



Q2

**Environmental,  
Social, and  
Corporate  
Governance  
Report**

JULY 19, 2023

## CONTENTS

<b>03</b>	CEO Letter
<b>05</b>	About Q2
<b>10</b>	Transforming the Banking Ecosystem
<b>19</b>	Governance, Ethics, and Compliance
<b>24</b>	Our People
<b>35</b>	Safeguarding Trust
<b>42</b>	Supporting Our Communities
<b>49</b>	Environmental Stewardship
<b>57</b>	Looking Ahead
<b>58</b>	SASB Index
<b>63</b>	Aligning with the Task Force on Climate-Related Financial Disclosures



## CEO LETTER



**At Q2, we have a steadfast commitment to making a positive impact and building a culture of positive change for our employees, customers, partners, investors, and communities.**

**Matt Flake** CEO, Q2

### **Valued Shareholders, Customers, and Team Members,**

Since its founding nearly 19 years ago, Q2 has pursued its mission to build strong and diverse communities by strengthening their financial institutions. We are passionate about our mission because we believe that local financial institutions serve their communities in unmatched and invaluable ways: empowering small businesses to create jobs and supporting individuals and families with needed financial solutions. Regional and community financial institutions are the backbone of our economy.

Amidst the recent disruptions in the banking space, we believe our technology has never been more important to our customers than it is right now. Q2's solutions enable community banks to compete with the largest banks in the world while maintaining their agility by offering localized products and services. By leveling the playing field with technology, we believe community banks are as viable, competitive, and crucial as they've ever been.

Our business has been built on our 10 Guiding Principles. These tenets, which govern every aspect of our business operations and interactions with our people, customers, and communities, have allowed us to be a strategic partner to our customers and have played a pivotal role in our growth. From acting with integrity to prioritizing customers to embracing change, these principles guide us in the continued pursuit of our mission.

We believe our ongoing focus on creating a lasting impact on the financial services industry and the communities they serve has created a foundation for long-term sustainable value for all our stakeholders. Digitization, for both our customers' businesses and our own, is closely aligned with meeting our customers' needs and operating with increasing equity and sustainability. Digital access allows financial institutions to serve their account holders remotely, reducing physical travel to and from brick-and-mortar branches and thus lowering end-user travel-related emissions. Q2 solutions remove obstacles for those who may traditionally be underserved by financial institutions, enhancing their access to the basic financial products they need to live their daily lives and improve their financial health. Our Environmental, Social, and Governance (ESG) initiatives, such as diversity, equity, and inclusion and an understanding of our environmental footprint, are closely aligned with our business strategy and represent key priorities.

At Q2, we have a steadfast commitment to making a positive impact and building a culture of positive change for our employees, customers, partners, investors, and communities. I invite you to learn more about how we are achieving this in this report. We are proud of our progress in these areas in the past year and look forward to where we go from here.

Best regards,

A handwritten signature in black ink, appearing to read "Matt Flake", with a long horizontal line extending to the right.

**Matt Flake**  
Chief Executive Officer





Q2 Holdings, Inc. (NYSE: QTWO) is a global company of more than 2,000 employees passionately pursuing Q2's mission to build strong and diverse communities by strengthening their financial institutions (FIs). We bring that mission to life through our unrelenting focus on delivering a best-in-class user experience coupled with our single platform approach to digital banking.

# About Q2



**Q2's mission:**  
to build strong and diverse  
communities by strengthening  
their financial institutions.



We serve FIs, financial technology companies (Fintechs), alternative finance companies (Alt-FIs), and other innovative companies that seek to incorporate banking into their customer engagement and service strategies. We believe we are well positioned to not only serve these diverse customers, but also connect them with one another as we create new solutions that transform the banking ecosystem.

We purpose-built our platform and solutions to enable success for our customers and technology partners. Our customers work with us to digitize their operations and offerings, differentiate their brands, and integrate traditional and emerging financial services, ultimately enhancing the experience of account holders.

Our commitment to innovation helps drive our success and growth in the markets we serve. Equally important, our corporate culture of collaboration, inclusion, and transparency and our recognition as a “Top Workplace” define us to our customers and our employees. Our mission and culture shape our success and how we work every day.

# Leading Digital Transformation within Financial Services

**>1,400**

customers

as of June 30th, 2023

**>40%**

of the Top 100 US banks  
and Top 100 US credit unions  
utilize one of our solutions

as of June 30th, 2023

**1 in 10**

digital banking customers in  
the US use our platform

as of June 30th, 2023

**~22 million**

registered users on our  
digital banking platform

as of June 30th, 2023

**~15 million**

users on Helix, our  
banking-as-a-service platform

as of June 30th, 2023

**~\$2.5 trillion**

in processed  
transactions in 2022

**>\$700 million**

of fraud stopped  
in 2022

**4.7 billion**

logins to our digital banking  
platform in 2022

## Our Headquarters

Austin, Texas

## Operational Locations

Cary, North Carolina

Sydney, Australia

Charlotte, North Carolina

London, England

Des Moines, Iowa

Mexico

Lincoln, Nebraska

Canada

Minneapolis, Minnesota

Bangalore, India

# 2,249 employees globally

as of 12/31/2022





# Our Mission

From our beginning, Q2 has been defined by our culture and commitment to building strong and diverse communities by strengthening their FIs. Our mission drives how we partner with our customers and continue delivering innovative solutions.

We seek to redefine how FIs and other financial service providers interact with their customers, and we believe people are much more than an account number and their balance. We envision a world where FIs and other financial service providers are partners to their customers—anticipating their needs, providing insights relevant to their financial security, and helping them achieve financial goals.





Q2's digital solutions transform how traditional and emerging financial services providers engage with their customers. We believe that banking will continue to be done digitally and that technology is critical to our customers' success.

