

ESG REPORT



Peoples Security
Bank & Trust | Est. 1905

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT 2023



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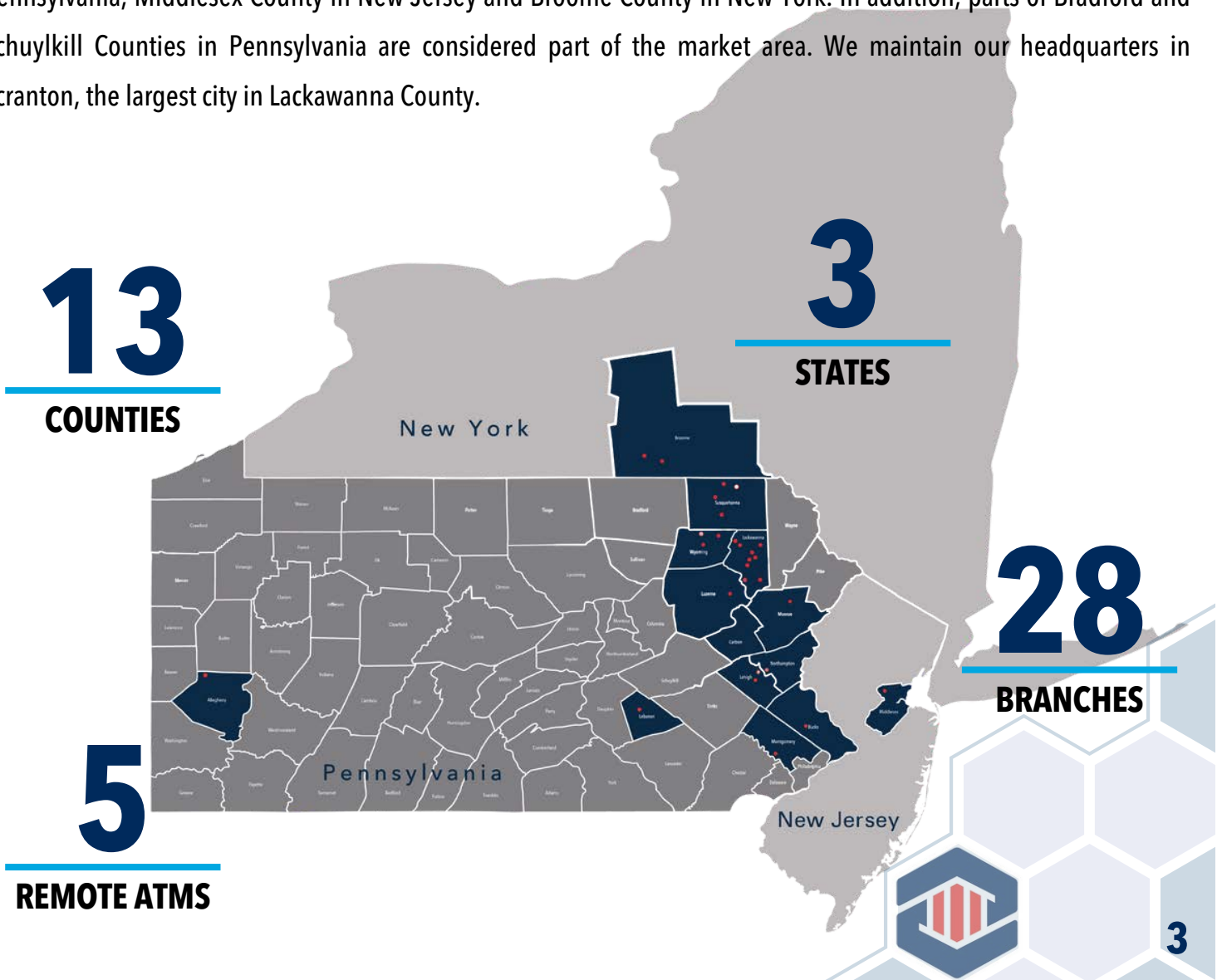


ABOUT PEOPLES

Peoples Financial Services Corp. ("Peoples" or "Company"), is a bank holding company that provides a full range of financial services to consumers, non-profits, municipalities and businesses through its wholly-owned subsidiary, Peoples Security Bank and Trust Company ("PSBT").

Peoples Security Bank's twenty-eight community banking offices, all similar with respect to economic characteristics, share a majority of the following aggregation criteria: products and services; operating processes; customer bases; delivery systems; and regulatory oversight. Accordingly, they are aggregated into a single operating segment.

