



**Financial Institutions, Inc. Board of Directors  
Management Development & Compensation Committee  
Committee Charter  
June 17, 2020**

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## **1. AUTHORITY AND PURPOSE**

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The Board of Directors (“Board”) of Financial Institutions, Inc. (“FII”) has established the Management, Development & Compensation Committee (the “Committee”) to assist the Board in fulfilling its oversight and fiduciary responsibilities over FII and its subsidiaries (collectively, the “Company”) relative to the attraction and retention of the Company’s senior leadership and the Company’s management compensation policies and practices. The Committee’s primary roles are to:

- Oversee the development and implementation of the Company’s plans, policies and programs for the development of its senior leadership and the succession plan for its executive officers.
- Determine and approve the compensation of the Company’s Chief Executive Officer (“CEO”) and other executive officers and review and approve the incentive compensation policies and programs.
- Review and approve the annual Compensation Discussion and Analysis (“CD&A”) for FII’s annual proxy statement.

## **2. COMPOSITION**

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### **2.1 Chair**

At least on an annual basis, the Board will appoint a Chair of the Committee. The Board may also appoint a member as Committee Vice Chair to act when the Chair is unavailable. The Chair will preside over and conduct Committee meetings or designate another Committee member to do so in the absence of the Chair and Vice Chair.

### **2.2 Secretary**

FII’s Corporate Secretary or his/her designee will be responsible for recording and drafting meeting minutes for distribution to Committee members for review and approval.

## **2.3 Members**

The Committee shall be comprised of three or more directors as determined by the Board. Each Committee member must be “independent,” as defined by the Nasdaq listing standards and the Securities and Exchange Commission (the “SEC”), and shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

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.

In appointing members of the Committee, the Board will consider feedback from the Nominating and Governance Committee. The Board may replace Committee members at any time.

## **3. OPERATIONS**

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### **3.1 Regularly Scheduled Committee Meetings**

The Committee will meet at prudent intervals (at least four times per year) and at such times as the Chair deems necessary and appropriate. The Committee will report material matters to the Board on a regular basis.

Meetings may include any participants the Committee deems appropriate and will be of sufficient duration and scheduled at such times as the Committee deems appropriate to discharge its duties. The Committee will 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 when their performance and compensation are being determined.

### **3.2 Committee Decisions**

Decisions at Committee meetings require a quorum (at least one half of the Members) and will be reached by majority vote of all Members present. Unless Company policies or legal requirements provide otherwise, the Committee may also take action without a meeting upon receipt of unanimous written or electronic consent. No Member may act in a manner that affects himself or herself.

Unless otherwise specified by a resolution approving a decision of the Committee, any Member may execute, on behalf of the Committee, all documents that are necessary or desirable to implement Committee decisions.

### **3.3 Agendas and Meeting Materials and Minutes**

Members may suggest agenda topics to the Chair. The Chair will circulate an Agenda and meeting materials sufficiently in advance of Committee meetings to allow for appropriate preparation and review by Members.

While a majority of Members present at a meeting will constitute a quorum, Members are expected to attend all Committee meetings in person or by phone or videoconferencing.

The Chair may call a special Committee meeting with twenty-four (24) hour notice to Members, or such shorter notice as the Chair deems appropriate in the circumstances.

FII's Corporate Secretary or his/her designee will record minutes for all Committee meetings. Minutes will identify all persons in attendance and reflect the disposition of all matters considered or acted upon by the Committee.

Meeting minutes should be prepared within a reasonable time after each meeting. Minutes may be approved through electronic voting. Committee records and minutes will be maintained by the Corporate Secretary through Director Access or another reliable central depository system and retained in accordance with the Company's record retention requirements.

The Committee may establish such rules as it determines necessary or proper to conduct Committee business which are not contrary to the Company's Bylaws, Corporate Governance Guidelines, or policies or legal requirements.

### **3.4 Assistance from Management, Third Parties and Subcommittees**

The Committee will have direct access to, and complete and open communication with the Company's Management and access to Company records relevant to the Committee's duties.

The Committee may form and delegate to one or more subcommittees all or any portion of the Committee's authority, duties, and responsibilities.

In addressing Committee business, the Committee may seek advice and assistance from and may delegate authority to Company employees and third parties, including advisers and consultants. The Committee may seek, in its sole discretion and authority, appropriate third-party expert advice and approve the related fees and terms; including legal counsel opinions, when matters of a significant and material nature arise that cannot be resolved in the normal course of business.

The Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant ("Compensation Adviser"). The Committee shall be directly

responsible for the appointment, compensation and oversight of the work of such Compensation Adviser. The Company must provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to the Committee's Compensation Adviser.

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
- (vi) any business or personal relationship of the Compensation Adviser or the firm employing the Compensation Adviser with an executive officer of the Company.

### **3.5 Committee Performance**

The Chair will discuss Committee performance with the Chair of the Board annually. The Board's Nominating and Governance Committee will assess Committee performance at least annually and report performance to the Board.

## **4. DUTIES AND RESPONSIBILITIES**

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The Committee has the authority and will address all matters consistent with this Charter, including but not limited to the following:

- Review and approve corporate goals and objectives relevant to the CEO and officers that directly report to the CEO and serve on Executive Management Committee (collectively "Executives").
- Evaluate Executive performance in light of those goals and objectives.

- Confer with the Board's Nominating and Governance Committee and ultimately the Board relative to CEO succession in the event of an emergency or unanticipated retirement.
- Oversee the creation of development plans and succession plans for Executives for approval by the Board.
- Review and approve compensation levels of Executives, including determining the compensation level, short and long-term incentive awards and other benefits for Executives considering the Company's performance and relative shareholder return, the nature and value of executive incentive awards at comparable companies, and such other circumstances as the Committee deems relevant.
- 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 the CEO's 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.
- 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 and then evaluate competitive compensation levels for Executives based on reliable industry analyses using the approved peer group.
- Approve all grants and awards under the Company's stock incentive plan or any successor benefit plan thereto (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 Chair and Vice Chair of the Board, based on reliable industry analyses using the approved peer group and make recommendations for Director compensation to the Board for approval.

- Oversee the development and implementation of the Company’s plans, policies and programs for the development of its senior leadership and succession plan for its Executive officers.
- 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 material Committee activities and actions to the Board
- 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.

## 5. CHARTER

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### 5.1 Review

At least annually, the Committee shall review and assess the adequacy of this Charter and recommend changes to the Board for approval.

Revision Date	Comments
6/17/2020	Implementation of New Committee Charter Format, allow for Board appointment of Committee Vice Chair, set minimum meeting cadence.