# Transforming the Banking Ecosystem

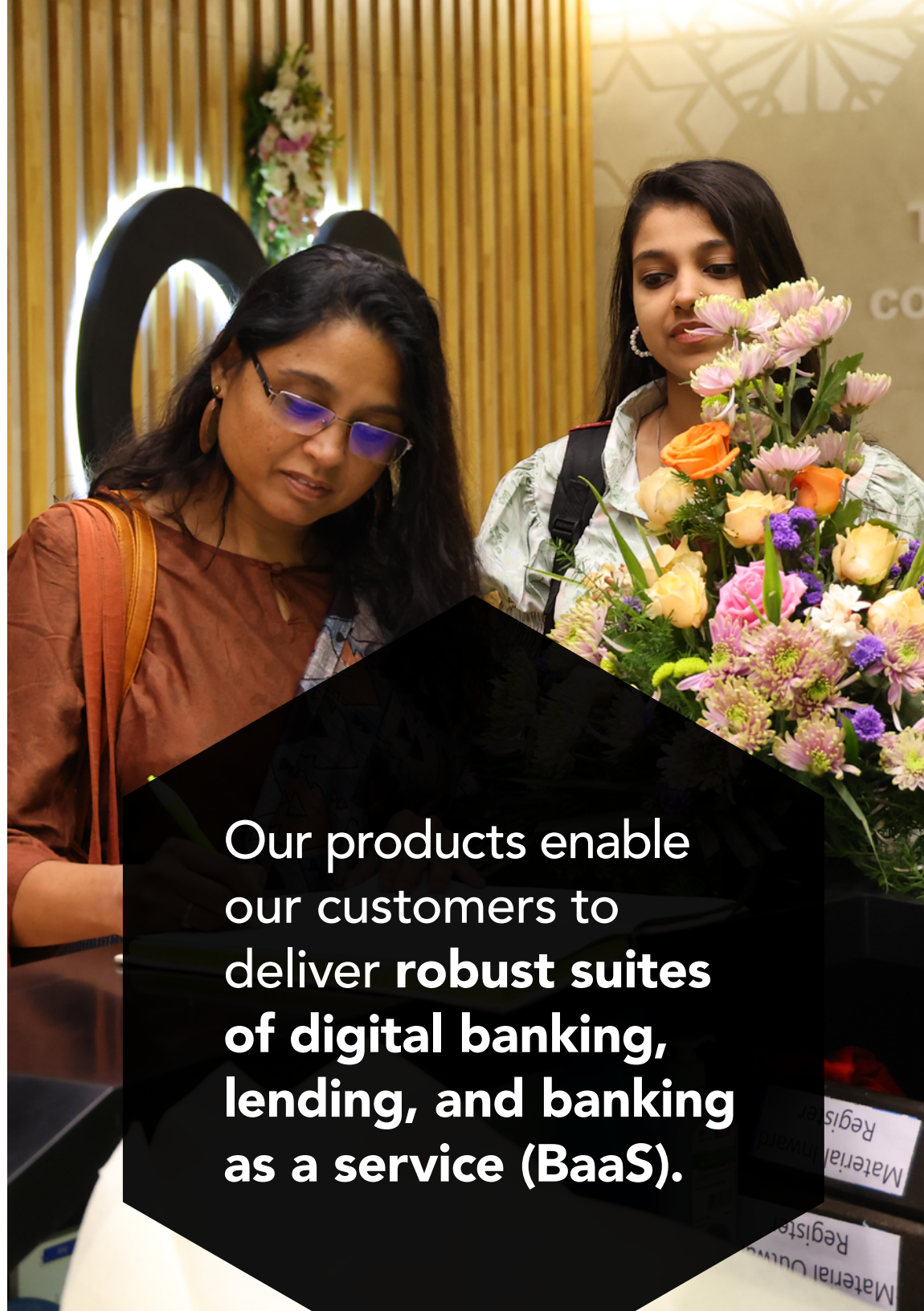




We purpose-built our platform to help Q2 customers win, retain, and grow deposits across both retail and commercial lines of business—all from a single platform. Through our platform, customers operate seamlessly across their numerous channels. Account holders can save, spend, deposit a check, obtain a loan, transfer money to family or friends domestically or abroad, or even initiate a payroll file from their business—anytime, anywhere, and on any device.

Our platform and solutions promote equitable access to banking. When a wide range of financial services are available digitally, account holders no longer need to live near a branch office or other physical location. They enjoy access to a range of services and customized solutions from their devices. We democratize the marketplace by providing regional and local FIs with access to best-in-class technology, enhancing their ability to compete for accounts and deposits.

Today, financial services are no longer limited to legacy FIs and traditional providers. We partner with a diverse mix of banks, credit unions, Fintechs, Alt-FIs, and other innovative companies that represent many different geographies and sizes. That convergence provides new and exciting opportunities to innovate, and we believe our position as the leading provider of digital banking solutions positions us well to address the new frontier in financial services.



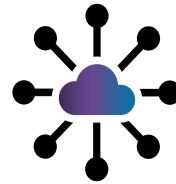
**Our products enable our customers to deliver robust suites of digital banking, lending, and banking as a service (BaaS).**

Through investments in customer-inspired innovation and acquiring leading technologies, we have continually expanded our solutions to include commercial banking, regulatory and compliance, digital lending, BaaS, digital account opening and switching, data-driven sales enablement, spending insights, and portfolio management solutions. Over recent years, our new products and solutions have included:



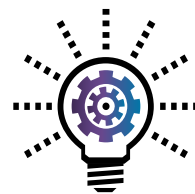
### Q2 Catalyst

an end-to-end portfolio of digital banking and lending solutions designed to serve small and medium-sized businesses and commercial customers from a single, data-powered platform.



### Helix by Q2

a modern, cloud-native core for embedded finance. Our human-centric BaaS offering enables companies to incorporate banking directly into their offers and is built for scale and differentiation.



### Q2 Innovation Studio

part of our open technology platform that accelerates innovation and enables an ecosystem of third-party Fintech partners that are embedded into the Q2 platform.

## Q2 Catalyst

Small and medium-sized businesses (SMBs) are a vital engine for growth, yet they are often underserved by banks. SMBs seek fast and intuitive ways to manage the financial aspects of their business and look for FIs that can provide secure and seamless digital banking experiences. They seek the ability to open new accounts, obtain loans, handle day-to-day transactions, and access tools for financial wellness. FIs that successfully reach this segment can create loyalty, boost engagement, and better support the communities in which they serve.

Q2 Catalyst is an end-to-end suite of solutions designed to help commercial bankers win more SMB account holders and borrowers, onboard them faster, serve them better, and grow deeper, more profitable relationships. It streamlines account opening and onboarding by automating processes and approvals, and it provides a single platform that makes it easy to aggregate, analyze, and act on data. That data helps FIs better understand their commercial customers and provides insights that support customized services so they can deliver what their customers need, when they need it.