Our principal market area consists of 13 counties and 3 states including Allegheny, Bucks, Lackawanna, Lebanon, Lehigh, Luzerne, Monroe, Montgomery, Northampton, Susquehanna, Wayne and Wyoming Counties in Pennsylvania, Middlesex County in New Jersey and Broome County in New York. In addition, parts of Bradford and Schuylkill Counties in Pennsylvania are considered part of the market area. We maintain our headquarters in Scranton, the largest city in Lackawanna County.



2022 FINANCIAL HIGHLIGHTS

To succeed, we must be constantly aware of the roles played by our shareholders, our customers, our communities and our employees. We are committed to delivering value to our shareholders, customers, employees and communities. Daily decisions are made using the highest standards of corporate governance, ethical conduct and social responsibility.

OUR 2022 ACHIEVEMENTS INCLUDE:



\$3.6 BILLION
TOTAL ASSETS

\$5.28

DILUTED EPS



\$2.7 BILLION
TOTAL LOANS

\$1.58

DIVIDENDS PAID



\$38.1 MILLION
NET INCOME

1.12%

**RETURN ON
AVERAGE ASSETS**

11.86%

**RETURN ON
AVERAGE EQUITY**

Peoples Security Bank and Trust Company was ranked **29th Best Performing Community Bank** in the U.S. with assets over \$3 billion and less than \$10 billion by *S&P Global Market Intelligence*, 2021.



COMMITMENT TO SUSTAINABILITY

Environmental, Social and Governance (ESG) factors are integral to our long-term success as a community bank. In 2022, we established a formal ESG statement outlining the principles and values that will guide the Company's ESG efforts. An ESG Committee was formed at both the board and senior leadership level to oversee our ESG initiatives and performance. Together, both committees work to govern our Company and reflect our mission to make our communities a better place to live and work.

To support these principles that are fundamental to our success, we:



PROMOTE environmental sustainability in our workplace and community



ENDORSE diversity, equity and inclusion for all employees, customers and stakeholders



MAINTAIN a tone centered on integrity, ethics and transparent governance



OUR ESG APPROACH IS BASED ON FOUR PILLARS:



ENVIRONMENTAL RESPONSIBILITY

Conservation of natural resources is encouraged throughout our daily processes and supported in our communities. By offering digital solutions to our customers and employees, PSBT operations reduce paper usage and energy consumption.



SOCIAL IMPACT

We care about our employees, customers and communities. Promoting a culture of diversity, equity, inclusion and belonging for all our stakeholders is key. Employees are offered competitive compensation and benefits, learning and development opportunities, and a safe and respectful work environment. Through our community banking offices, neighborhood outreach and our website, customers can find information about the financial products they need at an affordable price. As a good neighbor, we support numerous organizations through charitable donations and volunteer hours.



GOVERNANCE AND ETHICS

Part of our business practice is to uphold the highest standards of integrity, transparency and accountability. A diverse and independent board of directors oversees our strategic direction, risk management and stakeholder interests. All of our directors, officers and employees must abide by a code of conduct, policies and procedures that ensure compliance with laws, regulations and best practices in areas such as data security, cyber security, anti-money laundering, anti-corruption, anti-discrimination and whistle-blower protection.



STAKEHOLDER ENGAGEMENT

Input and feedback from our stakeholders on our ESG performance and priorities is important. We communicate regularly with our shareholders, customers, employees, regulators, suppliers, community partners and other stakeholders through various channels such as annual reports, proxy statements, investor presentations, employee surveys, regulatory examinations, vendor assessments, community meetings and social media.



ENVIRONMENTAL RESPONSIBILITY

We are committed to **operating in a sustainable manner, reducing the environmental impact of our operations**, and **conserving resources**.

One way we can do this as a community bank is through offering our customers digital solutions such as electronic statements, online and mobile banking, remote deposit services, electronic bill payment, digital wallets, wires and ACH transactions. Offering digital solutions supports our customers desire to reduce their environmental footprint, allowing us to reduce our environmental impact.

We want to do our part in **PROTECTING** and **PRESERVING** our environment by adopting environmentally friendly practices. During 2022, we launched an eStatement initiative to educate our customers about the benefits of electronic statements - not only the environmental impact, but the added security and convenience as well. We also saw an increase in business usage of online services such as wires and ACH, as well as a noticeable increase in the number of customers using remote deposits; all of which has a positive impact on ESG. Customers making remote deposits eliminates the need for paper forms and receipts and reduces energy consumption.



