace the independent auditors. The Committee shall discuss with the auditors their independence from management and the Corporation and its affiliates. The Committee will review and pre-approve all services to be performed by the independent auditors to the extent these services are permitted by law (subject to the de minimus exceptions for permitted non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, as amended, which are approved by the Committee prior to the completion of the audit).
2. The Committee shall discuss with the internal auditors and the independent auditors the overall scope and plans for their respective audits, including the adequacy of staffing and compensation. The Committee shall discuss with management, the internal auditors, and the independent auditors the adequacy and effectiveness of internal controls, including systems to monitor and manage business risk, and legal and ethical compliance programs.
3. The Committee shall review and discuss with the independent auditors, as may be required by law or regulation (1) all critical accounting policies to be used, (2) all alternative treatments of financial information within generally accepted accounting principles (GAAP) that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor, and (3) other material written communications between the independent auditor and management including management letters and any schedules of unadjusted differences.
4. The Committee shall review the interim financial statements with management and the independent auditors prior to the filing of Codorus Valley Bancorp's Quarterly Report on Form 10-Q. The Committee shall discuss with the independent auditors the results of the quarterly review and any other matters required to be communicated under generally accepted auditing standards.
5. The Committee shall review with management and the independent auditors the financial statements to be included in Codorus Valley Bancorp's Annual Report and on Form 10-K, including their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. The Committee shall discuss with the independent auditors the results of the annual audit and any other matters required to be communicated under generally accepted auditing standards.

6. The Committee shall review disclosures made by the corporation's CEO and CFO during the certification process for Form 10-K and Forms 10-Q about any material weaknesses or significant deficiencies in the design or operation of internal controls.
7. The Committee shall meet with the independent auditors, with and without management present, to discuss the results of their examinations. The Committee shall discuss any difficulties the independent auditors encountered in the course of the audit work including any restrictions on the scope of procedures or access to requested information. The Committee shall resolve any financial reporting disagreements between management and the independent auditors.
8. The Committee shall prepare an Audit Committee Report as required by the rules of the Securities and Exchange Commission to be included in the Corporation's annual proxy statement. The Committee will post the Audit Committee Charter on the Corporation's website (www.peoplesbanknet.com) or as otherwise may be required by law or regulation.
9. The Committee shall establish procedures for the treatment of complaints received regarding accounting, internal accounting controls or auditing matters including procedures to protect confidential submissions by employees.
10. The Committee shall review any known instances of fraud involving management or other employees who have a significant role in the Corporation's internal controls.
11. The Committee is also the source for reports concerning factual conflicts of interest. The Committee shall review circumstances regarding conflicts of interest and report same to the full Board of Directors, if necessary.
12. The Committee shall meet as often as it deems appropriate, but not less frequently than quarterly. Minutes shall be kept by a member of the Committee or a person designated by the Committee. Minutes of all meetings of the Committee shall be approved by the Board of Directors.

In carrying out its responsibilities, the Audit Committee believes its policies and procedures should remain flexible in order to react effectively to changing conditions and circumstances.

Reaffirmed and approved by the Audit Committee of the Board of Directors on May 7, 2018 and entered into the minutes of the Board of Directors on June 12, 2018.