



Summit Financial Group, Inc. Environmental, Social & Governance Report

Summit Financial Group, Inc. (“Summit”) is the \$3.76 billion financial holding company for Summit Community Bank, Inc. Its talented bankers serve commercial and individual clients throughout West Virginia, the Washington, D.C. metropolitan area, Virginia, and Kentucky. Summit’s focus on in-market commercial lending and providing other business banking services in dynamic markets is designed to leverage its highly efficient operations and core deposits in strong legacy locations. Residential and consumer lending, trust and wealth management, and other retail financial services are offered through convenient digital and mobile banking platforms, including [MySummit.bank](https://www.mysummit.bank) and 44 full-service branch locations. More information on Summit Financial Group, Inc. (NASDAQ: SMMF), headquartered in West Virginia’s Eastern Panhandle in Moorefield, is available at [SummitFGI.com](https://www.summitfgl.com).

OUR GUIDING PRINCIPALS

Summit Financial Group, Inc. is guided by three core values, strength, vision, and prosperity. We use these values to strategically support our local communities, empower our employees, and develop business policies and practices that lead to long-term, sustainable success. Summit recognizes the importance of corporate sustainability and is committed to responsible business practices on its approach to Environmental, Social, and Governance (“ESG”) principles. We focus on generating long-term sustainable value for our shareholders, customers, employees, and communities. We consider the long-term impact that our business practices have on the environment, society, and the financial performance of the company itself.

AWARDS

In 2022, Summit Community Bank was named one of S&P Global Market Intelligence’s 50 best-performing U.S. Banks with assets between \$3-\$10 billion for the second consecutive year.

Summit Community Bank was also named the 2022 Best In-State Bank in West Virginia by Forbes. First receiving the honor in 2018, Summit has been in the top 5 in-state banks over the last 4 years, claiming the top spot again in 2022. To identify the best banks in each state, Forbes went directly to customers (more than 26,000 across the United States) partnering with market research firm Statista to conduct in-depth interviews about their banking relationships. For every bank at which they had a checking account, customers provided an overall satisfaction score and were asked if they would recommend that bank to friends and family. Respondents also answered a detailed series of questions focused in six separate facets of the relationship: Trust, terms and conditions (including reasonable and transparent fees), branch services, digital services, customer service, and financial advice. Based on a 1-100 scale, scores ranged from 74.2 to 93.6, and just 2.7% of all banks nationwide made the cut for the best-in-state rankings.

Summit is not only ranked the best in-state bank, but also ranked number one in: Customer Satisfaction, Branch Services, and was the most highly recommended bank in WV. Summit also scored 4 points higher than the nationwide and statewide bank and credit union average score and 2 full points higher than the second-best bank in the state.

Summit Community Bank was also named Fauquier Times Readers' Choice for Best Bank in 2022.

ENVIRONMENTAL

Summit is dedicated to good environmental stewardship and believes that companies have an obligation for sustainable profitability. As a community bank, we care about our customers and our communities. Summit believes all people deserve equal access to clean air, water, and a safe and healthy environment. Injustices exist in many forms and the impacts of climate change are largely determined by the population's vulnerability and resilience. Summit acknowledges the focused effort required to address climate risk and in doing our part to minimize our environmental impact we have several programs that help to reduce our carbon footprint.

Summit is incorporating environmental goals into the methods we use to build and renovate our buildings. Summit's management team has adopted the plan to reduce square footage of any new bank locations, as compared to our legacy facilities, and increase technology allowing us to serve clients in a more environmentally efficient manner.

We are standardizing equipment efficiency standards across our footprint. Standardization of equipment also adds potential to improve purchase price and minimize operating expense.

Summit encourages employees to print less and offer paperless alternatives to our customers whenever possible. Employees are encouraged to print in draft quality, print in color only when absolutely necessary, print only the text needed, use multi-page printing, and to scan more and copy less.

Summit has implemented a recycling program through Summit's facilities. There is a huge opportunity for offices to make an impact on the amount of waste they divert from landfills. Summit participates in document-shredding at all its bank locations and its headquarters. The shredding is converted to make consumable products such as napkins, toilet paper and paper towels. All discarded confidential information is shredded securely and recycled. Summit also participates in toner cartridge recycling at each of its locations.

