

# Environmental, Social and Governance Highlights Report



Over the last 130 years, our company has weathered pandemics, world wars and financial crises to evolve from a small community thrift serving a rural community in southeast Washington to a regional bank serving clients and communities in four western states.

Banner Corporation's assets have almost quadrupled since I joined in 2010, reaching \$16.8 billion by the 2021 year-end. But some things are enduring. We are still a community bank – albeit a super community bank, that outperforms smaller institutions on the range of product offerings while competing with large, national players on personal service. We continue to be deeply connected and responsive to the diverse communities we serve across the West Coast as we prioritize listening, learning and helping our clients achieve their financial goals.

As we continue to grow, we remain true to our values and guiding principle: Do the right thing; for all our stakeholders, our communities, colleagues, clients and shareholders. In this spirit, I am pleased to present our inaugural environmental, social and governance (ESG) report to share the ongoing efforts of Banner teams working across our four-state footprint and to establish a benchmark on which you can hold us accountable as we strive to improve year over year.

I am particularly proud of the “outstanding” rating Banner Bank received from the Federal Deposit Insurance Corporation (FDIC) for our Community Reinvestment Act (CRA) evaluation in 2021. Awarded to only a small portion of all banks operating in the U.S., this rating acknowledges the work we do to support all our communities, including low- and moderate-income families and small businesses, in ways that are consistent with sound banking practices.

We are strengthened as a business by our highly diverse clientele, which ranges from family farms to complex corporations, grassroots non-profits to municipalities, and young families to retirees. In an ever more challenging economic, regulatory, and climatic environment, our objective is to be a steadfast financial partner to all of our clients.

Housing affordability remains a critical issue in western states, and you will see in this report how we increased our support for struggling communities in 2021 by providing a company record \$433 million in community development financing supporting affordable housing. To address the divergence between sustainability and affordability for individual borrowers, we have launched new loan programs to make it easier for people with lower incomes to build and buy energy-efficient homes or upgrade their existing homes. And as we experience an array of extreme weather events, we remain committed to supporting homeowners impacted by flooding, fire and other natural disasters. In 2021, we issued zero-fee, zero-interest rate emergency loans totaling \$893,000.

Behind the scenes, our employees quietly contribute to a broad variety of community projects that matter to them, and we offer up to 16 hours of paid time off per year for volunteer work. As we continue our commitment to being an employer of choice, we have added new parental leave benefits, introduced employee resource groups and continued our efforts to provide a diverse, equitable and inclusive work environment.

We are in the process of calculating Banner's carbon footprint and aim to be able to disclose our greenhouse emissions in 2023. Additionally, many geographies we serve are directly impacted by climate change, and we understand we must do our part to deploy sustainable means of service delivery such as digital banking and paperless statements. These efforts apply to our own business practices as well as our support of clients and communities affected by natural disasters.

Thank you to all Banner stakeholders for your continuing interest in, and commitment to, our organization. With steady, sustainable progress, I am confident Banner will continue to thrive for another 130 years. Still connected, knowledgeable and responsive; and still doing the right thing.



**Mark J Grescovich**

**President and Chief Executive Officer**

# About Banner

Banner Corporation is a dynamic banking organization with a significant regional franchise throughout the West. Formed in 1995, it is the holding company for Banner Bank, a Washington-chartered commercial bank with roots dating back to 1890.

Banner Bank delivers a high level of service with the attributes of a community bank while offering the advantages of being a larger financial institution. We serve a growing and prosperous footprint with a full range of deposit services as well as loans for business, commercial real estate, construction, residential, agricultural and consumers. We had more than \$16.8 billion in assets at 2021 year-end and locations in Washington, Oregon, Idaho and California.



## Our Approach to ESG

Doing the right thing has long been the guiding principle of all we do, and we are proud to provide financial services in a manner that respects the communities and environments in which our clients live and work.

We recognize the importance of embedding sustainable practices in our strategy and operations and are pleased to have made substantial progress in the development of our ESG program over the past year. Our dedicated ESG working group has engaged with independent consultants to assess our ESG performance and support us in establishing a comprehensive strategy for the effective management of ESG risks and opportunities.

ESG matters at Banner are primarily overseen by our Board of Directors' Corporate Governance/Nominating Committee, which reviews our related policies, programs and framework and provides updates to the Board. The committee's current chair, Connie Collingsworth, has worked in the fields of corporate

responsibility and diversity and inclusion for many years, bringing a wealth of expertise to the role.

Responsibility for ESG is not limited to a single group of directors. In 2021, we revised the charters of several of our standing Board committees to incorporate aspects of ESG oversight.

The Audit Committee oversees external ESG reporting and related internal controls. The Compensation and Human Capital Committee, in coordination with the Corporate Governance/Nominating Committee, oversees ESG matters related to human capital resource management, including our diversity and inclusion metrics. The Risk Committee oversees our risk management initiatives related to our forthcoming climate risk framework.