18.5% increase in Online Banking users

28,511 users in Q1 2022
33,793 users in Q4 2022



11.5% increase in remote deposits

28,361 deposits in Q1 2022
31,620 deposits in Q4 2022



9.6% increase in Online Banking wires

132 wires in Q1 2022
212 wires in Q4 2022



22.9% increase in ACH transactions

1,241 ACH batches in Q1 2022
1,525 ACH batches in Q4 2022

Internally, our people are always looking for ways to become more efficient and reduce paper required as part of our day-to-day operations. Here are just two examples: During 2023, the Human Resources Department DIGITIZED ALL EMPLOYEE RECORDS, eliminating bulky paper files. Our Marketing Department together with IT and Accounting developed a process to AUTOMATE and DIGITIZE our donation procedure, saving a significant amount of paper each year.



SOCIAL IMPACT

EMPLOYEES

Our success is a direct result of our most important asset, OUR PEOPLE. To that end, we are continually identifying ways

to develop our employees. Talent Management is a primary focus of our organization. To support our efforts, we have developed multiple internal surveys to assess our employees' experiences, we continue to identify learning and development

opportunities to evolve our workforce and we've enhanced our performance management approach to encourage regular feedback. Additionally, we transitioned to a paperless environment, by implementing a Human Capital Management System.



Adopted a mid-year review

Launched several employee surveys:

- o HR Satisfaction
- o 90 Day Onboarding Experience
- o New Hire Experience
- o Enhanced Exit Interview

Offered a Series of Leadership Education (Managing Declining Performance, Elements of Recruiting and HR Law 101)

Implemented Technical Banking Education for all employees

Established career paths within various disciplines throughout the bank

Offer Tuition Reimbursement for all employees

PSBT offers a **COMPREHENSIVE BENEFITS PACKAGE** for all employees including Medical, Dental, and Vision coverage, long and short-term disability coverage and life insurance. PSBT offers competitive retirement benefits including a 401k matching program and an ESOP plan.



DIVERSITY, EQUITY, INCLUSION and **BELONGING** is central to our mission of supporting and servicing our employees, customers and shareholders. We value our employees and their experiences, and believe everyone should feel accepted at work. We are committed to building a workforce that represents the customers we serve. **The diversity of our workforce contributes to our success.**

PSBT has an Anti-Harassment Policy Including Sexual Harassment Policy, Board Diversity Policy and Code of Conduct Policy that are made public on our website to demonstrate our transparency and highlight the expectations we have of our employees, vendors, customers and the organization. We strictly adhere to these policies and codes to promote a safe and ethical environment for all our constituencies.



COMMUNITY

We take great pride in supporting our communities through contributions to local charities, non-profits and community events including volunteerism; our corporate donations are not used to fund any political parties. We believe in prioritizing the well-being of our local area to make a tangible difference, and strive to make a positive impact at a local level in the communities we serve.

Our corporate donations have totaled \$1.4 million for each of the past three years and this doesn't include the countless hours our board, senior management and

employees contribute through volunteer service.

Our goal is to promote financial education and inclusivity within our communities. We have traditionally participated in the **Pennsylvania Educational Improvement Tax Credit (EITC) Program**, whereby our support contributed to **423 scholarships, 20 Educational Improvement Projects** and **60 Schools** across **14 Counties**. We have strengthened the financial literacy of 1,165 students in 14 different schools with 3,938 hours of learning through the EVERFI Program. Many of our employees maintain roles on boards for various non-for-profit organizations including but not limited to the United Neighborhood Centers, Bank On Allentown, Community Lenders Community Development Corporation and the Salvation Army, Western, PA. We've supported several initiatives through loans and investments in low to moderate income communities.

In an effort to ensure that everyone has access to safe and affordable financial products and services, we are now proud to offer **Peoples Empower Checking**. Officially certified by the National Cities for Financial Empowerment Fund (CFE Fund) as meeting the Bank On National Account Standards (2023 - 2024), Peoples Empower Checking offers benefits that ensure high functionality and increased customer safety. The Bank On National Account Standards identify critical product features for appropriate bank or credit union accounts, making it easier for local coalitions across the country to connect consumers to accounts that meet their needs.