We are installing LED lighting, which use less energy than traditional light bulbs, in all our new buildings and remodels, and are transitioning our other locations, in particular external lighting which generally consume more energy than interior lighting. We carefully balance the age of the existing lighting and the desire to install LED lighting in order to minimize electronic-related waste and ensure good stewardship of our shareholders' capital. As of June 30, 2022, we have converted six of our locations to 100% LED lighting and nineteen other locations have been converted at 50% or more. We have also installed motion sensor-lights in certain areas of our facilities and plan to convert more areas to curb electric usage and benefit the environment. In an effort to

minimize energy needed to light our office and retail spaces, we are designing new buildings to maximize natural light, which creates a more employee-friendly workspace.

In 2021-2022 we have spent approximately \$225,000 on energy-efficient HVAC improvements. We are committed to phasing out all R-22 refrigerant units with new energy efficient units. We practice energy conservation at our headquarters and Foxcroft locations by automatic shut-off settings of the HVAC system after hours and weekends. Several of our HVAC system have remote access in order to troubleshoot issues and eliminate service calls and travel which reduces emissions.

Another initiative Summit is undertaking is the replacement of mulch at our owned facilities with cost-effective stone for landscaping. River rock landscaping provides an environmentally friendly option for landscaping and requires significantly less maintenance. As of June 30, 2022, sixteen (39%) of our owned facilities have stone for landscaping and others are being switched from mulch to stone as time permits.

Summit has been in the forefront of utilizing technology to be more operational efficient and better environmental stewards. Video conferencing has been used for almost 20 years to reduce travel time for our directors and executives. Summit also utilizes video conferencing for internal meetings to cut back on the need for travel, ultimately saving time while reducing emissions and the use of fossil fuels.

Summit offers an extensive line of digital products and services for clients to open accounts, apply for loans, transfer money, make deposits, pay bills and much more through our online banking platform. Summit recently introduced a new virtual banking assistant, Summit Automated Messenger “SAM”, a Corgi pup that is a live chat virtual assistant, using the power of artificial intelligence and enhances our clients’ availability of live support and provides better customer service.

We encourage our clients to be more sustainable by leveraging solutions such as electronic statements. Our retail team supports this effort through discussions with clients about the impact and efficiency of going paperless.

Summit has for several years adopted practices to limit printing of documents by using document imaging, eliminating our paper files. E-signing technology is also being used resulting in less paper waste and carbon emissions.

The Board has utilized paperless board books for board meetings for over 15 years, significantly reducing paper waste, while being more efficient.

The purchasing department has worked to reduce printing Company wide by utilizing address free printed materials to be used by all Bank locations rather than address specific. This practice has reduced paper and expense.

We reuse and recycle equipment and we encourage our employees to participate in recycling efforts. The Information Technology department reduces personal printers and leverage multi-function copier devices whenever possible.

As of June 30, 2022, Summit's total loans was \$2,239,795,274. Natural Resource loans, including natural gas and coal support industries make up only 1.83% of total loans. When considering transactions related to natural resource loans, we conduct enhanced due diligence and are prudent in the transactions we undertake.

SOCIAL

Summit recognizes that our most valuable asset is our diverse employees. Our employees are the foundation of our success. Summit wants to become more than an equal opportunity employer, we want to create a workplace where a person's authentic self and unique perspective is not only accepted but honored and valued. We believe in a workplace founded on mutual respect, professionalism, support, and teamwork. We value each person's individual expertise, thoughts, ideas, and contributions. As our company continues to improve, grow, and evolve, so will its effort to represent different beliefs, views, and identities.

The Board and its committees review and discuss with management matters related to human capital management, including the Company's commitments and progress on diversity and inclusion, compensation and benefits, business conduct and compliance, and executive succession planning.

At December 31, 2021, we employed 439 full-time equivalent team members. The average tenure of our full-time employees, including time employed by the banks we acquired is 10 years, while the average tenure of our executive management team is approximately 26 years. We have 3 employees that have been with the Company more than 40 years; 77 employees that have been with the Company more than 20 years and 250 employees that have been with the Company more than 5 years.

Summit values diversity in our employees, customers, suppliers, marketplace, and community. We believe employing a diverse workforce that is reflective of our customers and the communities that we serve helps us to better identify and deliver 'Service Beyond Expectations' to meet our customers' and communities' particular financial needs.

Summit is committed to attracting, retaining, and promoting our employees regardless of sex, sexual orientation, gender identity, race, color, national origin, age, religion and physical ability. We identify and hire the best candidates for all open positions based on qualifying factors for the position and free from discrimination. Consistent with these efforts, 78% of our workforce is gender/racially diverse. Our workforce reflects the demographics of our Company footprint.