[www.bannerbank.com/esg](http://www.bannerbank.com/esg)

# Stakeholder priorities

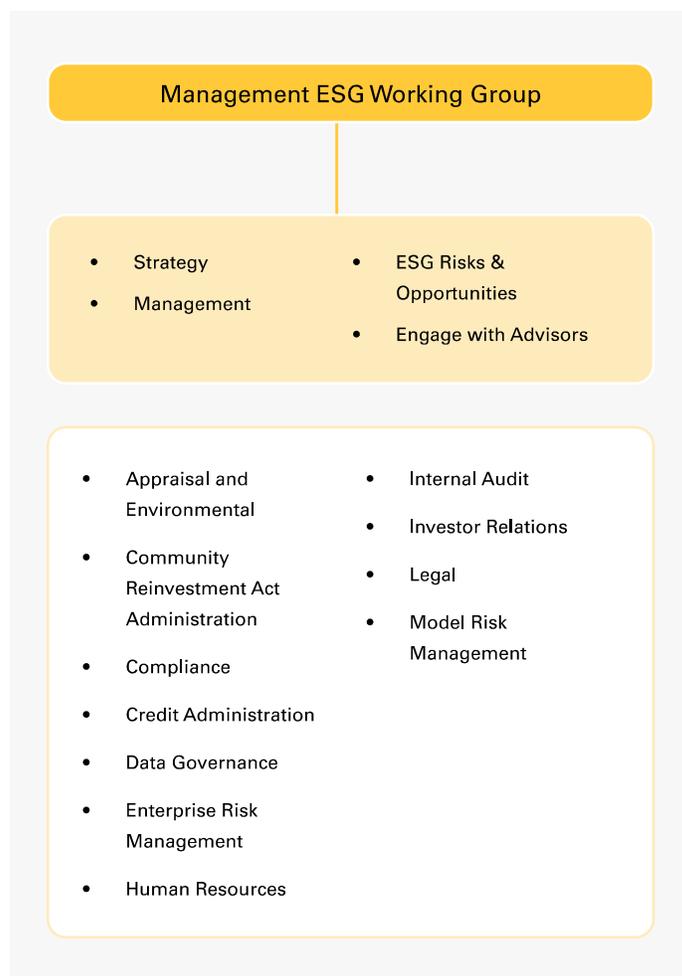
Understanding the priorities of our stakeholders is an essential part of our ESG strategy and will guide our ongoing efforts.

In 2021, our ESG consultant supported us in conducting a materiality assessment to identify the issues most important to internal stakeholders as well as leveraging insights from investors, ratings agencies and ESG frameworks.

As a result, we identified the following topics as Banner’s ESG priorities:

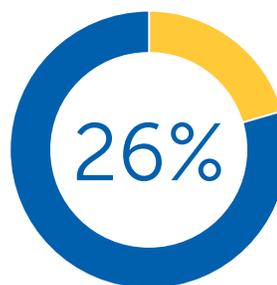
- 1) **Business Ethics**
- 2) **Environmental Product Responsibility**
- 3) **Data Privacy & Security**
- 4) **Board Composition**
- 5) **Consumer Financial Protection**

As part of our ESG program, we commit to carrying out periodic reviews of stakeholder priorities to keep us focused on action in the areas that will have the most positive impact. To help us follow best practice in this report, we referenced globally recognized reporting frameworks, including the Sustainability Accounting Standards Board (SASB).



# Our Community

The community spirit on which Banner was founded in 1890 as a small thrift is as strong as ever. While we've grown to serve four states with more than \$16.8 billion in assets at 2021 year-end, we remain deeply connected and responsive to the people we serve.



of our total branch network is in low- and moderate-income (LMI) areas

## Access to finance – an “outstanding” record

In 2021, Banner Bank received the highest possible “outstanding” rating from the Federal Deposit Insurance Corporation (FDIC) for our Community Reinvestment Act (CRA) performance evaluation. This rating demonstrates our commitment to meeting the credit needs of people across the West, including small businesses, farms, low- and moderate-income individuals and the most economically disadvantaged neighborhoods.

The FDIC’s CRA performance evaluation highlighted that Banner is a leader in issuing community development loans and makes extensive use of innovative and flexible lending practices to serve credit needs. During the most recent review period (January 1, 2017, through March 31, 2021), we expanded our loan programs from 14 to 38, six of which are exclusive to Banner Bank.

In 2021, Banner Bank financed over \$468 million in community development loans supporting affordable housing, economic development, community revitalization/stabilization and community services. This represents a 69% increase over 2020’s volume of \$276 million.

As set out in our Fair Lending Policy, we work hard to provide equitable access to credit in the communities we serve.



## Affordable housing

Addressing the affordable housing crisis has long been a key priority for Banner Bank. In 2021, we took unprecedented action, providing a company record \$433 million to finance affordable housing, which is adding 2,900 new or renovated housing units across the four states we serve.

Our mortgage banking team has been working hard in recent years to substantially expand its suite of socially-minded portfolio products. Highlights include our:

### ■ Affordable Mortgage Program (AMP):

Specifically designed for low- and moderate-income (LMI) borrowers, this loan program features a homebuyer education component and may include down payment assistance. In 2021, we closed 90 of these loans, plus another 30 down payment assistance loans, totaling just over \$21 million and supporting 120 units.

### ■ Household Plus:

Added in 2021, this loan program helps multigenerational households (or non-family groups) pool their resources by allowing residing adults to contribute as much as 30% of payment support on top of the primary borrower's qualifying income.

### ■ Community Heroes Mortgage:

Launched during the Covid-19 pandemic, this home loan program for frontline workers helps address the potential down payment shortfall for educators, firefighters, nurses, paramedics, law enforcement professionals and active or retired military personnel by financing up to 99% of a home's value. In 2021, we closed 10 of these loans totaling just over \$3 million.

In 2021, we took unprecedented action, providing a record \$433 million in financing for 69 affordable housing loans, which is adding 2,900 new or renovated housing units across the four states we serve.