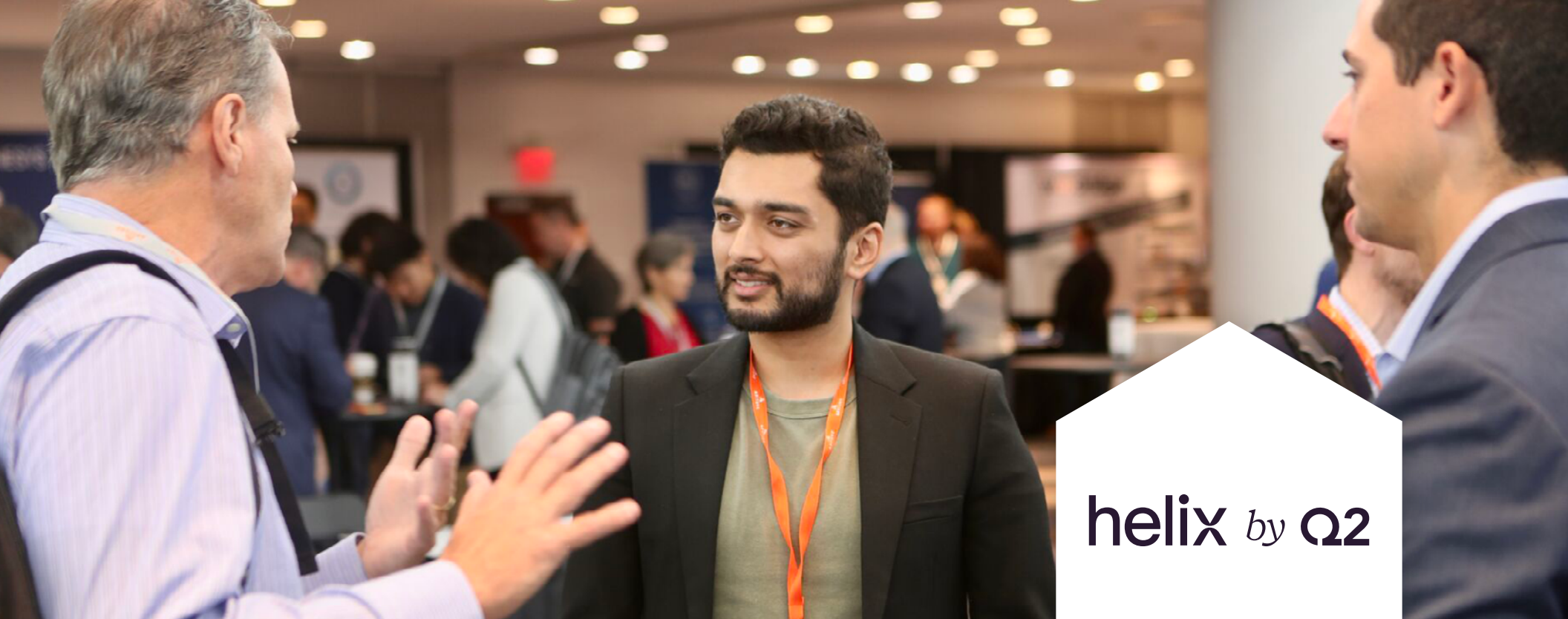


**When we look at our Q2 metrics, for example, we have a very high number of commercial clients engaging with the online platform. When you stop and realize that a physical brick-and-mortar office is not really the bank anymore—and that it's becoming the digital platform—it's time to double down on innovation.**

**Shon Cass** Cofounder, Executive Vice President  
and Chief Experience Officer, Texas Security Bank







helix *by* Q2

## Helix by Q2

Historically, consumer banking has been driven by lending, the revenue source for most U.S. FIs. As a result, consumers have only had access to generalized, often fee-based products. New platforms and lower-cost technology have enabled new business models. Using the building blocks of banking—accounts, cards, payments, data and controls, risk management, administrative tools, program management, and monetization solutions—established companies can embed banking into their products to create experiences that solve specific user problems. For Fintechs and brands, that integration means more opportunities for differentiation, interchange revenue, and increased product usage rates.

Helix serves as an embedded layer between Fintechs and innovative companies, who design the user interface and own the customer relationship; and banks of record, who are experts in compliance and regulatory matters. Helix provides data and robust controls that offer user-level and transaction-level granularity. This allows Fintechs to design human-centric, customized experiences for users of their products—and it works at scale, currently supporting approximately 15 million users and \$20B+ in transaction volume. We are enabling use-cases to give our partners the ability to provide early paycheck access to their end-users to avoid predatory payday lenders, helping independent workers manage their income and taxes, and enabling insurance brands to reduce delays in the distribution of insurance payments.

## Q2 Innovation Studio

Fintechs and other technology applications continually create unique products and distribute them in new ways. Recognizing our technology expertise and innovative customer base, we saw an opportunity to open our digital banking platform to partners and third-party developers via our Software Development Kit (SDK)—the genesis of Q2 Innovation Studio.

The SDK makes product design and development simpler and faster. For FIs, that adds up to high growth potential, enabling them to accelerate innovation with new products and services and offer unique experiences to increase account holder engagement.

**+120**

partners for  
Innovation Studio

as of June 30th, 2023

BY THE  
NUMBERS

**+300**

Q2 customers are utilizing  
Innovation Studio

as of June 30th, 2023

**+1,000**

external developers for  
customers and partners

as of June 30th, 2023

## Partner Marketplace

The Partner Marketplace brings FIs and Fintechs together under an eCommerce platform that lives in the digital banking environment. Using the SDK, Fintechs integrate into the Q2 digital banking platform, FIs adopt the products they like into their app stores, and account holders browse the app store and purchase the product. For FIs, the marketplace drives differentiation, non-interest income, and consumer loyalty.

## Partner Accelerator Program

The Partner Accelerator Program allows FIs to deploy third-party solutions directly in their account holders' digital banking environment. FIs benefit from rapid deployment and lower risk since the integration follows a standard process, and partners enjoy an expanded market.

## Customer Program

In this program, FIs use their internal resources and the SDK to personalize the Q2 platform. Q2 holds regular training sessions to ensure internal developers understand our environment and can work efficiently to make each customer's vision a reality.

## Partner Development Program

Q2 certifies third-party developers to help customers personalize their digital banking environment. For customers, that means they can leverage partner developers without internal development resources—and with developers that are already versed in the Q2 SDK, deployment happens faster.

## Q2's Innovation Studio Featured Partners





**30,000**

members enrolled  
in Smart Money

**100%**

of the users with credit  
scores of 600-639  
showed improvement

## INNOVATION STUDIO CASE STUDY:

# Improving Rally CCU Members' Credit Scores

Rally Community Credit Union (RCCU), formerly NavyArmy, serves both military and non-military members in southern Texas. Rally turned to Q2 for help supporting all their members in raising their credit scores to help them build a brighter financial future.