Summit is committed to being a responsible corporate citizen and fulfilling the important role business can play in protecting and advancing global standards for human rights. Summit will not knowingly engage in transactions where there is evidence of direct involvement in modern slavery, such as forced labor, human trafficking, or harmful or exploitative forms of child labor. Summit also expects its service providers and vendors to comply with all applicable employment laws; to

maintain policies against workplace discrimination, harassment, unlawful retaliation, abuse and violence; and to prevent the use of child or forced labor, slavery or human trafficking in their operations and facilities. Summit also encourages its service providers and vendors to adopt policies and practices to provide a livable wage to its employees and ensure pay equality regardless of gender, race or membership in any protected category.

In order to attract and retain exceptional employees, the Company focuses on competitive compensation and benefits, including the ability to participate in our 401(k) defined contribution plan and Employee Stock Ownership Plan.

Under the provisions of Summit's Employee Stock Ownership Plan ("ESOP"), employee participants in the ESOP are not permitted to contribute to the ESOP, rather the cost of the ESOP is borne by the Company through annual contributions in amounts determined by the Company's Board of Directors. Discretionary contributions were made by the Company for 2021 of 5%. As of December 31, 2021, the ESOP owned 4.3% of the Company's common stock. In addition, the Company has a defined contribution plan with 401(k) provisions covering substantially all employees. Under the provisions of the plan, the Company matches 100% of the participant's salary reduction contributions, up to 4% of such participant's compensation. The Company may also make optional contributions at the discretion of the Company's Board of Directors.

Summit offers employees two different health plans: a traditional PPO with reduced deductibles and out-of-pocket costs with an affordable prescription plan as well as a high deductible health plan that includes a Health Savings Account ("HSA") as well as Company-issued Life, Accidental Death and Dismemberment and Long-Term Disability. Summit also offers dental and vision insurance, as well as a Flexible Spending Account ("FSA").

We support work-life balance by offering paid time off for vacation, illness and extended illness, holidays, parental leave, bereavement, inclement weather, and jury duty/witness duty. Summit's compensation and benefits package is designed to attract, motivate and retain employees. In addition to competitive base salaries, the Company provides a variety of short-term, long-term and commission-based incentive compensation programs to reward performance relative to key financial performance of the Company and customer experience metrics. The Company's long-term compensation program is directly linked to the long-term performance of the Company, its common stock and Summit Community Bank.

Summit offers an Employee Assistance Program ("EAP") for counseling services to all employees and their families. The EAP is also a useful resource in finding childcare, elder care, legal assistance, financial planning assistance, and career development.

The Company also supports professional development and on the job training to help our team members improve their skills to prepare them for advancement within the Company. Summit has an educational assistance program which encourages personal development through formal education so that employees can maintain and improve job related skills or enhance their ability to compete for jobs for which they are qualified within Summit.

Summit has an extensive employee on-boarding program that includes comprehensive training sessions to welcome new hires to the Summit team. The training includes Employee Handbook, Code of Ethics, Summit's Culture, Professional Communication, Workplace Standards, and Security and Compliance. Onboarding also includes extensive in-person benefit and retirement information. Courses are also available for managers/supervisors across the Company to grow talent within their areas of responsibility.

Summit is committed to providing safe and productive working environments for its employees and encourages its service providers and vendors to provide the same for its employees. At a minimum, Summit expects that each service provider and vendor's working environments will meet or exceed all applicable laws regulating the occupational safety and health of its employees. Summit also is committed to providing a drug and alcohol-free workplace and expects its service providers and vendors to do the same.

Safety and security are key parts of Summit's training of bank employees. It is included in all new employee orientation classes and reviewed annually to keep employees updated on topics relating to robbery, workplace violence prevention, active shooter situations, emergency preparedness and response and workplace safety. All branches conduct emergency response plan training.

It is the policy of Summit to implement and maintain an effective Incident Response Program so that designated personal (internal and external Incident Response Teams) may take appropriate action.

Summit's Business and Continuity Plan (BCP) includes policies and procedures to restore critical business functions in the event of an unplanned disaster. These disasters could include natural disasters, cyberattacks, service outage, pandemic influenza or other outbreak of infectious diseases or other potential threats.