# 120

Loans designed for LMI borrowers in 2021 through the Affordable Mortgage Program

# \$3 million

Community Heroes Mortgages closed in 2021

# \$21 million

LMI mortgages closed in 2021 through the Affordable Mortgage Program

# 99%

of a home's value that can be financed through the Community Heroes Mortgage

# 30%

Amount of payment support residing adults can contribute on top of primary borrower's qualifying income through Household Plus

## Supporting businesses

Banner Bank has survived and thrived through global pandemics and multiple economic downturns in its more than 130-year history, so we recognize the hardship many businesses faced in the latest crisis. We stepped up to deliver innovative and helpful solutions to boost their resilience, including:

### ■ Small Business Opportunity Fund (SBOF):

Minority-owned small businesses and those in economically disadvantaged communities were disproportionately impacted by the COVID-19 pandemic. In response, we created the SBOF in 2020 and invested \$1.5 million to support underserved small businesses across our footprint, particularly those with gross annual revenues of \$1 million or less that are owned by Black, Indigenous and people of color, as well as businesses in economically-disadvantaged rural and urban communities. Deployed through three community development financial institutions (CDFIs), the fund had boosted the economic viability of more than 150 small businesses by the end of 2021.

### ■ Paycheck Protection Program (PPP):

Through this Small Business Administration (SBA) program, Banner provided economic relief through nearly 14,000 loans - more than any other bank headquartered in Washington state - totaling \$1.6 billion. More than 80% of these loans were less than \$150,000, demonstrating our commitment to main-street businesses.

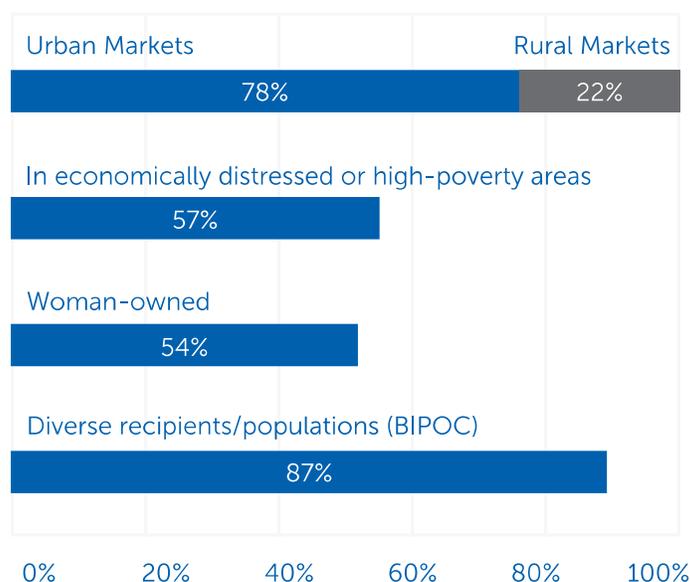
### ■ Mission-Driven Equity Investment:

Also known as mission-driven banks, minority depository institutions (MDIs) provide a vital service for minority, low- and moderate-income (LMI), rural and traditionally underserved communities. In 2021, Banner made a \$1 million equity investment in Broadway Federal Bank which, following its merger with City First Bank, is now the largest Black-led MDI in the United States.

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### SMALL BUSINESS OPPORTUNITY FUND FULLY DEPLOYED

(\$1.5 Million to support 153 Small Businesses and 3 CDFIs)



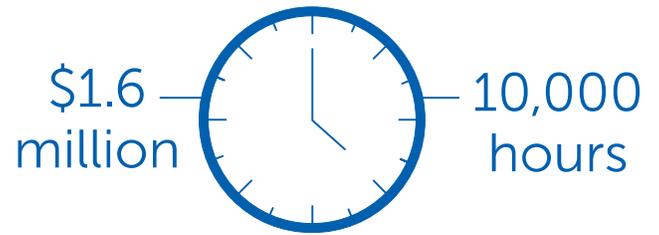
## Giving back

As a true community bank, Banner and our employees place high importance on contributing to the communities we serve both inside and outside work hours. In 2021, we engaged with more than 900 charitable and community causes across our footprint by contributing more than \$1.6 million and 10,000 hours of volunteering.

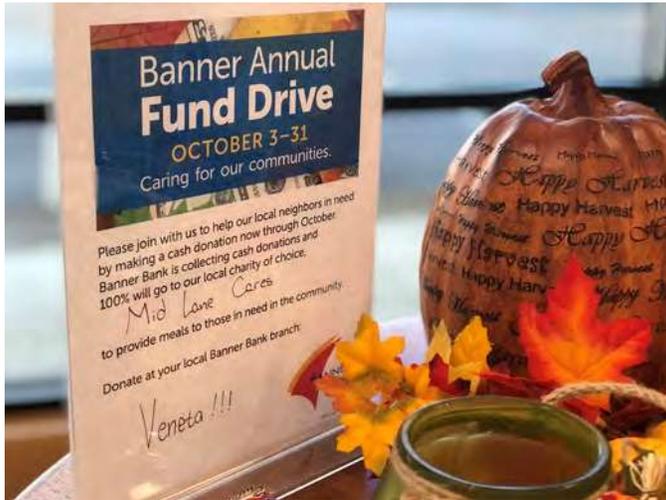
Our long-standing Community Connections program gives employees up to 16 hours of paid time off per year to volunteer at non-profit organizations of their choice. We also encourage employees to serve in leadership roles in these organizations as part of their professional development.

