



ENVIRONMENTAL RESPONSIBILITY POLICY

Policy Owner *Chief Risk Officer*

Policy Reviewer *Risk Oversight Committee*

Policy Approver *Board of Directors*

Policy Review Frequency *Annually, unless change management warrants an earlier update*

Policy Effective Date *January 24, 2024*

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1. Executive Summary

At Five Star, we care deeply about promoting sustainable business practices that deliver long-term shareholder value and help to ensure that the communities we serve thrive.

Grounded in the legacy of our community-oriented traditions representing rural Western New York State for more than 200 years, Environmental-Social-Governance (“ESG”) is a fundamental pillar of our three-year strategic plan.

This includes our steadfast commitment to environmentally conscious activity. Five Star believes that a successful future for our business and the customers and communities that we serve is dependent on the sustainability of our environment.

Environmental challenges in general and climate change in particular present a significant threat to the stability of the financial markets we participate in, and a corresponding societal impact on the communities that we serve. We believe that doing our part to address them is not only the right thing to do but also our corporate responsibility.

Five Star remains committed to minimizing the impact of our operations on the environment and demonstrating leadership by incorporating environmental considerations into our business practices.

Through our dynamic strategic planning and robust risk and governance frameworks, we will seize upon prudent new business opportunities arising from the transition to a low carbon society and incorporate environmental risks and manage them appropriately.

We also believe that we can make a positive contribution by following prudent business practices that protect and conserve our natural resources. We will work to reduce the environmental impact of our activities through the use of sustainable energy and resources and pollution prevention and pursue prudent investments in renewable energy.

We are also mindful of the import of exercising environmental sensitivity in our lending and business relationships and will engage in prudent credit, underwriting, and sustainable procurement practices.

Our approach to ESG and specific focus on these policy elements creates long-term value for all our stakeholders in multiple ways: increased revenue, reduced cost, improved efficiency, reduced risk, strengthening of our communities, and maintaining our reputation as a responsible community leader.

In furtherance our commitment, we will strive to:

- Understand the environmental risks and opportunities associated with our business,
- Use natural resources and energy more efficiently and reduce emissions, releases and waste,
- Undertake initiatives that promote environmental responsibility, regular oversight, and continuous improvement, and
- Promote awareness and engage with our employees and stakeholders.

1.1. Scope

The Board of Directors of Financial Institutions, Inc. has approved this policy. It applies to all of the company’s subsidiaries and affiliated entities, including but not limited to Five Star Bank, Courier Capital LLC, SDN Insurance Agency, LLC, and Five Star REIT, Inc. (collectively “Five Star”). This policy is intended to address the diverse and complex environmental issues that confront the communities that Five Star serves and larger international and global concerns.

2. Regulatory Compliance

Five Star will comply with both the letter and spirit of environmental laws and regulations applicable to our business operations.

3. Environmental Protection

Following a continuous improvement approach, Five Star will take steps to protect the environment, including managing and reducing our energy consumption.

To support this commitment, we will endeavor to:

- Evaluate and identify opportunities to reduce the use of natural resources in our operations,
- Seek opportunities to expand access to recycling programs and the types of materials accepted for recycling,
- Seek to construct, retrofit (including LED lighting), and maintain branches and offices following design standards that minimize waste and improve environmental efficiency, and
- Engage employees and raise awareness about resource conservation and recycling to promote responsible behavior.

In recognition that water is an important right, at company offices, water will primarily be used for consumption and domestic purposes. To help reduce consumption levels, we will promote best practices and involve employees in water saving activities.

We will continue to evaluate initiatives that reduce energy dependency in our facilities, equipment, operations, and travel, and regularly assess and act on opportunities to dispose of waste in an environmentally friendly manner through reuse, recycling, or final disposition.

4. Procurement Practices and Purchasing Decisions

Five Star recognizes the need to work closely with our suppliers to reduce waste, improve efficiency and reduce carbon footprint. Through our vendor management processes, Five Star will make efforts to procure products that are:

- Recycled,
- Environmentally friendly,
- Energy efficient, and
- Locally sourced.

We expect that our vendors will adhere to our Vendor Code of Conduct. Vendors will be provided with our Vendor Code of Conduct upon entering into a new business relationship with us, at the time of contract renewal, and for other existing vendors during periodic vendor due diligence. Vendors will be requested to acknowledge receipt and understanding of our Vendor Code of Conduct. Any violation of our code may adversely affect their ability to be awarded additional work from us.

5. Environmentally Responsible Banking and Lending

Five Star will regularly evaluate opportunities to provide financial products and services to assist in the transition to energy efficient and environmentally sound alternatives.

Additionally, Five Star Bank will consider material environmental factors in the origination and administration of its lending portfolio, including discussing the impact of climate change and environmental considerations during internal loan and credit meetings.