Through the Q2 platform, Rally's in-house technology team launched SavvyMoney through our Innovation Studio. SavvyMoney gives users daily access to their credit report and score, real-time monitoring alerts, actionable advice, and saving opportunities with pre-qualified loan offers. Nearly 30,000 members enrolled, representing approximately 25% of Rally's total online banking users.

Within twelve months, Rally saw strong results across all score ranges, and 100% of the users with credit scores of 600-639 showed improvement. Rally's use of SavvyMoney has also led to greater engagement. Members call Rally to discuss their credit scores, and credit union employees show them how to identify high-interest loans, refinance their debt, and save money.





## Equitable Access to Banking

Financial services are now more accessible than ever, which means greater inclusion—with digitalization and democratization going hand in hand. Q2 is a significant contributor to this movement. Consumers no longer must be in physical proximity to an FI. Instead, they can access their finances from their devices when and where they wish. This changing paradigm also means fewer trips to branches, leading to a lighter environmental footprint.

As the Rally case study shows, digitalization can also drive personalization. When account holders have greater access to their financial information, they are able to make better, data-driven decisions. Their FI becomes more responsive to their individual needs, creating bespoke banking experiences that were previously only offered to a small number of account holders.

## Transition to the Cloud

Q2 operates in a distributed cloud environment that enables flexibility, scalability, security, efficiency, and innovation. Cloud technology also offers environmental advantages as efficiencies reduce overall energy use of our processing systems and supports our providers as they move steadily toward offering zero carbon footprint services. In transitioning services to the cloud, we are taking a prudent, analytical approach that aligns closely with our customers' priorities.

Q2's lending, relationship management, onboarding, and BaaS solutions are all hosted in the public cloud. Q2's lending, relationship management, onboarding, and BaaS solutions are all hosted in the public cloud. Over the last twelve months, we have reduced the use of our digital banking workloads in private data centers by over 25%, migrating those to the public cloud. We plan to continue transitioning workloads in 2023 and beyond.





As a company that supports a variety of financial services critical to the success and security of our highly regulated FI customers and their individual and business account holders, ethics and compliance are central to how we work. Put simply, integrity is paramount at Q2.

# Governance, Ethics, and Compliance



We are committed to going beyond the regulatory requirements of our target markets. Since our founding, our culture has been about doing the right thing and acting with integrity. In fact, integrity is one of our [10 Guiding Principles](#), and we define it as “doing the right thing when no one is looking.” We view that commitment as an essential part of our success, one recognized by our customers.

## Compliance and Secure Services

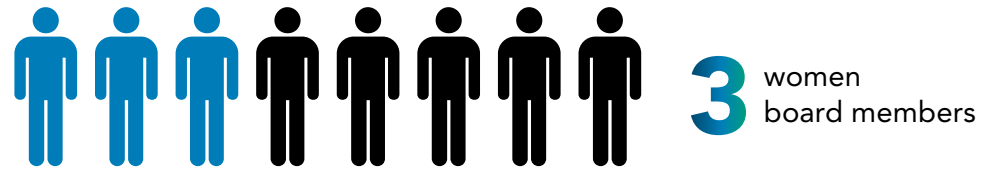
Q2 has deep expertise in technology and has made significant investments in the design and development of our data center architecture and other infrastructure—including public cloud services—to meet the stringent security and technical requirements for FIs and financial services providers. Our solutions allow our customers to satisfy security, compliance, and technical obligations by relying on our security and regulatory compliance programs. This allows our customers to avoid the significant cost and effort associated with building, maintaining, and upgrading a secure (SOC 2) environment on their own. It is one of the benefits of our solutions and a key reason why customers value our partnership.

### Q2'S TEN GUIDING PRINCIPLES

1. Do unto others as you would have them do unto you.
2. Say what you mean and mean what you say.
3. Success is 1% inspiration and 99% perspiration.
4. Change is good.
5. Integrity is doing the right thing when no one is looking.
6. Communicate! If you don't know, ask. If you don't agree, say so.
7. When in doubt, the customer is always right.
8. Watch the pennies and the dollars will take care of themselves.
9. The devil (or angel) is in the details.
10. Hard work gets noticed. Results get rewarded.

# Company Governance: Our Board of Directors

As of the date of this report, our Board of Directors (the "Board") has eight members, three of whom are women and one non-white. Six of the eight Board members are classified as independent under SEC and NYSE guidelines, and the roles of Chair of the Board and Chief Executive Officer are held by separate individuals. This separation provides strong leadership for the Board and our organization through the Chair, while also positioning our Chief Executive Officer as the leader in the eyes of our employees and other stakeholders. We also have a separate Lead Independent Director who presides over executive sessions of our Board and serves as a liaison between our independent directors and Chair.



## Independent Leadership

The Board's policy is to hold executive sessions without the presence of management as a part of all regular Board meetings and at least twice during each calendar year. The [Company's Corporate Governance Guidelines](#) provide that our Lead Independent Director shall preside over each executive session.



# Tone from the Top

Our Board of Directors and its committees play an active role in setting expectations regarding ethics and compliance. They review policies, stay abreast of best practices for corporate governance, and monitor new and emerging issues.

- **THE AUDIT COMMITTEE** oversees the quality and integrity of our financial reporting and general compliance with legal and regulatory requirements. Our Internal Audit and Compliance teams report at least quarterly to our Audit Committee on our compliance with internal controls and procedures, including our ethics and compliance training programs. Our Audit Committee maintains oversight of our Related Party Transactions Policy, which requires Audit Committee review and approval of related party transactions.
- **THE RISK AND COMPLIANCE COMMITTEE** also meets quarterly and oversees our risk management and compliance programs, information systems, and the adherence of our solutions to legal and regulatory requirements. The Regulatory Compliance, Information Security Governance, Hosting and Information Security, and Enterprise Risk teams all report to the Risk and Compliance Committee. This committee adheres to requirements outlined by the Federal Financial Institution Examination Council.
- **THE NOMINATING AND CORPORATE GOVERNANCE COMMITTEE** oversees our corporate governance guidelines, compliance with NYSE listing standards and, together with the Audit Committee, our Code of Business Conduct and Ethics. The Nominating and Corporate Governance Committee also oversees ESG strategy and related initiatives.
- Our [Corporate Governance Guidelines](#) and [Code of Business Conduct and Ethics](#) outline the expectations we have for how our Board of Directors, executives, and employees conduct themselves as representatives of Q2.



**Q2's mission and purpose continue to align our business strategy with the principles of ESG and help us to better serve and innovate on behalf of our stakeholders.**

**Peggy Taylor** Board Member, Q2



Q2's ESG strategy and related initiatives are overseen at the Board level by the Nominating and Corporate Governance Committee. Buy-in from the Board helps to align our business strategy with ESG principles such as sustainability, equality, and ethics and propels our progress in these areas.