## Boosting financial literacy and inclusion

Through non-profit organizations such as Junior Achievement, our employees regularly teach children at local schools the ABCs of finance while our mortgage team partners with non-profits to provide homebuyer education classes.



2021 charitable giving and volunteerism hours



# Our Colleagues

Belonging comes first for Banner. We are committed to fostering a culture in which everyone feels valued and respected as unique individuals while also united in a community. We strive to do this for our highly diverse clientele, and we aim to do the same for our colleagues and job applicants, knowing it will make us stronger as a business.

## Our big IDEAs

Our efforts were formalized in 2020 with the launch of Banner's Inclusion, Diversity, Equity and Advocacy (IDEAs) council, office, charter and policy led by our Chief Diversity Officer, a newly created role.

## Attracting and retaining talent

Hiring, developing and retaining a diverse workforce is key to our success. We are proud to have a culture and working environment that appeals to women, who made up 69% of our workforce at year-end 2021, including over 64% of our managers, 41% of our directors, and 33% of our executive officers. Additionally, women made up 33% of our Board of Directors at year-end 2021.

Additionally, at year-end 2021, 24% of our employees identified as a person of color or as a race or ethnicity other than white, including 26% of our support and professional colleagues, 19% of our managers and 14% of our directors. We are also able to attract a solid representation of Hispanic employees, who made up 59% of our people of color at year-end 2021.

## Reaching the underrepresented

Of course, diversity begins with fair access to education. With an initial \$25,000 investment, we established the Gregory Foxx Memorial Scholarship at Seattle University in 2021 to support undergraduate students entering their junior year of college with a declared major in business, finance or accounting.

Consideration is given to students of color or other underrepresented communities. The scholarship honors our late colleague Greg Foxx, who worked tirelessly to support women- and minority-owned businesses during his half-century career in banking.

## Highlights of 2021-22

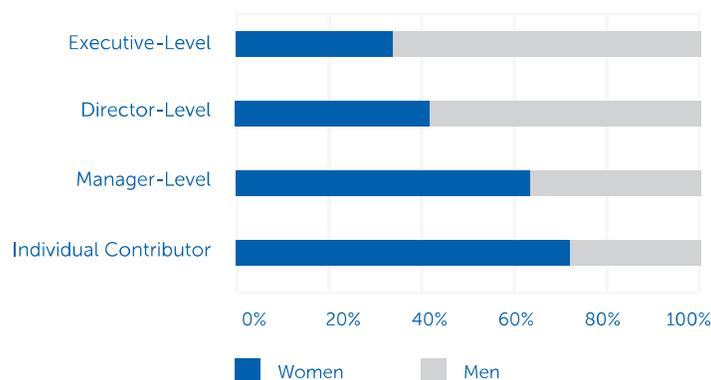
- Signing the CEO Action Pledge for Diversity & Inclusion, an external certification program to validate our progress
- Launching two Employee Resource Groups (ERGs)
- Implementing a flexible workplace program

## Key objectives for 2022-23

- Improve recruitment and retention of talent that reflects the communities the bank serves
- Launch annual unconscious bias training for all employees
- Link executive compensation to diversity goals
- Create a supplier diversity program

## Employee Gender Diversity by Level

(December 31, 2021)



## Professional development and succession planning

At Banner, we empower employees to take charge of their careers, and we invest significant resources in formal education, experiential learning, social learning, mentoring and networking. As a testament to our success, in 2021, more than 29% of our open positions were filled by internal candidates.

We require all employees to complete a wide range of online training courses on an annual basis. There are courses tailored to specific job functions as well as general courses that are important for all employees, relating to regulatory compliance training, cybersecurity, fraud prevention, workplace standards and code of ethics and business conduct among others. In 2021, our employees completed an estimated 25,800 hours of training, an average of 12.6 hours per employee.

Banner encourages employees to enroll in outside education programs to broaden their knowledge and help with their job performance. Every year, we enroll approximately 25 employees in continuing education courses relevant to the banking industry through our partnerships with best-in-class industry organizations, including the Pacific Coast Banking School and Washington Bankers Association. We provide assistance for external education in addition to our internal learning and development offerings to help employees hone existing skills and acquire new competencies in areas that align with business goals. Banner is proud to offer tuition reimbursement of up to \$5,250 and \$2,625 per calendar year, to full- and part-time employees respectively, to support employees obtaining degrees. In 2021, we paid over \$63,000 in tuition reimbursement.

As small businesses represent a significant portion of our clientele, our client-facing employees can become small business specialists through our proprietary certification program. In 2021, 16 employees achieved certification.

We use internal labor market analytical software to gain a granular picture of our workforce ecosystem, so that we can target bespoke strategies at different business units. In 2019, this showed that we were successfully attracting women to the lower levels of the organization and hiring them into managerial roles. However, as a result of these insights, we are now also focusing efforts on retaining more of our existing female talent and facilitating their progression into leadership roles.

With this goal in mind, in 2021-22 we introduced:

- The Women in Leadership employee resource group (ERG) where participants can share experiences and gain inspiration for progressing their careers.
- The Working Parents and Caregivers ERG for employees who are the primary caregivers to either young family members and/or elders as well as supporting those preparing to enter either stage.
- An additional eight weeks of gender-neutral, paid parental leave and 12 weeks of short-term disability pay to support all employees taking paid time off for pregnancy, to bond with a new child and to recover from childbirth. As of September 30, 2022, we have seen 25 employees of all genders taking advantage of this enhanced leave, and 41 employees utilizing short-term disability.

