



Environmental-Social-Governance Program
Financial Institutions, Inc.
January 24, 2024

At Five Star, we care deeply about promoting sustainable business practices that deliver long-term shareholder value and help to ensure that our associates and the customers and 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 embedded in our business.

Our dedicated Five Star team of more than 600 employees work together in an environment of trust, integrity and mutual respect. We take great pride in being a part of and making a positive contribution to the communities we serve. We take the time to get to know our customers—their needs today and plans for the future—because we understand that today is tomorrow in progress.®.

We believe that our steadfast commitment to environmentally conscious activity, socially responsible behavior, and sound and transparent governance practices is not only the right thing to do but also our corporate responsibility, and in turn will also benefit 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.

SCOPE

This program applies to Financial Institutions, Inc. (“FII”) and all of its 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 “we”, “our”, or “Five Star”). FII’s Board of Directors (“Board”) has approved this program and will regularly review and update it at least annually.

COMMITMENT TO AND OVERSIGHT OF ESG

Our commitment to corporate citizenship and ESG starts at the top. To maintain enterprise-wide focus on ESG, our Board memorialized sustainable business practices as a core pillar of our three-year strategic plan and are regularly tracked by the Board and senior leadership.

The Board and its Executive Committee regularly oversee the status and progress of our ESG-related initiatives. Additionally, Board Committees are specifically charged with relevant ESG oversight:

- The Board’s Nominating and Governance (“NG”) Committee ensures effective and sound corporate governance, with specific attention over ESG governance,

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- The Board’s Risk Oversight Committee oversees risks impacting our company, including the management of material ESG related risks,
- The Board’s Management Development and Compensation (“MD&C”) Committee oversees the development and implementation of our diversity, social responsibility and human rights-related strategies and initiatives, including relevant ESG strategic outcomes, and
- The Board’s Audit Committee oversees financial disclosure to ensure accurate and reliable public reporting of ESG matters.

Senior and executive leaders are actively engaged in progressing our ESG relative objectives. Day to day leadership of ESG rests with an executive who reports to our President and Chief Executive Officer (“CEO”). Because ESG touches upon all aspects of our operations, our executives are expected to stay abreast of ESG developments and advance ESG-related objectives in areas within their primary oversight.

We also established an internal cross-functional working group of senior leaders who are tasked with regularly monitoring best practices, trends, and investor and community perspectives relative to ESG. We will continue to engage with our shareholders to better understand their ESG views, carefully consider the feedback we receive, and report on relevant ESG matters through internal and public channels, such as our annual proxy statement and financial disclosures.

ESG FOCUS AREAS

We will strive to focus our ESG efforts on four areas: our associates, the communities that we operate in, environmental responsibility, and governance.



Our Associates

Our Five Star Promise is the shared commitment by our company and all our associates to building a culture of teamwork, excellence and integrity. We are committed to continually building an environment where everyone feels welcome, valued, respected and appreciated. We empower our associates to live our Promise and be an active part of evolving our culture. Some examples include:

- Inviting associates to participate in annual and periodic engagement surveys that measure employee satisfaction and provide valuable feedback to leadership,
- Creating an associate-led Diversity, Equity and Inclusion Advisory Council (“DEI Council”) that recommends strategies for sustainable and impactful change,
- Using our peer-to-peer recognition platform, The Five Star Experience, to celebrate each other’s successes, team efforts, and personal and professional milestones, and

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- Sharing ideas, diverse perspectives and personal stories to promote an inclusive and accepting workplace on our Culture Center internal webpage.

To maintain current and relevant culture and talent management practices, we will implement and maintain Human Capital Management reporting and practices to establish a foundation to enable leaders to better hire talent and manage teams, and regularly review and update standards for setting goals, performance evaluations, succession planning, and learning and development.

We will also regularly review our compensation programs to ensure fair and inclusive pay practices across our business and maintain our commitment to equal employment opportunity through a robust affirmative action plan which includes annual compensation analyses and ongoing reviews of our selection and hiring practices alongside a continued focus on building and maintaining a diverse workforce. Each year, the Board's MD&C Committee will review the performance of our affirmative action plan.

The health and wellbeing of our colleagues is a top priority and in recognition of this, we aim to provide a safe working environment and robust health & wellness package that we will continually evolve to remain competitive and meet the needs of our workforce.

Diversity, Equity & Inclusion (“DEI”)

We are committed to providing equal employment opportunities for training, compensation, transfer, promotion and other aspects of employment for all qualified applicants and employees without regard to race, religion, color, national origin, citizenship, sex, sexual orientation, gender identify, age, veteran status, disability, genetic information, or any other protected characteristic.

Our Board remains committed to diversity in terms of their individual members, experiences and areas of expertise. The pool of candidates from which the NG Committee recommends director nominees to serve on our Board includes female and racially/ethnically diverse candidates, and the NG Committee will instruct any third-party search firm it engages to include female and racially/ethnically diverse candidates in such pool.

We take a comprehensive and multi-layered approach to attracting, retaining and developing a workforce that is diverse in background, knowledge, skill and experience, knowing that we are better together with our combined wisdom and intellect. This includes conducting intentional, strategic hiring to supplement the organization with new skill sets and perspectives, and the use of internal and external resources to recruit highly skilled and talented workers.

Our commitment to DEI includes focus on understanding, accepting, and valuing the differences between people. To further advance our DEI goals, we formed the DEI Council to foster an environment that values, welcomes, and facilitates the exchange of diversity of perspectives and life-experiences.