Summit has established the following business priorities in the BCP Plan:

- Priority 1: Safety of Personnel and Customers - This priority includes the physical and emotional safety of personnel and customers. Efforts to secure the safety of personnel and customers will be top priority at all times.
- Priority 2: Confidentiality and Integrity of Data - This priority includes the confidentiality and integrity of organization and customer data. In the event of any emergency situation, maintaining the confidentiality and integrity of organization and customer data will be a high priority.
- Priority 3: Compliance with Legal Authorities - This priority includes compliance with regulatory requirements as well as demonstrating due care to reduce legal liability.
- Priority 4: Limiting of Financial Loss and Reputation Damage - This priority includes limiting financial losses during recovery efforts as well as preserving customer trust and the organization's public reputation.
- Priority 5: Restoration of Critical Banking Operations - This priority includes restoring the primary organization processes and services following an emergency/disaster.

- Priority 6: Restoration of Urgent and Important Banking Operations - This priority includes restoring secondary organization processes and services following an emergency/disaster. These processes and services are not vital to the organization's short-term operations, but would become necessary during a prolonged disruption.
- Priority 7: Restoration of Normal and Nonessential Banking Operations - This priority includes restoring all other banking processes and services following an emergency/disaster.

All employees are required to complete annual assigned required compliance courses through our Summit University online training portal. The courses are assigned based on specific job duties and include, but not limited to: Safety and Security, Privacy, Anti-Money Laundering, Home Mortgage Disclosure Act (HMDA), Bank Secrecy Act (BSA), Avoiding Unfair or Deceptive Acts, Community Reinvestment Act, Cybersecurity, Information Security, Debt Collection Practices, Fair Lending, Overdraft Protection, Elder Financial Abuse, Social Engineering, Marketing and Advertising Compliance.

The Company also provides onboarding for new directors and opportunity for education and training for all board members to foster board effectiveness. In-house educational sessions are provided to all directors annually with subjects covering:

- Bank Secrecy Act (BSA)/Anti-Money Laundering (AML)
- Fair Lending
- Unfair, Deceptive, or Abusive Acts or Practices (UDAAP)
- Home Mortgage Disclosure Act
- Insider Lending
- Complaints
- Regulation BB – Community Reinvestment Act

Additional topics may be included as appropriate related to products, services or lines of business that have potential risk to the Company and other topics as identified by the board of directors or management from time-to-time.

Board members are also provided opportunities for external director education covering a range of issues facing the board to assist directors in staying abreast of the latest developments. The external education opportunities are offered at various times of the year by professional organizations.

As a result of COVID-19, the Board reviewed the continued impact of the pandemic and its effect on the Company's employees and clients. Management put into place several strategies and initiatives to mitigate adverse impacts. In order to protect employees and assure workforce continuity, management utilizes flex time scheduling, when possible, for essential roles in the operation centers. Our flex time also decreases our carbon footprint related to carbon emissions from a reduction in employee commutes to the office and the reduction in our in-office presence positively impacting our greenhouse gas emissions, office waste, building and supply usage, electricity consumption and water usage.

Summit's culture is defined by delivering "Service Beyond Expectations" to our clients. Our employees are committed to this pledge; it is not just our motto, it is at the heart of everything we do. Quarterly we recognize and celebrate employees who have been nominated by a team member for their demonstration of providing "Service Beyond Expectations".

Community Reinvestment

Through its banking subsidiary, Summit Community Bank, the Company supports its community through community development loans, investments in community development projects, donations to non-profit organizations, charitable enterprises and community organizations and community service projects performed by employees.

Summit Community Bank operates within 15 assessment areas, which are located in three states and one multi-state Metropolitan Statistical Area (MMSA). Summit uses flexible lending practices to serve assessment area's credit needs. Summit offers flexible mortgage programs for first-time homebuyers. In addition, the bank participates in an affordable housing program and a first-time homebuyer program through the Federal Home Loan Bank (FHLB). The bank also made Low-Income Housing Tax Credit (LIHTC) loans, which provide financing for housing projects that benefit low- and moderate-income individuals. Additionally, the bank made tax-free loans that provide lease financing for non-profit and tax-exempt organizations, such as government entities, schools, cities, and towns. These organizations use the funding for improvement projects that revitalize low- and moderate-income or distressed and/or underserved areas and support low- and moderate-income individuals. Finally, the bank participates in the Small Business Administration's Paycheck Protection Program (PPP). The program provided forgivable loans to eligible businesses to help ensure employees continued to receive paychecks during the COVID-19 pandemic.

Summit originated a relatively high level of community development loans. In the past 3 years, Summit Community Bank originated 66 community development loans totaling \$108 million. The loans provided for affordable housing, economic development, and revitalization and stabilization.