## Succession planning

Our Board recognizes the importance of succession planning for our CEO and other key executives. Through its Compensation and Human Capital Committee, it carries out a full review of talent development and succession planning, including the metrics we track on the gender and ethnic diversity of high-potential employees.

## Pay equity

Pay equity is a core tenet of our compensation philosophy. Since 2017, we have carried out rigorous periodic pay equity studies with the assistance of outside experts to examine groups of employees in similar roles, accounting for factors that appropriately explain differences in pay, such as job location and experience.

Our most recent aggregated adjusted pay gap results show that we had achieved pay equity for all genders and people of all races performing similar work, and we are proud to be able to say this.

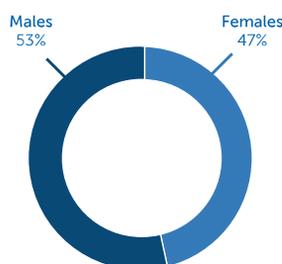
## Work-life balance

We learned a lot from the COVID-19 pandemic, including how to empower individuals to balance their home and work lives while meeting the needs of the business. Highlights of our improvements in this area in 2021-22 include:

- Launching our Flexible Workplace Program, which opens our talent acquisition funnel to a more diverse pool of candidates. Nearly 40% of our workforce work remotely in 2022, with women representing approximately 65% of that population and people of color representing nearly 20%.
- Maintaining our pandemic-era program to provide employees with subsidized child, adult and senior care planning services as part of our comprehensive health insurance coverage.

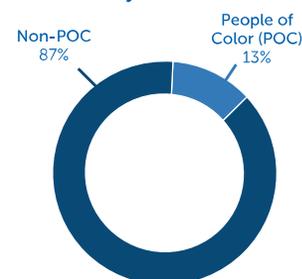
## Diversity of Our Successor Pool

Gender Diversity of Successor Pool



- We have steadily neared our goal of having 50% female successor candidates, increasing from 45% in 2021 to 47%.

Racial Diversity of Successor Pool



- We have increased from 8% in 2021 to 13% racially diverse successor candidates in the last year.

- Expanding our virtual behavioral health benefits to include Brightline, the leading virtual behavioral health solution designed specifically for families.
- Adding the Wellness Coach benefit for all employees, providing over 3,000 on-demand and live sessions in the areas of mental, physical, social, emotional, nutritional and financial wellness, walking, mind, body and sleep challenges, and unlimited personal coaching.
- Conducting pulse surveys on work-life balance and burnout.

## Leading from the top

To validate the importance of our diversity and equity program, in 2022 our CEO Mark Grescovich signed the CEO Action Pledge for Diversity & Inclusion. This external certification program commits us to:

- Make our workplaces trusted places to have complex, and sometimes difficult conversations about diversity and inclusion
- Roll out annual unconscious bias training to help employees recognize their bias blind spots
- Share both best and unsuccessful practices with fellow participant organizations
- Create and share diversity & inclusion strategies with our Board of Directors

Commitment to diversity and inclusion at Banner begins with our Board of Directors. The Board and its committees have oversight of our compensation programs and review employee engagement and exit survey results. In 2021, we expanded the scope of our Compensation and Human Capital Committee to include human capital matters, formalizing this expanded role in a revised committee charter.

Every quarter, we present a suite of people metrics to the Compensation and Human Capital Committee and to our executive team. Covering every step of the employee lifecycle, this reporting allows leadership to identify risks and opportunities in our diversity strategy and take action where necessary.



# Our Governance

For over 130 years, people have trusted Banner Bank to behave with the utmost integrity to protect their interests, money and privacy.

Behind our company's guiding principle, 'do the right thing,' is a rigorous governance structure that upholds our high standards and adapts to new and emerging risks.

## Board leadership

Oversight at Banner begins with our Board of Directors and six standing Board committees: Executive, Audit, Compensation and Human Capital, Risk, Credit Risk and Corporate Governance/ Nominating.

With the exception of our CEO, all of our directors are independent, and we constantly strive to achieve a Board that reflects the diversity of the communities we serve, taking into account gender, race, ethnicity, national origin and age, as well as skills and experience.

The Corporate Governance/Nominating Committee is responsible for evaluating the Board's composition on an annual basis. The Compensation and Human Capital Committee reviews the director compensation structure relative to peers every other year.

## Board highlights in 2021-22

- To further increase our accountability to shareholders, we began declassifying our Board so that by 2025 all directors will be up for election annually.
- To foster mutual learning and understanding between the Board and executives, we launched a program to assign each director to a specific executive committee member.
- We have increased the use of executive sessions at both the committee and Board levels to provide more opportunities for candid and confidential conversations.

## Board Diversity and Independence

(As of March 10, 2022)

### Board Size

Total Number of Directors: 14

#### Gender Diversity

36%

5 of 14 directors

#### Ethnic Diversity

29%

4 of 14 directors

#### Overall Diversity

50%

7 of 14 directors have at least one diversity characteristic

### Director Independence

93%

13 of 14 directors are independent

Banner has a mature ethics program that models the positive behaviors we want to see in our employees.

Our Code of Ethics and Business Conduct is reviewed annually by the Board, and all new hires undergo interactive online training after which they must certify they understand and will abide by the Code. This process is repeated annually for all employees. Directors also provide a similar certification on an annual basis.