## Our Code of Conduct and Compliance Hotline

Our employees are critical to our success, and we operate by a set of principles that guide us to be ethical and accountable to our customers, partners, communities we serve, each other, and other stakeholders in achieving our mission.

The Code of Business Conduct and Ethics is a key topic during Q2 new employee orientation, when new employees internalize the Code and affirm its importance.

Shortly after starting with Q2, new employees receive training on, among other topics, insider trading, anti-corruption measures, privacy and data protection, and how to handle confidential information. We also regularly inform our employees about our globally accessible compliance hotline, where anyone can anonymously report any ethical or compliance concerns.

**Q2 maintains a [Human Rights Policy](#) that formalizes our stance on equal treatment, respect for individual freedoms, and firm adherence to all relevant laws and regulations.**

COMPLIANCE HOTLINE PHONE NUMBERS:	
Australia	1-800-834-669
India	000-800-9190-980
United Kingdom	0808-196-5853
United States or other	1-855-754-2759





At Q2 we are as passionate about our people as we are about our mission. Our employees are drawn to our mission of building strong and diverse communities by strengthening community and regional FIs, and that mission fuels our culture. At Q2, employees experience a culture that is collaborative, inclusive, kind and fun, and firmly grounded in our 10 Guiding Principles.

# Our People





Throughout 2022, we focused on building connections and shared experiences among our employees to spark innovation and nurture our engaged, mutually supportive workforce. We increased internal promotions, a key indicator of internal career growth and a healthy business. We were also proud to continue our commitment to pay equity and expand our benefits package.



## Recognition as a Top Workplace

In 2022, Q2 was recognized as one of Austin American-Statesman's Greater Austin Top Workplaces, marking our twelfth consecutive year on the list. The award is based on employee surveys and represents outstanding benefits, policies, and workplace culture.

In Built In's 2023 Best Places to Work Awards, Q2 earned a place on the U.S. 100 Best Large Places to Work, Austin's 100 Best Places to Work, and Atlanta's 100 Best Places to Work. The annual awards program includes companies of all sizes, from startups to those in enterprise markets, and honors companies in large tech markets across the U.S.

We were also recognized by Energage as a winner of the 2023 Top Workplaces USA awards. Winners were selected based on employee feedback gathered through an engagement survey, and results were calculated by comparing the survey responses with industry benchmarks.



Q2 has been recognized

**12** years in a row



Q2 earned a place on the U.S. 100

**Best Large Places to Work**

# Diversity, Equity and Inclusion

At Q2, diversity, equity, and inclusion (DEI) are core tenets of our organization. We define diversity broadly, encompassing dimensions such as race, ethnicity, age, sex, gender identity, sexual orientation, neurodiversity, physical ability, and veteran status. The outcome we seek is one where a rich diversity of perspectives, ideas, life experiences, and values inform all aspects of our work, every day.

We weave DEI into our business functions, strategy, and engagement efforts, which is consistent with our mission of building strong and diverse communities by strengthening their FIs. The diversity of our employees, partners, customers, internal and external stakeholders, and the communities we serve across the globe enriches our contributions from product requirements to market opportunities to talent markets.

We promote an equitable and inclusive work environment where employees feel safe expressing their ideas and perspectives, feel they belong, and believe they are treated equitably in relation to their roles, experience, and contributions. Inclusivity is central to how we operate, and we create policies and procedures that are intended to support equitable access to resources and opportunities. Q2 recognizes that DEI work is a continuous process, and we provide content, training, and learning opportunities on related topics.

**Inclusivity is central to how we operate, and we create policies and procedures that are intended to support equitable access to resources and opportunities.**





In 2022, we developed a foundational DEI strategy to strengthen our employee and community interactions and initiatives. We also designed and implemented an operating framework for DEI, including processes and procedures to benefit current and future Q2 team members. Other highlights include:



### EMPLOYEE RESOURCE GROUPS (ERGs)

We continued to expand, strengthen, and mature our network of ERGs, which now includes five groups serving our Asian Pacific Islander, Black, Latinx, LGBTQIA+, and women communities.



### WOMEN IN LEADERSHIP

Of employees in director roles and higher, 33% of those were women, reflecting a multi-year initiative to identify and develop women at Q2.



### EMPLOYEE EVENTS:

We held more than 30 virtual and onsite DEI events to build cultural awareness and celebrate diversity including our new “Critical Conversations” series that strengthens inclusion and belonging through discussions with global leaders.

# Proven Commitment towards a More Representative Leadership Team

DIRECTOR+: US NON-WHITE REPRESENTATION	
12/31/2017	<b>8%</b>
12/31/2022	<b>18%</b>



## 5 years of progress

DIRECTOR+: GLOBAL FEMALE REPRESENTATION	
12/31/2017	<b>22%</b>
12/31/2022	<b>33%</b>



Looking ahead, we intend to focus on strengthening our ERGs and delivering DEI training to more employees. To support a diverse workforce, we seek to increase awareness of Q2 as an employer, and we are building partnerships with diverse-led and diverse-serving organizations.



# Q2 Employee Gender, Racial, and Ethnic Diversity

As part of our DEI strategy, we monitor key statistics and internal dashboards that measure our progress towards a more representative workforce.

## DEI Balance<sup>1</sup>

LEVEL <sup>2</sup>	FEMALE	MALE	NON-WHITE	WHITE
Executive Vice President	10.0%	90.0%	22.2%	77.8%
Senior Vice President	20.0%	80.0%	15.0%	85.0%
Vice President	30.6%	69.4%	17.2%	82.8%
Senior Director	50.0%	50.0%	13.8%	86.2%
Director	35.8%	64.2%	19.6%	80.4%
Senior Manager	35.7%	64.3%	16.0%	84.0%
Manager	40.3%	59.7%	25.0%	75.0%
Individual Contributor	34.7%	65.3%	32.2%	67.8%
All Levels Combined	35.0%	65.0%	30.0%	70.0%

<sup>1</sup> Data as of 5/12/2023

<sup>2</sup> Gender numbers reflect Q2's global workforce. Race and ethnicity data is for U.S. only. Gender and ethnicity are self-identified. Diversity, equity, and inclusion has long been an important initiative for Q2, and the reported numbers reflect a noteworthy improvement from prior years. We seek to make further advancements at all levels.

# Pay Equity

We conduct equity studies to uncover potential disparities in how we compensate our employees. This table shows data on the base salary compensation of our employees, categorized by level and gender.