Summit Community Bank maintains a significant level of qualified investments and donations, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The institution exhibits good responsiveness to the credit and community economic development needs of its assessment areas, and occasionally uses innovative and/or complex investments to support community development initiatives

In the past 3 years, Summit Community Bank had 25 qualified investments (including donations) totaling \$38 million. Summit primarily fulfills its qualified investment objectives through a combination of Ginnie Mae and Freddie Mac securities backed by single-family mortgages (MBS), LIHTC investments in Community Affordable Housing Equity Corporations (CAHEC) projects, housing equity funds, and municipal-related taxable tax credit lease revenue bonds.

Summit Community Bank provided 268 community development grants and donations totaling \$121,000 in 2021. The community development grant activity supports financial literacy,

revitalization and stabilization of distressed communities, individuals with special needs, including homeless and disabled persons, and affordable housing.

Summit provided a relatively high level of community development services. Employees and Board members used their financial and banking expertise to provide approximately 3,297 hours of service to 47 community development organizations in 2021. The type and level of assistance provided varied with each employee and organization but generally is ongoing for multiple years, as some hold positions on the Board or committees of the organization. The organizations served provide an array of services to low- and moderate-income individuals, small business, and small farms. The organizations' missions include economic development, small business development, education, healthcare, and basic human needs for low- and moderate-income individuals and areas.

In 2021, Summit Community Bank donated approximately \$175,000 to various charities, community organizations, food pantries and schools.

Summit joined the American Bankers Association (ABA) and other banks across the nation in participating in an anti-phishing campaign called the "Banks Never Ask That Campaign". This is an industry wide campaign to educate consumers about the persistent threat of cybercrimes.

Summit also participates in the Interest on Lawyer's Trust Account (IOLTA) programs, which provide free or reduced fee legal services for low-and moderate-income individuals. As of March 17, 2022, the bank had 112 IOLTA accounts.

SUSTAINABILITY GOVERNANCE

Summit's governance of ESG begins with the Board of Directors. The Board is committed to long-term sustainability and is responsible for our general oversight and strategic direction. To further strengthen our vision and focus on ESG, we have established an Environmental Social & Governance (ESG) committee, which is a management level committee comprising of senior members across major functions. The ESG Committee reports to the Board of Directors on Summit's ESG strategy. The ESG Committee also works on improving the Bank's ESG disclosures in order to effectively demonstrate our ESG commitment to our stakeholders.

Board Leadership Structure

The Board of Directors of the Company is led by a Chairman who is not the Chief Executive Officer. Oscar M. Bean currently serves as the Chairman of the Board and H. Charles Maddy, III is the Company's Chief Executive Officer. The Board believes that it is important to formally separate the roles of Chairman of the Board of Directors and the Chief Executive Officer. The separation of these roles results in a more effective monitoring and objective evaluation of the Chief Executive Officer's performance. The Board also believes that directors will be more likely to challenge the Chief Executive Officer if the Chief Executive Officer is not the Chairman of the Board.

There are currently fourteen members of the Holding Company's Board of Directors and its subsidiary board, Summit Community Bank and 85% are independent. All Directors are independent under the NASDAQ listing standards and the SEC rules except H. Charles Maddy

and Ronald L. Bowling. Mr. Maddy is not independent as he is an executive officer and employee of the Company. Mr. Bowling is not independent because he was employed by a subsidiary of the Company in 2019 and received compensation for such services. The average tenure of independent directors on the board is more than 15 years.

Each Director brings a strong and unique background and set of skills to the Board providing the Board as a whole competence and experience in a wide variety of areas including banking, accounting, audit and financial reporting, legal, finance, renewable energy, governmental relations, business management, contracting, insurance, timber, transportation, farming, hospitality and retail.

Board's Role in Risk Oversight

Senior management is responsible for assessing and managing the Company's various exposures to risk on a day-to-day basis, including the creation of appropriate risk management programs and policies. The Board is responsible for overseeing management in the execution of its responsibilities and for assessing the Company's approach to risk management. The Board exercises these responsibilities periodically as part of its meetings and also through the Board's committees, each of which examines various components of risk as part of their responsibilities.

The Board's role in the Company's risk oversight process includes receiving regular reports from members of senior management and reports from committees of the Board on areas of material risk to the Company, including operational, market, credit, financial, legal and regulatory risks. This enables the Board, senior management, and the committees of the Board to coordinate the risk oversight role, particularly with respect to risk interrelationships. In addition, an overall review of risk is inherent in the Board's consideration of the Company's long-term strategies and in the transactions and other matters presented to the Board, including capital expenditures, acquisitions and divestitures, and financial matters. Summit's Chief Risk Officer is responsible for providing regular updates on risk management issues to the Board's Audit and Compliance Committee.