We are passionate about giving and supporting the communities in which we live and serve.

This will continue as it is a part of who we are and what our institution represents.



CORPORATE GOVERNANCE AND ETHICS

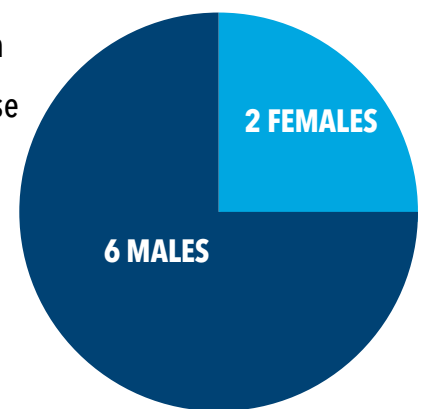
We strive to achieve the highest standards in corporate governance. We are committed to delivering our financial products and services and supporting our communities in a manner consistent with our values of integrity, excellence, teamwork and efficiency. We strive to be professional, honest, trustworthy, confidential, and respectful of our shareholders, customers, employees and communities at all times. We do our best to exceed the expectations of all our stakeholders. We work together for the common good while engaging our customers, coworkers and partners. We are committed to managing all of our resources efficiently. In 2022, the Board established an ESG Committee to oversee our efforts to address important Environmental, Social and Governance initiatives.

The Board of Directors is committed to increasing diversity among its members.

In December 2018, the Nominating and Governance Committee at the direction of the Board of Directors committed to gender diversity by committing to increase female representation. The two most recent additions to the board have been female, with the most recent addition being of Hispanic descent.

Female board members now represent 25% of Board membership.

BOARD OF DIRECTORS



Our CODE OF CONDUCT ensures our directors, executive officers and all of our employees understand their responsibilities to conduct themselves with the highest level of integrity and in accordance with all applicable laws and regulations. The Board of Directors is responsible for oversight of the Management of Peoples, its strategies, performance and risk profile.

Our corporate governance policies and practices include evaluations of the Board and its committees, as well as continuing director education. Peoples maintains robust risk management programs to mitigate enterprise, compliance, information security, cyber security, physical security and other risks.

Our Board and employees are required to complete annual regulatory compliance training, including customer information protection and other timely compliance and security topics. Peoples maintains Whistleblower and Complaint Policies to facilitate identification and resolution of potential failures to live up to our high expectations for ethical conduct.

Our Cyber and Information Security Programs are designed around the guidelines from the National Institutes of Standards & Technology (NIST) and the Federal Financial Institutions Examination Council (FFIEC). Our cyber defense strategy includes continuous monitoring, integrated risk assessment, identification of vulnerabilities and human risk factors, and employee awareness. Peoples utilizes several national and global third-party advisors to ensure the appropriateness of our security posture, effective operation of the cyber security discipline and proper assessment of risk. Our Third-Party Information Security Risk Management Program reviews and assesses third parties prior to engagement and throughout the third-party relationship.

Our Board Information Technology Committee is comprised of members with experience in managing technology risks . They provide regular oversight to our Cyber, Information Security and Technology Programs and strategies.



SASB TABLES

These metrics are aligned with the Sustainability Accounting Standards Board (SASB) standards for the commercial banks industry, 2022.