## Pay Equity

LEVEL*	MARCH 2022		MAY 2023	
	FEMALE	MALE	FEMALE	MALE
Vice President	0.99	1.01	1.03	1.00
Senior Director	1.00	1.01	1.02	1.06
Director	1.04	1.03	1.05	1.06
Senior Manager	1.04	1.07	1.05	1.06
Manager	1.05	1.06	1.08	1.06
Individual Contributor	1.01	1.02	1.02	1.03
All Levels Combined	1.02	1.02	1.02	1.03

\*The numbers provided represent the ratio of the average employee base salary at the specified level to the average current market rate for such level as defined by Q2's competitive pay practice. Pay equity has long been an important initiative for us and the reported numbers reflect a noteworthy improvement from previous years. For certain title levels, employee participation is relatively low, which may make the reported numbers less statistically significant. We seek to make further advancements at all levels.



# Strategic and Operational Alignment

Q2 uses objectives and key results (OKRs) methodology to drive greater adaptability and responsiveness to market fluctuations and customer needs. OKRs connect and align teams with clarity on intent and direction while focusing on measurable outcomes—generating data to help us learn over time.

We use OKRs to create team and individual goals. After each quarter, we assess results to create and share new key goals. Additionally, some teams have key performance indicators (KPIs) created within the team to drive specific requirements.

OKRs help employees focus on the best possible outcomes from their

efforts and make it easier to see how their work contributes to our collective success. It highlights areas for cross-functional collaboration and support so everyone at Q2 has equitable access to the tools and resources that allow us to do our best work. OKRs also benefit customers since they emphasize anticipating their needs—and responding quickly.

Employees participate in a formal performance evaluation annually, as well as feedback sessions, which include written assessments, manager-team member discussions, and an annual performance rating. We request voluntary colleague feedback during each performance cycle.



# Development from Within

Given the fast-evolving landscape of our business, Q2 focuses on iterative goal setting and investing in our employees' growth and learning. Thanks to our strong internal talent pipeline, over one-quarter (26%) of our requisitions were filled internally in 2022. We continue to focus on talent development to broaden and enable our recruiting and leadership teams to advise and deploy even more inclusive recruitment practices and to support our growth.

## Onboarding New Hires

When people join the Q2 team, they participate in an immersive, four-day new hire orientation journey through our culture, products, and markets. In addition, the orientation includes a deeper dive into our Code of Business Conduct and Ethics and our values and our 10 Guiding Principles. We also establish our expectations for behavior and conduct.

During orientation, employees spend time with our CEO and other executive team members, opening communication channels, and reinforcing our commitment to our mission and values. While this program is a substantial investment in time and resources, we consider it an essential introduction to who we are as a company. The program also helps new team members become productive in their new working environment.

After orientation, employees participate in a 90-day sequence of activities to further their integration into the Q2 team and provide any specialized training they may need.


## Leadership Development

In 2022, Q2 welcomed 71 leaders to our Leadership Academy. The Academy focuses on developing the skills necessary to succeed in new or expanding roles through workshop-intensive training sessions, guest speakers from our leadership team, and coaching and mentoring opportunities.

We expanded our leadership development offerings by launching a nine-month program for our most senior team leaders. Each cohort works as a cross-functional, collaborative team to tackle Q2's business challenges. Participants are also required to complete online leadership courses through eCornell.

Remote learning opportunities include:

- Corporate Ethics and Our Code of Conduct
- Performance Development
- Giving and Receiving Feedback
- Coaching and Teambuilding
- Diversity, Equity and Inclusion
- Building Customer Relationships
- Effective Presentations
- Executive Presence
- Project Management 101
- Recognizing Bias in Hiring
- Understanding Q2 Financial Performance and Economic Macrotrends



In 2022, Q2 Team Members completed  
**97,572**  
hours of learning.



# Employee Benefits and Culture

We are a people-centered company, and our benefits package is part of that commitment. Our Total Rewards package includes health and wellness benefits, generous paid time off, 401(k), an employee stock purchase program, and performance bonuses. We have continually evolved our benefits, introducing several new programs in 2022:



## Family planning benefits

We expanded our benefits with Progyny, a global benefit covering fertility treatments and providing support for adoption and surrogacy. Progyny augments existing U.S. benefits for fertility treatment, fertility preservation and medication, genetic testing, and unlimited clinical and emotional support. We provide an adoption and surrogacy reimbursement of \$10,000 per calendar year.

## Supporting financial wellness

WellCents helps U.S. employees create confidence in their financial lives with a focus on a successful and secure retirement. It includes a financial wellness assessment and customized action plan, group workshops, and one-on-one meetings with advisors.

## Expanding health benefits

In India, we introduced outpatient care benefits that offer financial support whenever covered individuals seek healthcare services. In the U.S., we added Bloom Pelvic Health Therapy, a service offering comprehensive care for pelvic disorders, reproductive health, and bladder and bowel disorders.

## Employee Stock Purchase Program (ESPP)

45% of eligible employees opted to enroll at year end.



# Engaging Our Team

We conduct an annual engagement survey and regular pulse surveys to assess employee satisfaction and identify opportunities to increase engagement. In 2022, 88% of Q2 employees responded to our annual engagement survey, an increase of three percentage points compared to 2021 and well above our peer company average of 71%. The survey offered valuable insights into our team, including that:

- Our team felt that Q2 operates by strong values.
- Employees reported that their managers care about their concerns, and they felt genuinely appreciated.
- Employees believed that Q2 encourages them to express different points of view.

Beyond these points, we routinely assess areas of opportunity for improvement through this process and develop action plans to drive organizational change as we aspire to serve our employees as they serve our customers. We supplement our annual engagement survey with regular pulse surveys to stay current, measure real-time satisfaction of employees, and identify opportunities to further foster employee engagement.







Risk management, information security, and data privacy are paramount to Q2, particularly as a Technology Service Provider governed by the Federal Financial Institution Examination Council (FFIEC). We recognize that account holders and businesses rely on their FIs to maintain a secure environment, and our customers rely on us to do the same. To continue to earn their trust, we keep a sharp focus on staying ahead of security issues.

# Safeguarding Trust



Trust is a matter not only of systems but also of leadership. In October 2022, Q2 Chief Availability Officer Lou Senko was named the winner in the Large Corporate category in the 2022 Central Texas CIO of the Year ORBIE Awards, presented by the Central Texas CIO Leadership Association. The award recognized Q2's ability to deliver at scale with industry-leading uptime, quality, and security.