We encourage both our colleagues and our clients to speak up without fear of retaliation if they have a concern or see something that does not seem quite right. If they are not comfortable discussing concerns with management, they are invited to use our third-party hotline, EthicsPoint – anonymously, if desired – to raise any ethical violations they believe have occurred.

All EthicsPoint reports are submitted, at minimum, to our Ethics Officer, our Chief Audit Executive and the chair of the Audit Committee, who is an independent Board member. The Ethics Officer will engage with additional executives and other management as appropriate to assess each report.

The Ethics Officer reports any complaints relating to financial record-keeping or reporting to the Audit Committee ahead of the release of key financial reports. The Ethics Officer also presents an annual report to the committee to aid in the identification of any systematic or repeated problems, enabling them to be appropriately addressed.

Banner is committed to compliance with all applicable consumer laws and regulations and maintains a strong corporate-wide culture of compliance. Banner has a seasoned complaint management program with a workgroup that meets monthly to review client complaints, escalate concerns, analyze trends, and improve systems to promote a positive client experience. Consumer compliance-related complaints received through EthicsPoint are also shared with our Chief Compliance Officer or Fair Lending Officer and reviewed for compliance concerns.



## Data privacy

As a financial institution, we fully acknowledge the importance of safeguarding the personal information of our clients and colleagues as well as visitors to our website. We are transparent about how we protect, collect and use personal data as laid out in our privacy notice and supplementary policy for the Banner Bank mobile banking app. We do not sell personal information or share it with non-affiliated entities for marketing purposes. We share personal information with our affiliates strictly for their everyday business purposes. We don't share information on clients' creditworthiness.

Under the California Consumer Privacy Act, our clients in California have the right to request access to and deletion of specific personal information that we have collected on them in the last 12 months.

Our Compliance team reviews the bank's privacy notice every year, and all clients and colleagues are notified of any changes in accordance with legal requirements in each state. All new clients also receive our privacy notice.

Customer confidentiality and privacy is overseen by our Audit Committee, which reports to the Board no less than quarterly.

## Cybersecurity

Cybersecurity is of paramount importance at Banner Bank, and we have robust processes and policies in place to protect our computer systems and networks. Our security protocols and standards follow ISO 27001 framework and regulatory guidance, and we maintain a comprehensive cybersecurity program that includes, but is not limited to:

- Monitoring cybersecurity threats
- Vulnerability and patch management including Day Zero
- Security and phishing awareness training and testing
- Third party provider reviews and oversight
- Business continuity planning and disaster recovery
- Robust login requirements, including multi-factor

### ■ Audits and testing

Our cybersecurity systems are rigorously examined and tested by internal and external experts. This includes:

- Internal and external penetration testing;
- Cybersecurity internal audit;
- External audit by FDIC/State of Washington Department of Financial Institutions; and
- Review by independent cybersecurity consultant

### ■ Training and communication

- Employees are trained on cybersecurity awareness as part of the onboarding process and phishing refresher training and testing are carried out regularly to keep employees up to date with this ever evolving and common threat.
- Through social media, our website, emails and printed materials, we also strive to keep our clients aware of best practices and upticks in any type of cybercrime. We make additional efforts to educate business clients on topics such as account takeover, common forms of fraud, protecting their computer systems, best practices for digital and physical security of their financial information, and more.
- In 2021 we hosted a series of client webinars in partnership with the FBI Cybercrime Task Force so they could directly share emerging trends and best practices. Afterward, we provided attendees with a list of tips and relevant free resources.

### ■ Oversight

- Cybersecurity developments are regularly reported to our Risk Management Oversight Committee. Additionally, the Board's Risk Committee has oversight responsibility for Banner Bank's policies and standards on information technology and cybersecurity risk, including our framework to prevent, detect and respond to attacks or breaches.

# Our Environment

As much as our business has deep roots in the past and deep connections to the present, we are also deeply invested in the future. Our commitment to remain connected and responsive to the people we serve means fostering an environment fit for their children and grandchildren. That means respecting the rich biodiversity and ecosystems for which the West Coast is prized.

Here at Banner, we are striving to find more sustainable ways of working, from the projects we finance to the way we operate across our footprint of 190 buildings. In 2022, we began to measure our Scopes 1, 2 and 3 emissions so that we can begin to understand our carbon footprint and how to reduce it. We are committed to providing appropriate disclosures in alignment with SEC guidelines.