	SASB METRIC	SASB CODE	2022 DATA	NARRATIVE RESPONSE
Data Security	(1) Number of data breaches	FN-CB-230a.1	(1) 0	Peoples has not experienced a data breach.
	(2) Percentage involving personally identifiable information (PII)		(2) n/a	
	(3) Number of account holders affected		(3) n/a	
	Description of approach to identifying and addressing data security risks	FN-CB-230a.2	See narrative response	<p>The current threat environment from phishing emails to cyber-attacks has created an urgent need for increased awareness on Cyber and Information Security. Peoples Security Bank and Trust Company takes a risk-based approach to managing these threats. The Bank's leadership team and its Board of Directors engages in the management of this risk by participating in the information security and cybersecurity strategy and review process.</p> <p>Cyber and Information Security Programs are designed around the guidelines from the National Institutes of Standards & Technology (NIST), the Federal Financial Institutions Examination Council (FFIEC) and COBIT 5. Compliance with these best practices along with Federal and State regulatory requirements are examined annually by the Pennsylvania Department of Banking and the FDIC.</p> <p>Our cyber defense strategy includes continuous monitoring, integrated risk assessment, identification of vulnerabilities and human risk factors, and employee awareness. Cyber exercises with other financial services companies and government agencies help prepare the Bank for cyber-attacks. Incident response scenarios and business continuity exercises test the organizations preparedness for disaster events. The organization also utilizes several national and global third party advisors to ensure the appropriateness of the Bank's security posture, effective operation of the cyber security discipline and proper assessment of risk.</p> <p>Peoples Security Bank and Trust Company employees are required to complete training on customer information protection at least annually. They receive monthly training and testing on phishing emails and other timely information security topics. They are also required to abide by the Bank's Code of Business Conduct and Ethics Policy. Annual review and acknowledgement of the employee's Information Security responsibilities are required.</p> <p>Information security tips are provided on the Bank's website for all customers to review. We provide additional information security advantages to our customers using our online banking systems and encourage the Bank's digitally active business customers to take advantage of the Cyber and phishing training provided free of charge by the Bank.</p> <p>The Bank has an established Third Party Information Security Risk Management Program that reviews and assesses third parties prior to engagement and throughout the third party relationship. This Program requires periodic risk assessments to be conducted throughout the term of the engagement. Third parties and their employees are required to adhere to Information Security standards and best practices. The Bank includes in their contracts that third parties maintain confidentiality, security provisions and business continuity practices.</p>

SASB TOPIC	SASB METRIC	SASB CODE	2022 DATA	NARRATIVE RESPONSE
Financial Inclusion & Capacity Building	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development	FN-CB-240a.1	(1) 592 (2) \$186,684,000	575 small business loans for \$132,917,000 8 small farm loans for \$1,159,000 9 community development loans for \$52,608,000
	(1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development.	FN-CB-240a.2		Not currently disclosed.
	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers.	FN-CB-240a.3		Not currently disclosed.
	Number of participants in financial literacy initiatives for unbanked, underbanked or underserved customers.	FN-CB-240a.4		Not currently disclosed.
Incorporation of Environmental, Social and Governance Factors in Credit Analysis	Commercial and industrial credit exposure by industry	FN-CB-410a.1	See narrative response	Ten largest exposures by industry (\$ in millions): Real Estate 1,531 Construction of Buildings 142 Executive, Legislative, and Other General Government Support 100 Educational Services 96 Nursing and Residential Care Facilities 88 Utilities 70 Accommodation 70 Heavy and Civil Engineering Construction 62 Gasoline Stations and Fuel Dealers 52 Ambulatory Health Care Services 52
	Description of approach to incorporation of environmental, social and government (ESG) factors in credit analysis.	FN-CB-410a.2		Peoples does not currently incorporate ESG factors into our credit analysis. However, we actively seek loans meeting our accepted quality and underwriting standards from all communities in which we solicit deposits. We will generally avoid originating loans to borrowers located, or collateral secured, outside of the geographic areas designated in our guidelines.
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations.	FN-CB-510a.1		We have not incurred any material monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice or other related financial industry laws or regulations in 2022. If any material losses occur in the future, we will disclose them in our regulatory filings such as Form 8-K, Form 10-K or Form 10-Q.