“

**Q2 serves more than 1,400 customers and 22 million end users around the globe, and it is imperative that our customers have full confidence in our ability to deliver best-in-class digital banking and lending solutions and an excellent end-user experience. I am a big believer that people work for people, and as a leader, my most important task is to build a team of leaders that people want to work for.**

**Lou Senko** Chief Availability Officer, Q2

”

# Risk Management Program

Effectively managing risk requires a structured and clearly defined risk management process. Our Enterprise Risk Management (ERM) program is the cornerstone of our efforts to identify and manage risks in alignment with our risk framework. The Board's Risk and Compliance Committee receives reports on the ERM quarterly, and our senior management meets at least quarterly to review ERM. As part of the program, we:

- Designate a Risk Program Coordinator to lead implementation.
- Conduct annual assessments to identify, categorize, and record reasonably foreseeable risks.
- Ensure remediation initiatives and plans are defined, implemented, monitored, and tested.
- Adjust ERM annually or sooner as needed, based on observations from monitoring and testing, and evaluate risk trending.

While risk is overseen at the Board level, the Risk Program Coordinator serves as the program manager. Their role includes consulting with and surveying responsible process owners to identify areas that are susceptible to risk, maintaining a list of Q2 areas and entities identified through that process, and ensuring that teams develop, document, and update mitigation plans.

The level of risk monitoring depends on the potential impact and likelihood of the risks and the sensitivity of the information. Monitoring can include sampling, system checks, reports, reviews of logs and audits, and other reasonable measures.



# Data Governance and Policy

Q2 places high priority on data governance and privacy and we recognize that challenges and risks will only increase. We are committed to complying with contractual and regulatory requirements, harmonizing data and data practices across the distributed cloud, carefully retaining and disposing of data, and meeting our privacy obligations. With strong data management capabilities, we sustain our capacity to deliver on our obligations while reducing costs and risks and maintaining our strong stance on data privacy.

In 2022, we continued to follow the data governance roadmap we introduced the previous year as part of our multi-year initiative to transform our culture. The roadmap builds on our established privacy program. It includes four pillars:

- Privacy and governance framework
- Metadata collection
- Data privacy
- Privacy training and assessment

Our premise is simple: organizations don't become data-driven by chance but through a well-executed strategy. Our vision is brought to life by radical differentiation, understanding our customers/users, and achieving scale.

## The Roadmap's Pillars



**Privacy and  
Governance  
Framework**



**Metadata  
Collection**



**Data  
Privacy**



**Privacy Training  
and Assessment**

We emphasize the role and importance of data across the development cycle. For example, when we design products, we start with governance in mind, considering how we will collect, manage, and dispose of data.

We have taken extensive measures to protect customer and account holder data as outlined by the EU General Data Protection Regulation (GDPR), California Consumer Protection Act (CCPA), and other applicable laws. The GDPR, CCPA and similar laws impose obligations on the collection, processing, storage, disposal, use, and disclosure of personal information and require that financial services providers maintain and enforce policies for information privacy and security.

Under many of these laws, Q2 is required to provide consumers with notice of its policies and practices for sharing nonpublic information with third parties, provide advance notice of any changes to those policies, and, with limited exceptions, give consumers the right to prevent the use of their nonpublic personal information or its disclosure to unaffiliated third parties.

In addition, Q2 is committed to strict data encryption standards that all employees and contractors must follow.



**When we design products,  
we start with governance  
in mind, considering how  
we will collect, manage,  
and dispose of data.**

# Data Security

Protecting data is vital to the trust our customers and users place in Q2 and the distributed cloud. We take a zero-trust approach, which assumes that individuals, devices, and services that seek to access company resources cannot automatically be trusted—including those inside our network. We verify those users each time they request access even if they were authenticated earlier. We partner with industry leaders such as Gartner to remain

best-in-class and stay ahead of the curve in safeguarding our customers.

To avoid breaches and other data security risks, we invest in state-of-the-art security for our data and systems, use a Privileged Asset Management approach to manage database access, and educate our teams on data security. We train our developers to build security features into their code, further protecting data.

A user-friendly interface allows administrators to define policies and thresholds, leverage predefined or create custom masks to anonymize sensitive data for selected groups of users, monitor traffic, and alert if suspicious activity patterns are identified.

Q2 works with many third-party vendors, suppliers, consultants, and other business partners. The Board of Directors and Q2 management are responsible for ensuring that the risks of using third parties for Q2's critical operations are fully understood. We have an extensive program to assess and mitigate risks related to our relationships with third parties, including oversight to monitor third-party operational controls, financial condition, and contractual performance. We have controls for selecting and managing third parties that encompass initial and subsequent periodic assessments of their security measures, financial position, service-level performance, and regulatory compliance.

In early 2022, the National Institute of Standards and Technology (NIST) released Special Publication 800-53A Revision 5, Assessing Security and Privacy Controls in Information Systems and Organizations. We are using the publication's framework as a template as we continue to update and further strengthen our security and privacy controls.

We continue to focus vigilantly on protecting the data of more than 22 million users. In 2022, we dramatically reduced the number of attempted cyberattacks on Q2. Looking ahead, we will continue to partner with industry experts as we strive to stay ahead of attacks, recognizing the trust our customers place in us and the trust that account holders place in our customers.



# Our Information Security Program

Information Security has always been a top priority for Q2. To protect private information and data and to comply with federal laws, Q2 has adopted an Information Security Program (ISP). The ISP applies to sensitive financial information Q2 receives in the course of business, as required by law, and other confidential financial information Q2 has voluntarily chosen as a matter of policy to include within the ISP's scope. The ISP was created to follow the NIST Cyber Security Framework and the standards outlined in the Gramm-Leach-Bliley Act and the Payment Card Industry Security Standards Council.

Q2 takes comprehensive measures to protect its infrastructure, network, and applications. An integral part of safeguarding customer and account holder data requires building and growing a culture of security and privacy awareness. All Q2 employees must agree to security policies before accessing Q2's systems. Employees also take part in mandatory annual security and data privacy training.

We regularly monitor our systems to reasonably ensure that safeguards are being followed and to measure security control performance. Q2 tests employees monthly with social

engineering campaigns, including phishing e-mails, links to invalid websites, and other techniques to raise Q2's and its employees' awareness of these types of vulnerabilities and how we are performing against them.

If any security breach occurs, Q2's policy is to respond in accordance with a planned and coordinated process to detect, identify, protect from, respond to, and recover from the incident. We regularly employ third parties to test our security practices and proactively identify weaknesses so they can be addressed promptly.





At Q2, our mission is to build strong and diverse communities by strengthening their financial institutions.

