



**Financial Institutions, Inc.
Audit Committee of the Board of Directors
Committee Charter
June 17, 2020**

1. AUTHORITY AND PURPOSE

The Board of Directors (“Board”) of Financial Institutions, Inc. (“FII”) has established the Audit Committee (the “Committee”) to assist the Board in fulfilling its oversight and fiduciary responsibilities over FII and its subsidiaries (collectively, the “Company”) relative to financial controls and disclosures. The primary roles of the Committee are to:

- Serve as an independent and objective party to oversee the integrity of the Company’s financial statements and accounting and financial reporting process.
- Monitor the Company’s compliance with legal and regulatory requirements relative to financial controls and disclosures.
- Review and assess the performance of the Company’s Internal Audit Department.
- Select and regularly assess the performance of the independent public accounting firm (Independent Auditor), which will report directly to the Committee.
- Monitor the Independent Auditor’s qualifications, independence and performance.
- Oversee the Company’s system of disclosure controls and procedures.
- Oversee the Company’s internal controls over financial reporting.
- Oversee the Company’s compliance with ethical standards.
- Provide an open forum for communication among the Independent Auditor, senior management, the Internal Audit Department, and the Board.

The Committee shall have the authority to fund its activities as it determines prudent.

2. COMPOSITION

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 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.

Each Committee member must comply with all financial literacy requirements of the security exchange on which the Company is listed. At least one Committee member shall be deemed an "audit committee financial expert" as defined by the SEC, or the Company will provide the applicable disclosure that the Committee does not include such an expert, as required by the SEC.

3. OPERATIONS

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.

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 the Independent Auditor, senior management and the Internal Audit personnel as deemed necessary to ensure candid and open communication.

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 Chair 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 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.

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.

4. DUTIES AND RESPONSIBILITIES

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

- The selection, evaluation, replacement, compensation and oversight of the work of the Independent Auditor, considering its independence and effectiveness.
- The evaluation of the Independent Auditor's adherence to independence requirements, partner rotation requirements and lead partner performance.
- The evaluation of permissibility of all services to be performed by the Independent Auditor, as well as pre-approval of those engagements deemed to be allowable, including the fees and other compensation to be paid (for both audit and non-audit services), in accordance with the established pre-approval procedures.
- The review and approval of the scope of the annual audit with the Independent Auditor.
- The review and discussion with the Independent Auditor any problems or difficulties encountered during the course of the audit, including any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management, together with management's response.
- The management of the dispute resolution procedure in the event of disagreements between Management and the independent auditor regarding financial reporting.

- Provide oversight of management with respect to Sarbanes -Oxley certifications and reports regarding internal controls over financial reporting.
- The review and discussion with management and the independent auditor of the quarterly financial statements and earnings releases prior to filing of its Form 10-Q, including the results of the independent auditor's review of the quarterly financial statements.
- The review and discussion with management and the independent auditor of the annual audited financial statements, including disclosures to be made in management's discussion and analysis, and recommendations to the Board as to whether the audited financial statements should be included in the Form 10-K.
- Periodic review and discussion of the adequacy and effectiveness of internal controls over financial reporting and disclosure controls and procedures and management's reports thereon.
- Review and discussion with management of the critical accounting policies and critical accounting estimates.
- Prepare a report for inclusion in the proxy statement that confirms that the committee has:
 - Reviewed and discussed with management the annual financial statements, including any report, opinion or review rendered by the independent auditor.
 - Discussed the matters requiring communications with the independent auditor.
 - Received the written disclosures from the independent auditor on independence matters as required by the applicable sections of the Public Company Accounting Oversight Board.
 - Discussed independence issues with the independent auditor.
 - Recommended to the Board of Directors that the audited financial statements be filed with the SEC.
- The review of recommendations made by independent auditors and the monitoring of management's response to such recommendations.
- Discussion of the coordination of audit effort with the Internal Auditor and independent auditor to assure completeness of coverage, reduction of unnecessary redundant work, and the effective use of audit resources.

- The review and approval of the scope of the Internal Audit activities, the audit plan and personnel needs, on an annual basis.
- The review of Internal Audit reports and management’s remedial responses as warranted.
- The review and pre-approval of the engagement and compensation of any other public accounting firm, technology experts, or similar consultants employed for the purpose of the issuance of audit reports and/or audit opinions, or related work, considering their independence and effectiveness, as well as the approval of the fees and other compensation to be paid.
- Approve the General Financial Accounting and Reporting Policy.
- Review the Insider Trading Policy and the Disclosure and External Communications Policy.
- Periodic receipt of reports from Management on compliance with procedures for the (i) receiving, retaining and handling complaints regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- Discuss with Management, including General Counsel, Chief Risk Officer, and Chief Ethics Officer and Internal and Independent Auditors any complaints that raise material financial or ethical concerns. Report Committee activities/actions to the Board of Directors at each meeting of the Board following a Committee meeting.
- Perform any other activities consistent with this charter, FII’s Bylaws and governing law, as the Committee or the Board of Directors deems necessary or appropriate.

5. CHARTER

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.