6. Environmentally Responsible Investments

Five Star Bank's treasury department will make a best effort to assess and act on prudent investment in environmentally beneficial business opportunities and factor in ESG considerations in such investment decisions.

7. Employee Awareness and Engagement

We recognize that our employees are vital to our success and will promote a culture that advances our ESG strategic priorities.

We will raise employee awareness and support employee creativity and enthusiasm with respect to implementing our Environmental Responsibility Policy and the adoption of environmentally friendly practices.

8. Business Partnerships and Community Engagement

Five Star will leverage engagement with stakeholders to better understand environmental issues and help support solutions.

9. Policy Assurance Methods

9.1. *Related Governance*

This Policy advances core objectives set forth in Five Star's overarching Environmental-Social-Governance Program, informs our Vendor Code of Conduct, and works in concert with our Human Rights Policy. Material risks, including material environmental and climate risks, are integrated into Five Star's Enterprise Risk Management Program. Further policy expectations relative to governance are set forth in Item 10 below.

9.2. *Awareness and Training Methods*

This policy will be maintained on the Company's intranet site. The Company will deploy an annual acknowledgement process for employees to acknowledge that they read and understand the terms of all company policies, inclusive of this policy. Because ESG touches upon all aspects of our operations, senior and executive leaders are expected to stay abreast of ESG developments and advance ESG related objectives in areas within their primary oversight, including ensuring appropriate awareness and training, in collaboration with our Corporate Secretary who provides day to day ESG leadership and our Chief Human Relations Officer who oversees all human capital functions including talent development and training.

9.3. *Policy Adherence Methods*

Management will take appropriate steps to ensure adherence to this policy, inform the Chief Risk Officer and Corporate Secretary of any compliance related issues or concerns, and report relevant ESG matters within their respective span of control to applicable Management-Level and Board Committees.

9.4. *Update Requirements*

At least annually, this policy will be updated by the Chief Risk Officer and reviewed and approved by the Company Risk Committee, the Board's Risk Oversight Committee, and the Board of Directors to ensure that it remains current and relevant of evolving risk and industry practices.

9.5. *Consequences of Violating the Policy*

Failure to comply with this Policy may subject Five Star employees to a range of disciplinary actions, up to and including termination of employment. Furthermore, violations of this Policy may also be

violations of the law and result in monetary and other damages and civil or criminal penalties for you, your supervisors and the Company.

9.6. *Exceptions and Exemptions*

Any exception to this policy must be pre-approved by the Chief Risk Officer and Corporate Secretary. The Company Risk Committee and the Board's Risk Oversight Committee shall be informed of any policy exceptions at their respective next scheduled Committee meetings.

10. Governance

Because sustainable business practices are a fundamental pillar of Five Star's three-year strategic plan, ESG is regularly reviewed the Board of Directors and its Executive Committee.

The Board's Nominating and Governance Committee regularly reviews the efficacy of the Company's governance framework, the Board's Risk Oversight Committee oversees all material risks including ESG related risks such as climate and environmental risks, and the Board's Audit Committee oversees financial disclosure, including disclosure relative to the Company's ESG practices.

Five Star also maintains an Enterprise Risk Management Program, based on the COSO¹ framework. Our ERM Program is designed to identify and manage risks, including relevant environmental and climate related risks, within the Board-approved risk appetite and is aligned to Five Star's objectives to assist in meeting our strategic objectives. The Company Risk Committee, chaired by our Chief Risk Officer, will regularly review the administration of the ERM Program, with ensuing oversight provided by the Board's Risk Oversight Committee. The ERM Program and Company's Risk Appetite Statement are updated and approved by the Board at least annually to ensure that they remain current and relevant.

Five Star Bank's ALCO Committee, chaired by our Chief Financial Officer and Treasurer, oversees investments and operational risk as it affects our balance sheet, funding, and spreads. These risks are reported up to the Company Risk Committee and then to the Board's Risk Oversight Committee.

11. Public Disclosure

Five Star will report on material ESG matters through public channels, including our company website and our Annual Report.

12. Version History

Provide a version history of the policy, including sections updated, brief high level description of material changes to the policy and date of last review/update.

Version #	Sections Updated	Description of Changes	Date of Last Review/Update
1.0	All	Implementation of new Policy	04/14/2022
1.1	Title Page	Reviewed no significant changes warranted to the Policy. Updated Policy Effective Date on title page	01/09/2023
1.2	Title Page Scope	Updated Policy Effective Date, and new FSB logo. Updated the Scope section to remove reference to HNP Capital (merged into Courier Capital), and Corn Hill Innovation Labs (dissolved earlier in 2023).	1/09/2024

¹ The Committee of Sponsoring Organizations of the Treadway Commission, updated 2017.

Reviewed, and no other significant changes warranted.