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Our DEI Council informs our Chief Human Resources Officer on employment related initiatives and is charged with supporting sustainable and impactful diversity and inclusion practices, including:

- Promoting a continuous focus on and commitment to DEI,
- Identifying opportunities and developing proposals to address the unique needs and challenges of our organization,
- Championing DEI by engaging and learning from our associates, and
- Monitoring and communicating progress.

The Chair of the DEI Council reports material developments and recommendations directly to our Executive Management Committee, and ultimate our CEO.

We will leverage several channels to maintain DEI awareness, encourage productive conversations, and exchange helpful information such forums to provide opportunities for our associates to discuss initiatives, employee surveys, an internal blog, and periodic updates delivered on all-company calls, President Reports, and other internal communications.

We have adopted Board-approved compensation, anti-discrimination, anti-harassment, whistleblower and anti-retaliation policies that are updated and reviewed annually and make available an HR hotline where associates can make confidential and anonymous reports.



Our company has a long and proud history in Western New York that goes back to 1817. Five Star Bank's predecessor banks each operated in a rural area and played important roles in helping to meet the deposit and credit needs of traditionally underserved markets. We continue that mission today through fundraising efforts, educational sponsorships, community development efforts, food drives, and partnerships with local universities.

Through our S.T.A.R. Volunteers Program and other actions, we will maintain our commitment to promoting, facilitating and coordinating company volunteerism that will have a meaningful impact on the communities that we serve. Additionally, we will continue to maintain an appropriate Community Reinvestment Act budget and make other donations that support our communities.

Our Community Bank will strive to deliver financial advice and education and ensure the availability and accessibility of safe, transparent, and fair financial products, including a suite of products tailored to meet the needs of unbanked, underbanked, and low-to-moderate income individuals in the communities we serve. Our Commercial Department will continue to actively assess and support financing for affordable housing projects with debt and equity financing, as well as historic tax credit community development investments.

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Our Community Development Officer and team of community development loan officers build relationships and partnerships with community groups and civic and governmental leaders to identify and strive to meet the community's needs for banking services. Another key focus of their work will be delivering guidance on the path to homeownership in our urban markets, providing vital home buyer education and financial literacy training.



ENVIRONMENTAL RESPONSIBILITY

We believe that a successful future for our business and the customers and communities that we serve is dependent on the sustainability of our environment, mindful that 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 remain 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 strive to 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 embed the principles of advancing a circular economy into our practices through green investments and long-term implementation of new technologies and look for these commitments in the clients and businesses that we serve.

We will also exercise environmental sensitivity in our lending and business relationships and engage in prudent credit, underwriting, and sustainable procurement practices.

In conducting our operations, we will continue to assess and act on investments focused on increasing efficiencies, lowering operating costs, optimizing capital expenditures, and adding value for our customers in areas such as utilizing high-efficiency electrical equipment including LED and motion detector lighting, solar panels, and high-efficiency HVAC units, and encourage environmentally friendly practices at our office locations in reducing water waste, paper and plastics.

We believe that our focus on environmental sustainability, with the objective of reducing costs and improving sustainability of our operations, provides a strategic benefit to our company.

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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.



As a publicly traded community financial institution we are mindful of the import of maintaining a governance framework that provides appropriate oversight, transparency, and accountability of our operations. We are committed to achieving excellence in our ESG governance practices and establishing a strong foundation for long-term success.

We will continue to conduct our business in a manner that is fair, ethical and responsible, with ongoing focus of earning and maintaining the trust of our customers, employees, investors, partners and regulators. Our Code of Business Conduct and Ethics helps to ensure that our directors, officers and employees comply with all applicable rules and regulations.

Our Board of Directors, currently consisting of 11 independent directors plus our CEO, is responsible for oversight of the management of the company and its business for the long-term benefit of our shareholders. Our corporate governance policies and practices include evaluations of the Board and its committees and continuing director education.

Our Environmental Responsibility Policy, Human Rights Policy, Third-Party Vendor Code of Conduct, and Enterprise Risk Management Program further support our stated ESG goals within our governance structure.

Our governance framework deploys cross-functional management level committees that have requisite subject matter expertise and span of control to regularly oversee important matters like risk management, financial disclosure and internal control, projects, new or modified products and services, management of the assets and liabilities of the Bank, and governance. Each management committee reports into a Board Committee.

Board and Management Level Committee Charters, Corporate Governance Guidelines, company policies, and other core governance materials are reviewed and updated at least annually to ensure that they remain current and are reflective of internal and external factors impacting our operations, including evolving ESG related risks and trends.

Our internal risk management teams oversee compliance with applicable laws and regulations and coordinate with subject matter experts throughout the business to identify, monitor and mitigate risk including information security risk management and cyber defense programs. These teams maintain rigorous testing programs and regularly provide updates to the Board and its Risk Oversight Committee.

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We are committed to developing and maintaining a robust Information Security program that incorporates multiple layers of physical, logical and written controls, and will strive to leverage the latest encryption configurations and technologies on our systems, devices and third-party connections and further vet third-party vendors’ encryption, as required, through our vendor management process. Our Information Security Department maintains a Risk Assessment that is approved by our Board annually. We also conduct annual compliance training in areas such as privacy, information security, anti-money laundering, and fair lending.

Version History

Version #	Sections Updated	Description of Changes	Date of Last Review/Update
1.0	All	Implementation of new Program	04/14/2022
2.0	Scope; Our Associates	Updated affiliate companies; Updated information about DEI program	07/26/2023
2.0	No Material Revisions	Program reviewed; no revisions	01/24/2024