

Financial Institutions, Inc.
Board of Directors
Management Development & Compensation Committee
Charter
Approved by Board of Directors: June 19, 2019

AUTHORITY and PURPOSE

The Board of Directors (the "Board") has established the Management, Development & Compensation Committee (the "Committee") to assist the Board in fulfilling its oversight and fiduciary responsibilities to Financial Institutions, Inc. ("FII") and its subsidiaries (collectively, the "Company").

COMPOSITION

The Committee shall consist of no fewer than three directors. All members of the Committee shall meet the independence requirements of the Securities and Exchange Commission (the "SEC") and NASDAQ. Additionally, no Director may serve on the Committee unless he or she (i) is a "Non-employee Director" for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and (ii) satisfies the requirements of an "Outside Director" for purposes of Section 162(m) of the Internal Revenue Code.

The Board, based on the recommendation of the Nominating and Governance Committee, shall appoint the members of the Committee. Committee members may be replaced by the Board at any time. The Committee shall have a Chair elected by the Board.

MEETINGS

The Committee will meet at least three times annually, or more frequently as circumstances warrant. Meetings should allow for independent and separate discussions with management and other resources as deemed necessary to ensure candid and open communication. However, the Committee should meet regularly without management present, and such management will not be present at meetings at which their performance and compensation are being discussed or determined. In the absence of the Chair, the Chairman of the Board or any member of the Committee may call meetings of the Committee and shall report on any Committee meetings held at the next scheduled Board meeting following the Committee meeting. The Chair will preside over all regular sessions of the Committee and set the agendas for Committee meetings. A majority to the total members of the Committee shall constitute a quorum. A majority of the total members of the Committee is required for action to be taken by the Committee.

DUTIES AND RESPONSIBILITIES

The Management, Development & Compensation Committee will perform the following duties:

- Review and approve corporate goals and objectives relevant to the CEO and Key Executive Officers (collectively, the "Executives") compensation, where Key Executive Officers include those reporting directly to the CEO.
- Evaluate the CEO's performance in light of those goals and objectives.
- To initiate and develop, along with the Nominating and Governance Committees, principles and process for the selection of the Executives, including CEO succession in the event of an emergency

or unanticipated retirement for submission to, and consideration by, the Board. To oversee the creation of development plans and succession plans for such Executives, for approval by the Board.

- Review and approve compensation levels of Executives.
- Determine the compensation level, short and long-term incentive awards and other benefits for Executives considering the Company's performance and relative shareholder return, the value of similar incentive awards executives at comparable companies, and such other circumstances as the Committee deems relevant.
- Approve base compensation grades, incentive compensation plans and equity-based plans for Executives.
- Except as expressly set forth herein, approve the adoption, amendment or termination of the Company's benefit plans if the approved action is expected to have an estimated annual impact on the Company's Statement of Operations that is greater than \$500,000. The Company's CEO (or his delegate) is authorized to approve the adoption, amendment or termination of the Company's benefit plans if the approved action is expected to have an estimated annual impact on the Company's Statement of Operations that is less than \$500,000.01.
- Evaluate the risks associated with the Company's compensation philosophy and all compensation programs.
- Approve the "peer group" to be used for competitive compensation analysis.
- Evaluate competitive compensation levels for Executives based on reliable industry analyses using the approved peer group.
- Approve all grants and awards under the Management Stock Incentive Plan (the "Plan") and administer the Plan in accordance with its terms.
- Retain and terminate any compensation consultant engaged to assist in the evaluation of Director and Executive compensation, or benefit programs, including the approval of fees and other compensation paid for these services.
- Review and approve contracts or other transactions with current or former Executives including consulting arrangements, employment contracts, change of control agreements, severance or termination arrangements.
- Evaluate competitive compensation levels for Directors, including the Chairman of the Board, based on reliable industry analyses using the approved peer group. Make recommendations for Director compensation to the Board for approval.
- Review development programs and succession plans for the Company's Executives.

- Prepare a report for inclusion in FII's proxy statement that states the Committee has reviewed and discussed the Compensation Discussion and Analysis ("CD&A") required by Item 402(b) of SEC Regulation S-K with management and, based on such review and discussions, the Committee recommends to the Board that the CD&A be included in the Proxy Statement.
- Review and recommend to the Board for approval the frequency with which the Company will conduct Say-on-Pay votes, taking into account the results of the most recent stockholder advisory vote on the frequency of Say-on-Pay votes, and review and approve the proposals regarding Say-on-Pay and the frequency of the Say-on-Pay vote to be included in the Company's proxy statement.
- Be available to review any significant matters pertaining to Executive staffing.
- Seek appropriate advice from legal counsel or other advisors and be directly responsible for the appointment, retention, compensation of any advisor to the Committee.
- Report Committee activities/actions to the Board at each meeting of the Board following a Committee meeting.
- Perform any other activities consistent with this Charter, FII's By-laws and governing law, as the Committee or the Board deems necessary or appropriate.
- The Committee will discharge such other duties as are delegated to it by the Board.

ADVICE FROM THIRD PARTY ADVISERS

- (A) The Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel or other adviser ("Compensation Adviser").
- (B) The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any Compensation Adviser retained by the Committee.
- (C) The Company must provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to a Compensation Adviser retained by the Committee.
- (D) Although the Committee is not prohibited from retaining a Compensation Adviser that is not independent, the Committee will consider the following factors prior to retaining a Compensation Adviser, other than in-house legal counsel:
 - (i) the provision of other services to the Company by the person that employs the Compensation Adviser;
 - (ii) the amount of fees received from the Company by the firm that employs the Compensation Adviser, as a percentage of that firm's total revenue;

- (iii) the policies and procedures of the firm that employs the Compensation Adviser that are designed to prevent conflicts of interest;
- (iv) any business or personal relationship of the Compensation Adviser with a member of the Committee;
- (v) any stock of the Company owned by the Compensation Adviser; and
- (i) any business or personal relationship of the Compensation Adviser or the firm employing the Compensation Adviser with an executive officer of the Company.

EVALUATION

The Committee shall annually review its own performance by distributing to its members a written self-assessment, which shall be separate from the member's self-assessment of full Board activity. The Chairman shall report the evaluation results to the Board.

The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.