## Our climate risk strategy

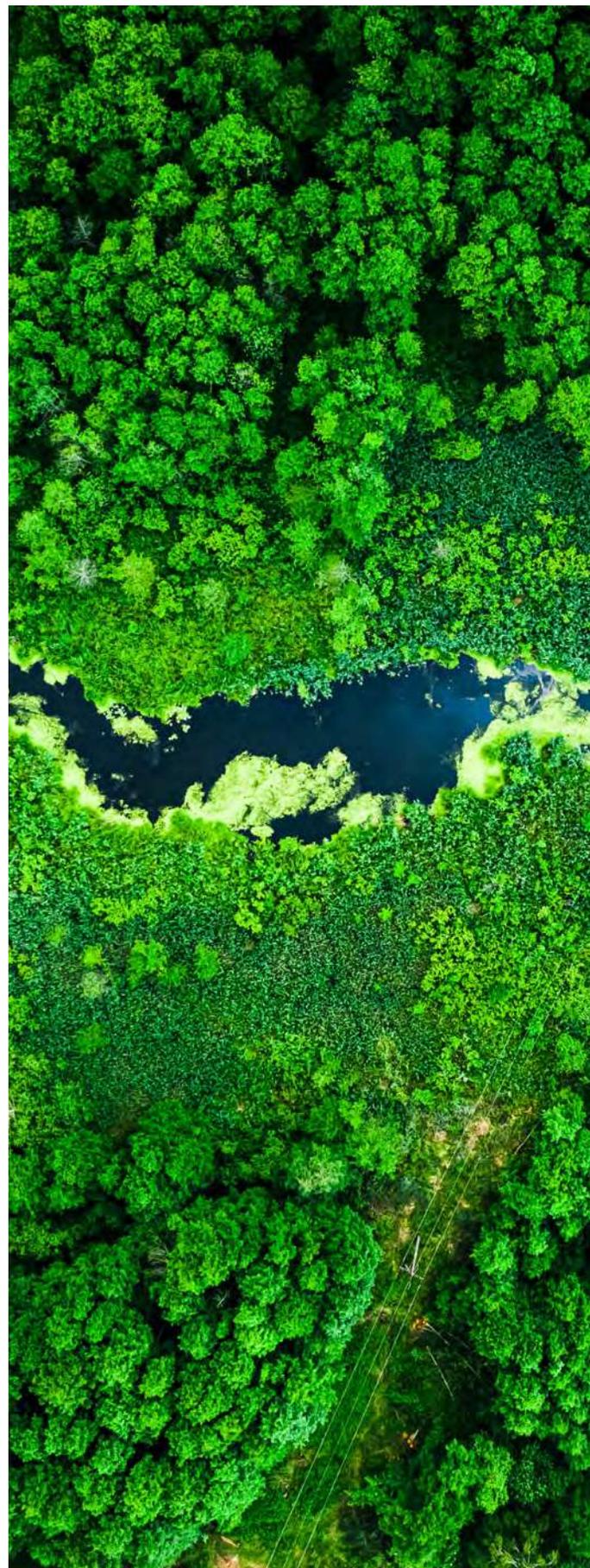
We recognize that climate change is already impacting regions around the world, including ours, and we are committed to making climate risk a key component of our overall risk management framework. In 2022, under the oversight of our Board's Risk Committee, Banner began construction of a formal climate risk management program. This program will provide broad governance over climate risks and support compliance with developing regulations regarding climate risk management.

Banner has a mature and robust program for mitigating environmental risk within our lending portfolio. Unusual for a bank of our size, we have a dedicated Environmental Risk Officer to provide expertise around real estate environment risk assessment in real estate lending and in lending to companies in environmentally sensitive industries.

As set out in our underwriting guidelines, an environmental risk assessment is a requirement for all multifamily and commercial real estate loans and a key consideration when lending to companies in environmentally sensitive industries.

## Sustainable financing

Banner currently has no credit exposure to oil and gas production. What we do have is a long tradition of supporting environmentally responsible projects big and small, from home insulation for individual low-income families to flood resilience infrastructure for a whole city.



## Energy-efficient housing

At Banner, we believe energy-efficient homes should be available to everyone, regardless of wealth or income. Within our commercial real estate division, we have a dedicated team that focuses on affordable housing. Approximately 30% of the affordable housing projects financed by this dedicated team in 2021 met some or all of the green standards or zero energy requirements within their respective state.

Meanwhile, our mortgage lending team is constantly innovating to help families make sustainable choices and reduce their energy bills. Products launched in 2021 include:

### Powerwise Home Loan:

This product lets people buy or build an efficient home independent of the power grid, or refinance their existing home to fund a renovation that would include energy upgrades such as solar panels to become independent of traditional energy sources.

### Homefresh Second Mortgage:

Available at an affordable fixed rate, this loan is designed to help homeowners with low to moderate incomes buy or stay in their existing homes, and make repairs or improvements that might otherwise be too expensive, such as installing insulation.



## Sustainable businesses

Banner has a track record of providing banking services and loans to businesses that are innovating to combat climate change. Highlights in 2021 include:

- Supporting a client engaged in efforts to design effective methods to convert cattle manure to usable gas.
- Serving multiple agricultural clients that utilize sub-surface drip irrigation to eliminate water run-off.
- Providing financing to numerous commercial and residential construction development clients that build in accordance with environmentally conscious and energy-efficient methodologies. These include National Green Building standards, Washington Built Green standards, California Title 24 standards, Energy Star Certifications for Buildings, Green Globes Building Certification and other approaches leading to IRS Section 45L tax credit eligibility.

## Boosting climate resilience

With extreme weather events on the rise due to climate change, Banner has both swift and strategic responses to help affected individuals and communities.

We have supported the city of Ellensburg in Washington, for example, through a \$5 million municipal bond, the proceeds of which funded the purchase of an active floodplain and the construction of an improved stormwater system, fish-passable bridge and setback levee.

As a member of the communities in which our colleagues and clients live and work, we remain committed to assisting when extreme weather events occur. We provided 68 zero-fee, zero-interest rate emergency loans in 2021, totaling \$893,000, after significant flooding occurred in our communities.

## Sustainable operations

Making our buildings and operations ever more environmentally efficient is an ongoing effort here at Banner.

### Our Platinum-rated LEED building

We are exceptionally proud to be the anchor tenant of our leased building in Boise, Idaho, which is a LEED-certified, 11-story office block with the highest possible Platinum rating, a rare status even today.