Our internal audit and compliance departments oversee compliance with applicable laws and regulations and coordinate with subject matter experts throughout the business to identify, monitor, and mitigate risk, including information security risk management and cyber defense programs. These teams maintain rigorous testing programs and regularly provide updates to the Board.

We leverage the latest encryption configurations and technologies on our systems, devices, and third-party connections and further vet third-party vendors' encryption, as required, through our vendor management process. IT maintains an IT Risk Assessment that is approved by the Board of Directors on an annual basis. Further, the IT department also conducts an annual FFIEC Cybersecurity Assessment.

The Company has adopted a Code of Ethics that applies to all directors, executive officers and employees of Summit Financial Group, Inc. and its subsidiaries. The Code of Ethics also contains supplemental provisions that apply to the Company's Chief Executive Officer, the Chief Financial Officer, and the Chief Accounting Officer (the "Senior Financial Officers"). Our code of Ethics

demands the highest standards of personal and professional integrity and honesty in all aspects of activities by our employees and directors. In addition, the Code of Ethics contains procedures for reporting violations of the Code of Ethics involving the Company's financial statements and disclosures, accounting practices, internal control over financial reporting, disclosure controls and auditing matters. A copy of the Code of Ethics is available on the Company's website at www.summitfgi.com.

Our relationship with others is also governed by other various policies, including but not limited to Data Classification Policy, Bank Secrecy Act (BSA) and Office of Foreign Assets Control (OFAC) Policy, which includes Anti-Money Laundering Policy.

At Summit, we are committed to acting with uncompromising integrity in all that we do, and we expect our service providers and vendors to have the same high standards of honesty, fairness and integrity in their business dealings and share our commitment to social, environmental, and ethical responsibilities, including ethical business practices, labor and human rights, health and safety, diversity, environmental responsibility, privacy and confidentiality. Summit also expects its service providers and vendors to operate in accordance with professional standards, laws and regulations and refrain from all illegal or improper activities, including misrepresentations, fraud, corruption, embezzlement, bribery, antitrust and/or similar actions.

Summit continues to develop and implement our Vendor Management Program which enables us to maintain a database of third-party goods and/or service providers, which have provided us with current due diligence documentation. This allows us to perform internal risk and performance assessments of our critical vendors.

The provision of gifts can be misinterpreted or suggest the appearance of an improper exchange. Gifts, entertainment or favors from customers, prospective customers, service providers, vendors or other employees are discouraged. Limited exceptions are permissible when the gift or entertainment is of nominal value and not offered or accepted as an inducement to entering into or continuing any business transaction, or to influence a decision or action of Summit. The following are examples of permissible circumstances:

- Gifts or favors based on family or personal relationships when the personal relationship, rather than the business relationship, is the motivating factor;
- Advertising or promotional items of reasonable value;
- Non-monetary gifts of nominal value related to commonly recognized events or occasions such as weddings, holidays, or the birth or adoption of a child; and
- Civic, charitable, educational or religious awards for recognition of service and accomplishment.

Service providers may provide entertainment when it is lawful and ethical, infrequent, and customary and reasonable in value. Air travel and overnight accommodations may not be provided in connection with entertainment. Under no circumstances should a service provider or vendor provide a gift, entertainment, or other favor to a Summit colleague in a position to influence a service provider or vendor selection or contract negotiations during requests for proposal or contract negotiations.

It is the policy of the Company and the responsibility of the Board of Directors and Senior Management to mitigate potential risks posed by unfair, deceptive, or abusive acts and practices (UDAAPs) under federal regulatory guidelines. The Company realizes that UDAAPs can cause significant financial injury to consumers, erode consumer confidence, and undermine the financial marketplace. Under the DoddFrank Act, it is unlawful for the Company as a provider of consumer financial products or services or a contractual service provider of the Company to engage in any UDAAP. The Act also provides the Consumer Financial Protection Bureau (CFPB) with rule making authority and, with respect to entities within its jurisdiction, enforcement authority to prevent UDAAPs in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service.

The Company conducts a periodic risk assessment of multiple factors related to UDAAP to identify potential risks that may bring harm to consumers that are particular to those activities, with special attention focused on the review of products that combine features and terms in a manner that can increase the difficulty of consumer understanding of the overall costs or risks of the product and the potential harm to the consumer associated with the product.

