

## Board Diversity and Inclusion Policy

### PURPOSE

This policy is intended to provide a framework to promote diversity in the Board of Directors for Farmers & Merchants Bancorp, Inc. (F&M) and subsidiaries.

The Board of Directors believes in the benefits diversity brings and it recognizes that diversity of thought makes prudent business sense. Having a board composed of individuals with diverse skills, experience, backgrounds, and perspectives provides for:

- the inclusion of different concepts and ideas to enhance decision-making;
- more robust evaluation of opportunities, issues and risks;
- broader relationships within competitive foot print;
- heightened capacity for oversight and governance of the organization; and
- improved competitive advantage

For purposes of Board composition, diversity includes, but is not limited to, business and industry skills, experience, gender, and ethnicity. The Board will make good use of these differences and distinctions among individuals in determining the optimum composition of the Board.

In addition to evaluating all potential Board candidates on the basis of their skills, experience, independence and knowledge, the Board of Directors firmly believes that the composition of the Board should also collectively reflect the diverse nature of the business environment in which the organization operates.

Moreover, as a corporation having its common stock listed on the Nasdaq stock market, F&M is also subject to Nasdaq rules adopted to assure minimum levels of board diversity for all listed companies.

In consideration of the foregoing, F&M aspires to attain levels of Board composition in which females and underrepresented minorities are adequately represented. This policy sets out the process to be followed by the Corporate Governance and Nominating Committee to attract female and racially diverse candidates who would enhance the balance of skills and backgrounds on the Board. This policy applies exclusively to the Board of Directors and is not intended to apply to employee diversity, which is covered by a separate policy created for that purpose.

### POLICY

F&M recognizes and embraces the benefits of having a diverse Board, and acknowledges that diversity at Board level is an essential element in maintaining a competitive advantage. A truly diverse Board will include, and make good utilization of, differences in the skills, industry experience, social and ethnic background, race, gender and other distinctions between Directors such as cognitive and personal strengths. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

The Board believes that this overarching policy is consistent with, and advanced by, adherence to each of the following guiding principles:



- **Diversity of thought and experience is enhanced through intentional effort.** F&M will be intentional in ensuring diversity of thought and experiences.
- **Credibility is enhanced through board and leadership inclusion.** There is a significant relationship between board leadership gender and ethnicity and corporate performance. F&M will pursue a well-rounded, inclusive, and credible approach to ensuring board and leadership diversity based upon merit.
- **Visibility is enhanced through the promotion of broad, common goals.** Visibility enhances reputation. Diversity and inclusion imperatives are prominent on today's public stage and across industries. Going public with a board diversity strategy is a helpful step in holding ourselves accountable, setting an example, and providing thought leadership in the industry.

## PROCESS

To achieve its diversity aspirations, the Corporate Governance and Nominating Committee (the "Committee") of the Board will:

- Continually strive to achieve gender and racial diversity with the goal of maintaining a composition of the Board that, at a minimum, complies with all applicable diversity requirements established by the stock market on which F&M is listed.
- Ensure the board's composition considers the balance of skills, experience, knowledge, perspectives, independence and characteristics in alignment with the strategic needs of F&M and the environment in which it operates.
- Identify and encourage the emergence of suitable candidates for appointment to the Board, considering such candidates on merit against objective criteria and with due regard for the benefits of diversity.
- Maintain an ongoing list of potential candidates. The list will include individuals of both genders and racial diversity as represented in the communities served.
- Direct any engaged search consultant (if one is retained by the Committee) to utilize diversity as a factor in its evaluation and recommendation of potential candidates.
- Monitor and report annually in the corporate governance section of F&M's proxy statement on the implementation and effectiveness of this policy, which disclosure shall include the Board Diversity Matrix required by all Nasdaq-listed companies.

## BOARD CHAIRMAN OVERSIGHT

The Chairman will ensure that boardroom diversity is considered as part of the annual evaluation of the Board's effectiveness.

## POLICY REVIEW

The Corporate Governance and Nominating Committee shall review the policy annually. This review will include an assessment of the effectiveness of the policy and any recommended revisions to the Board for approval.

***Approved by the Board of Directors June 27, 2023***