The building is heated with geothermal energy, uses captured stormwater to flush toilets, and benefits from 'smart' lighting that automatically adjusts to daylight levels and switches off when a room is unoccupied. As a result, the building uses 50% less energy for non-plug loads than a typical office building of the same size, 65% less electricity for lighting and 60-80% less water.

### Energy usage

At the sites we own, all new or replacement building generators, where required, are now powered by natural gas, not diesel. When HVAC systems need to be retired, we upgrade to high-efficiency systems as standard. Two sites have been upgraded to fully automated HVAC energy management systems with a third in the pipeline for 2023.

### Water usage

While our water footprint is relatively low, we plan on continuing to explore ways to reduce water usage across our owned properties. For example, in water-stressed locations, particularly in California, we are working to increase hardscaping at our sites to reduce water consumption. Five sites are planned for 2023, up from three sites in 2022.

### Fleet management

We have also reduced the internal combustion engine cars in our company fleet from 25 to just four over recent years and have moved to a rental model, which allows us to use more energy-efficient vehicles. The purchase of a hybrid electric company car and two charging stations is planned for 2023.



### Waste management

We are committed to increasing paperless operations at Banner. Together with our clients, we have recently accelerated our adoption of digital solutions such as online statements, e-signatures and online account opening processes. Digitizing teller receipts has reduced our paper, ink and printing costs by \$35,000 a year, for example. And in 2021, we recycled more than 430,000 pounds of shred through one of our largest recycling partners.

We participate in a toner cartridge recycling program at all our locations and, by switching to thermal printing, we are using significantly fewer ink cartridges annually.

In 2022, we began phasing out plastic and foam bowls, plates and cups from breakroom supplies. To reduce plastic waste, we provide water coolers and reusable kitchenware.

“Banner’s commitment to its clients, communities, employees and shareholders has always been an important part of who we are. Today, Banner recognizes that a well-articulated environmental, social and governance program is a key component of our engagement with these stakeholders and a critical part of our strategy for creating sustainable value. Banner’s Board of Directors fully supports the company’s heightened focus on ESG opportunities and risks, and our Corporate Governance/Nominating Committee is committed to ensuring strong oversight of this program.”

To view the full Board of Directors statement, visit [www.bannerbank.com/esg](http://www.bannerbank.com/esg).



**Connie Collingsworth**

**Corporate Governance/Nominating  
Committee Chair**

Thank you for your interest in Banner Corporation.

We are proud of what we have achieved as an organization in pursuit of being Connected, Knowledgeable and Responsive. Our inaugural ESG Highlights Report marks a new chapter outlining our commitment to transparency on our environmental and social impacts and governance practices, and to continuing on this positive trajectory.

As well as publishing this report to keep our stakeholders abreast of ESG developments at Banner, we are working towards disclosing our ESG efforts in alignment with the Sustainability Accounting Standards Board (SASB) Standards as well as any applicable requirements of the U.S. Securities and Exchange Commission (SEC).

We also plan to share updates on our ongoing ESG efforts via our website.

[www.bannerbank.com/esg](http://www.bannerbank.com/esg)

## About this report

Banner's ESG Highlights Report aims to provide transparency in our strategy, efforts and accomplishments on ESG-related initiatives for the fiscal year ended December 31, 2021 (unless otherwise noted). We undertake no obligation to update the information in this report or otherwise notify you in the event any views, opinions or facts stated in this report change or subsequently become inaccurate. Any goals or plans discussed in this report are aspirational and/or reflect management's good faith belief as to potential future events, and we cannot guarantee or promise that they will be achieved.

In preparing this report, we worked with internal subject-matter experts to develop and review relevant content and we leveraged internal reporting experts to obtain documentation supportive of the report's content. Prior to publication, the report was subjected to multiple rounds of review and revision by a cross-functional team of colleagues. The report was also reviewed by our internal Disclosure Committee – the same group responsible for reviewing Banner's periodic SEC reports (Forms 10-Q and 10-K) – and was discussed with our Board of Directors' Corporate Governance/Nominating Committee and Audit Committee. Our Internal Audit function will also help to evaluate and improve the effectiveness of our ESG disclosure processes over time.

Data in this report may be estimated and based on assumptions. Additionally, certain information in this report has not been prepared in accordance with generally accepted accounting principles (GAAP). It has not been independently audited. Certain topics identified as particularly important to Banner and its stakeholders may be referred to as "material." The use of "material" or "materiality" in this report is distinct from, and should not be confused with, these same terms as construed in accordance with securities laws or regulations or as used in the context of financial statements and reporting.

This report does not constitute an offer or sale of any securities issued by Banner Corporation. The information in this report shall not be deemed to be incorporated by reference in any filing under the Securities Exchange Act of 1934 or the Securities Act of 1933, except as expressly set forth by specific reference. This report is for general informational purposes only, is not comprehensive and contains only voluntary disclosures.

The report should be read in conjunction with other publicly disclosed material such as our Annual Report on Form 10-K and our quarterly reports on Form 10-Q, with particular attention to the "Forward-Looking Statements" and "Risk Factors" sections of those reports.

As used in this report, "Banner" may refer to Banner Corporation and/or its subsidiary bank, Banner Bank. Additional ESG material can be found on our website at [www.bannerbank.com/esg](http://www.bannerbank.com/esg).

## For more information

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