It is the responsibility of Senior Management, through a directive issued by the Board of Directors, to ensure that a risk assessment is completed on a periodic basis regarding the Company's:

A. Products and services, which encompasses:

- Marketing programs, advertisements, and other promotional material in all forms of media (including print, radio, television, telephone, Internet, social media advertising, and scripts and recorded calls for telemarketing and collections);
- Existing products and services (such as deposit products, lending activities, etc.), including, but not limited to, changes to the products or services, descriptions, disclosures, notices, agreements, periodic and account statements, and changes in terms; and
- New product and service development, including software development and testing. A formal review by the Director of Marketing and Public Relations, with the concurrence and formal approval by Senior Management, is required to ensure that the Company fairly and adequately describes the terms, benefits, and material limitations of the product or service being offered, including any related or optional products or services, and that they do not misrepresent such terms either affirmatively or by omission. In addition, a review is performed to ensure that these materials do not use fine print, separate statements or inconspicuous disclosures to correct potentially misleading headlines and ensure that there is a reasonable factual basis for all representations made.

Summit has a Compensation and Nominating Committee and an Audit and Compliance Committee, all the members of which are independent as defined by the NASDAQ listing standards and the SEC rules. The Compensation and Nominating Committee and the Audit and Compliance Committee have each adopted charters which are reviewed and assessed on an annual basis. A copy of the charters is available on the Company's website at www.summitfgi.com.

In 2021, the Compensation and Nominating Committee committed to increase the diversity of the Board, and amended its charter to expand the definition of diversity of board experience and

perspectives to include ethnicity, nationality, sexual orientation, disabilities and cultural background. Prior to this revision, the definition of diversity of board experience and perspectives only included race, gender, geography and areas of expertise. In addition, the Compensation and Nominating Committee achieved its goal for 2021 of adding a diverse board member during 2021 and having at least one woman and one diverse board candidate for consideration by the shareholders at the 2022 Annual Meeting. The Company has also added a question to its Director and Officer Questionnaire to require directors and officers to self-identify diverse characteristics to allow the Company to assess and track this information. This will allow the Company to monitor its progress in promoting diversity of the Board of Directors as well as diversity of the Company's management.

BOARD DIVERSITY MATRIX AS OF JUNE 30, 2022			
Total Number of Directors	16		
	Female	Male	Did Not Disclose Gender
Part I: Gender Identity			
Directors	2	12	-
Part II: Demographic Background			
African American or Black	1	-	-
White	1	12	-
LGBTQ+	-		
Did Not Disclose Demographic Background	-		
Directors who are Military Veterans	1		

Compensation and Nominating Committee

The Compensation and Nominating Committee must consist of a minimum of four (4) independent, outside directors. The Equity Compensation Committee is a sub-committee of the Compensation and Nominating Committee.

One purpose of the Compensation and Nominating Committee is to review, approve and report to the Board of Directors the compensation of all executive officers of the Company who are subject to the requirements of Section 16 of the Securities Exchange Act of 1934 (the "Executive Officers"), including salaries and bonuses, and to approve and report to the Board of Directors all other incentive and equity compensation awards. The Compensation and Nominating Committee also annually reviews the Board Attendance and Compensation Policy which includes the compensation paid to the Board of Directors. The Compensation and Nominating Committee recommends any revisions to the Board Attendance and Compensation Policy to the full Board of Directors for approval. The Committee's primary processes and procedures for carrying out these purposes include:

Scope of Authority. The Committee has the following duties and responsibilities:

- Annually review and approve corporate goals and objectives relevant to compensation of the Chief Executive Officer (the “CEO”) established by the Board of Directors, evaluate the CEO’s performance in light of these goals and objectives, and review, approve and report to the Board of Directors all compensation arrangements, including base salary, incentive compensation and long-term compensation for the CEO.
- Annually review, approve and report to the Board of Directors all compensation arrangements, including base salary, incentive compensation and long-term compensation, for all other Executive Officers.
- Review, approve and report to the Board of Directors compensation packages for new Executive Officers and termination packages for Executive Officers.
- Review and make recommendations to the Board of Directors for ratification decisions relating to long-term incentive compensation plans, including the use of equity-based plans. Except as otherwise delegated by the Board of Directors, the Equity Compensation Committee acts on behalf of the Board of Directors and the Compensation and Nominating Committee as the “committee” established to administer equity-based and employee benefit plans, and as such, discharges any responsibilities imposed on the committee under those plans, including making and authorizing grants in accordance with the terms of those plans. All such grants must be ratified by the Board of Directors.
- Make recommendations to the Board of Directors with respect to matters relating to incentive compensation and equity-based plans which are appropriate for action by the Board of Directors under applicable NASDAQ and SEC rules.
- Oversee the Company’s compliance with SEC rules and regulations regarding shareholder approval of certain executive compensation matters, including advisory votes on executive compensation and the frequency of such votes.
- Review all director compensation and benefits for service on the Board and Board committees and recommend any changes to the Board as necessary.
- *Delegation of Authority.* The Committee has the authority to delegate any of its responsibilities to subcommittees as the Committee may deem appropriate.
- *Role of Executive Officers.* The Chief Executive Officer provides the Committee with a verbal performance assessment and compensation recommendation for each of the other Executive Officers. In addition to the following items, these performance assessments and recommendations are considered by the Committee in reviewing, approving and reporting to the Board the compensation arrangements of each Executive Officer other than the CEO: (i) an assessment of the Company’s performance, (ii) the perquisites provided to the Executive Officers, (iii) the salaries paid by a peer group to executive officers holding equivalent positions, (iv) tally sheets showing the aggregate amount of all components of compensation paid to the Executive Officers, and (v) the complexity of the job duties of each Executive Officer.