SASB TOPIC	SASB METRIC	SASB CODE	2022 DATA	NARRATIVE RESPONSE
Business Ethics	Description of whistleblower policies and procedures.	FN-CB-510a.2	See narrative response	<p>PFIS's investor relations portion of its website contains the following governance documents: Code of Business Conduct and Ethics; Audit Committee Charter; Nominating & Corporate Governance Committee Charter and Compensation Committee Charter. In addition Peoples Whistleblower Policies and Procedures are available to all employees through the company intranet. Both the Code of Business Conduct and Ethics Policy and the Whistleblower Policy have means to anonymously report suspected violations without the fear of discipline, retaliation or discrimination.</p> <p>Code of Business Conduct and Ethics</p> <p>The "Code of Business Conduct and Ethics" sets forth legal and ethical standards of conduct for employees, officers and directors of Peoples Financial Services Corp. and its wholly owned subsidiary, Peoples Security Bank and Trust Company. It addresses compliance with laws, regulations and company policies, conflicts of interest, insider trading, confidentiality of data, honest and ethical conduct, protection of corporate assets, gifts, accuracy of records, whistle blower procedures and dealings with independent auditors.</p> <p>Failure to comply with the standards outlined in this Code will result in disciplinary action including, but not limited to, reprimands, warnings, probation or suspension without pay, demotions, reductions in salary, discharge and restitution. This Code shall be distributed to each new employee, officer and director of the Company upon commencement of their employment or other relationship with the Company and shall also be distributed annually to each employee, officer and director of the Company, and each employee, officer and director shall certify that they have received, read and understood the Code and has complied with its terms.</p> <p>Whistleblower Policy</p> <p>The "Whistleblower Policy and Procedures" establish the process for identifying complaints related to (1) accounting matters; (2) internal accounting controls; (3) auditing matters; (4) financial reporting; (5) public disclosure obligations; (6) alleged violations of federal securities laws; (7) alleged violations of any provisions of federal law relating to fraud against shareholders; and (8) allegations of discrimination or retaliation for providing information to a federal regulatory or law enforcement agency, a member of Congress or any Committee of Congress, or to a supervisor concerning conduct which the employee reasonably believes constitutes a violation of securities laws or any provision of federal law relating to fraud against shareholders. Complaints may be made directly to the Chief Risk Officer or on a confidential basis to a third party provider contracted by our Audit Committee.</p>
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category	FN-CB-550a.1	See narrative response	The Financial Stability Board has not categorized Peoples as a G-SIB, thus this disclosure is not applicable.
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy and other business activities.	FN-CB-550a.2	See narrative response	Peoples regularly performs stress tests analyzing a variety of factors to determine the impact of various scenarios on both capital, liquidity, earnings and interest rate risk. The results of these test are provided to the Board of Directors for review and discussion.
Activity Metrics	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	FN-CB-000.A		(1) Personal - 64,613; Small Business - 4,092 (2) Personal - \$1,291,540,320.56; Small Business - \$258,591,204.20
	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	FN-CB-000.B		(1) Personal - 12,319; Small Business - 268; Corporate - 3,405 (2) Personal - \$593,627,320.78; Small Business - \$235,973,319.71; Corporate - \$1,696,816,877.63

SAFE HARBOR FORWARD-LOOKING STATEMENT:

We make statements in this presentation, and we may from time to time make other statements regarding our outlook or expectations for future financial or operating results and/or other matters regarding or affecting Peoples Financial Services Corp. and Peoples Security Bank and Trust Company (collectively, "Peoples") that are considered "forward-looking statements" as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements may be identified by the use of such words as "believe," "expect," "anticipate," "should," "planned," "estimated," "intend" and "potential." For these statements, Peoples claims the protection of the statutory safe harbors for forward-looking statements.

Peoples cautions you that a number of important factors could cause actual results to differ materially from those currently anticipated in any forward-looking statement. Such factors include, but are not limited to: prevailing economic and political conditions, particularly in our market area; the impact on financial markets from geopolitical conflicts such as the military conflict between Russia and Ukraine and the developing conflict in Israel; credit risk associated with our lending activities; changes in interest rates, loan demand, deposit flows, real estate values and competition; changes in customer behaviors, including consumer spending, borrowing and savings habits; changes in accounting principles, policies, and guidelines including our adoption of Current Expected Credit Losses (CECL) methodology, and any potential volatility in the Company's operating results due to application of the CECL methodology; changes in any applicable law, rule, regulation or practice with respect to tax or legal issues; our ability to identify and address cyber-security risks and other economic, competitive, governmental, regulatory and technological factors affecting Peoples' operations, pricing, products and services; adverse developments in the financial industry generally, such as recent bank failures, responsive measures to mitigate and manage such developments, related supervisory and regulatory actions and costs, and related impacts on customer and client behavior and other factors that may be described in Peoples' Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q as filed with the Securities and Exchange Commission from time to time.

In addition to these risks, acquisitions and business combinations present risks other than those presented by the nature of the business acquired. Acquisitions and business combinations may be substantially more expensive to complete than originally anticipated, and the anticipated benefits may be significantly harder-or take longer-to achieve than expected. As regulated financial institutions, our pursuit of attractive acquisition and business combination opportunities could be negatively impacted by regulatory delays or other regulatory issues. Regulatory and/or legal issues related to the pre-acquisition operations of an acquired or combined business may cause reputational harm to Peoples following the acquisition or combination, and integration of the acquired or combined business with ours may result in additional future costs arising as a result of those issues.

The forward-looking statements are made as of the date of this presentation (10/31/23), and, except as may be required by applicable law or regulation, Peoples assumes no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements.