- *Role of Independent Consultant.* The Committee has the authority to retain any advisors as the Committee deems appropriate in carrying out its duties, but only after taking into consideration factors relevant to the advisor's independence from management specified in the NASDAQ listing standards. The Committee has not retained the services of an independent consultant in reviewing and approving the form and amount of executive and director compensation.

Policies and Procedures Relating to the Nomination of Directors and Board Diversity

The Compensation and Nominating Committee assists the Board in (i) identifying qualified individuals to become board members, (ii) determining the composition of the Board of Directors and its committees, (iii) monitoring a process to assess board effectiveness, and (iv) developing and implementing the Company's corporate governance guidelines.

In determining nominees for the Board of Directors, the Compensation and Nominating Committee selects individuals who have the highest personal and professional integrity and who have demonstrated exceptional ability and judgment. The Committee also selects individuals who are most effective, in conjunction with the other nominees to the Board, in collectively serving the long-term interests of the shareholders. In identifying first-time nominees for director, or evaluating individuals recommended by shareholders, the Compensation and Nominating Committee determines, in its sole discretion, whether an individual meets the minimum qualifications approved by the Board of Directors and may consider the current composition of the Board of Directors in light of the diverse communities served by the Company and the interplay of the candidate's experience with the experience of other Board members.

In performing its responsibilities for identifying, recruiting and recommending nominees for director, the Compensation and Nominating Committee will consider all aspects of each candidate's qualifications and skills in the context of the needs of the Company at that time with a view to creating a Board with a diversity of experience and perspectives, including ethnicity, nationality, sexual orientation, disabilities and cultural background, race, gender, geography and areas of expertise.

The Compensation and Nominating Committee does not have a specific policy with regard to the consideration of persons nominated for Directors by shareholders. The Articles of Incorporation of the Company describe the procedures that a shareholder must follow to nominate persons for election as Directors. For more information regarding these procedures, see Requirements, Including Deadline for Submission of Shareholder Proposals, Nomination of Directors and Other Business of Shareholders in our Annual Meeting proxy materials. The Compensation and Nominating Committee will consider nominees for Director recommended by shareholders provided the procedures set forth in the Articles of Incorporation of the Company are followed by shareholders in submitting recommendations. The Committee does not intend to alter the manner in which it evaluates nominees, including the minimum criteria set forth above, based on whether the candidate was recommended by a shareholder or not.

Insider Trading Policy

All of the Company's directors, officers and employees are required to comply with the requirements of Summit's Company Stock Transaction Policy. This policy includes pre-clearance procedures that Directors and applicable officers are required to follow before they may trade in Summit's stock.

Anti-Hedging Policy

All of the Company's directors, officers and employees are subject to the Summit Financial Group, Inc. Company Stock Transaction Policy. This policy provides that it is improper and inappropriate for any director, officer or other employee of the Company to engage in short-term or speculative transactions in the Company's securities. Specifically, the policy discourages directors and officers and other employees and prohibits insiders from engaging in short-term trading and short sales of the Company's securities. The policy also discourages directors, officers and employees from engaging in transactions in the Company's stock in puts, calls or other derivative securities on an exchange or in any other organized market and from holding the Company's securities in a margin account. In addition to the above-mentioned transactions, the Company also prohibits directors, officers and employees from engaging in any form of hedging strategy through which such person's investment position would be improved as a result of a decrease in the value of the Company's stock.