Q2's customers include many regional and community FIs which have historically been at the center of the growth in their communities. Those FIs help local businesses get loans to expand and grow, provide funding for local infrastructure and school projects, and provide financing for new home construction for local families. They often serve small businesses and other community members who depend on financial services providers for relevant and personalized services.

# Supporting Our Communities



While our day-to-day work and expertise are in software solutions, we are committed to extending our impact beyond the technology we build to the customers we serve. During 2022, we deepened that commitment through our Corporate Social Responsibility program, Q2 Spark, and its new initiative, the Q2 Philanthropy Fund. We also continued to serve communities through summer internship programs, philanthropic programs at Q2 Stadium, and the Q2 Compassion Fund that helps employees experiencing hardship and disasters.

## Q2 Spark

Our corporate social responsibility program, Q2 Spark, ignites a community of philanthropists within Q2 that serves local communities. Q2 Spark kicked off in late 2021 with the largest employee matching-gift opportunity in the company's history: our employees contributed more than \$100,000 that Q2 matched dollar for dollar.

We support our team as they volunteer for the causes of their choice. For every two hours a Q2 employee volunteers, we donate \$50 per

quarter to the nonprofit organization of the employee's choice. Teams can also participate, earning \$500 for an organization when ten or more employees volunteer together. Employees can also redirect points earned in our internal award program to benefit nonprofits.

In 2022, Q2 employee and corporate donations totaled \$1,041,125 to benefit 414 charities worldwide. Employees volunteered 9,071 hours at 216 philanthropic organizations.

**Q2 | SPARK**  
IGNITING A COMMUNITY OF PHILANTHROPISTS

2022 Recap

**\$1,041,125**

total employee and  
corporate giving donations

**9K**

total volunteer  
hours

**110%**

increase in employee  
volunteer hours YOY



# Introducing the Q2 Philanthropy Fund

As we deepen our work with nonprofits, we have looked for ways to make it easier to apply for grants from Q2. Our new Q2 Philanthropy Fund is led in partnership with Austin Community Foundation, a grantmaking public charity. Each year, a committee of Q2 employees will review nominations and use objective criteria to select grantees.

In November, we announced the inaugural grants, and \$120,000 in funding was awarded to 12 recipients. The 2022 grantees include organizations that work to build strong and diverse communities in Nebraska, North Carolina, India, and Texas.

## 2022 Grantees



**BIG LOVE CANCER CARE**  
Austin, TX



**CEDARS HOME FOR CHILDREN** Lincoln, NE



**CHEYANNA'S CHAMPIONS 4 CHILDREN (CC4C)** Austin, TX



**GIRLSTART**  
Austin, TX



**JUNIOR ACHIEVEMENT OF LINCOLN, INC.** Lincoln, NE



**KEEP AUSTIN BEAUTIFUL, INC.** Austin, TX



**MOBILE LOAVES & FISHES**  
Austin, TX



**MULTICULTURAL REFUGEE COALITION** Austin, TX



**RONALD MCDONALD HOUSE CHARITIES OF CENTRAL TEXAS** Austin, TX



**SAFE ALLIANCE**  
Austin, TX



**THE AKSHAYA PATRA FOUNDATION** Bangalore, India



**TRIANGLE LAND CONSERVANCY** Cary, NC

# Q2 Stadium

Through our sponsorship of Q2 Stadium and partnership with Austin FC, Austin's major league soccer team, we extend Q2's philanthropic footprint through volunteering and fundraising events. In 2022, Q2 employees volunteered 586 hours at stadium events and partnerships. Efforts in 2022 included:

- The annual Q2 Dodgeball Tournament, a proud company tradition that raised more than \$120,000 for JDRF.
- More than \$250,000 in grants to philanthropic organizations and minority-owned businesses in Central Texas.
  - Q-munity: Austin FC and Q2 awarded three separate \$50,000 grants to three nonprofit organizations that focus on the advancement of underrepresented communities through the following impact areas: Education, Job Skills & Readiness, and Health & Wellness.
  - Dream Starter: An annual competition to help support Austin's diverse communities and reward Austin's next great entrepreneur with \$100,000 to support the venture.
- Austin's largest blood drive in 2022, hosted at Q2 Stadium.





## The Q2 Compassion Fund

At Q2, we take care of each other. The Q2 Compassion Fund is a way for Q2 Team Members to support colleagues facing financial hardship after a natural disaster or an unforeseen personal hardship. The fund relies primarily on individual donations from employees and funding from Q2. In 2022, Q2 employees continued fundraising to support the Compassion Fund.



## Summer Internship Program

Our U.S.-based Summer Internship Program lasts 12 weeks, offering participants the opportunity for weekly classroom training sessions with Q2's senior executives, activities with other Q2 interns, and the opportunity to present to the executive leadership team at the end of the program. Interns also participate in a community service project during their internship.

In 2022, we welcomed our most diverse intern class to date. Over half were non-white and over a third were female. Of our intern class, 20% went on to join Q2 as full-time employees.



# 20%

of the 2022 intern class  
joined Q2 as full-time  
employees



## Other Programs and Partners

We have found several paths to give back to our communities either directly or through rewarding relationships with talented partners who can help us reach new audiences and live up to our values. These programs include:



**AFRICAN AMERICAN LEADERSHIP INSTITUTE (AALI)** fosters connections to create long-term action and build equity, opportunity, and a higher quality of life for all of Austin's citizens. Q2 is one of the first corporate sponsors of AALI, which focuses on increasing civic awareness, advancement opportunities, and employee retention for Austin's black population.



**AKSHAYA PATRA FOUNDATION** tackles childhood hunger and malnutrition through its Mid-Day Meal Program, which provides one wholesome meal a day to children in schools. Bangalore-based Q2 team members volunteer their time in prepping and serving meals, and Q2's funding supported a meal-delivery vehicle.



**DELL CHILDREN'S MEDICAL CENTER OF CENTRAL TEXAS** has been a Q2 partner for many years, and we are proud to support their mission to provide excellent care for children and their families when they need it most. Underscoring our commitment, Q2 team members lend their time and energy to Dell Children's fundraising efforts, and CEO Matt Flake has the honor of serving on the Dell Children's Foundation Board of Trustees.



**HOMES FOR OUR TROOPS** is on a mission to build and donate specially adapted custom homes for severely injured post-9/11 Veterans to help them rebuild their lives. In the spirit of Q2 Spark, Homes for Our Troops was selected by employees who are military veterans, and Q2 committed to sponsoring a Key Ceremony where a veteran receives keys to their new home.



**THE TREVOR PROJECT** is the world's largest suicide prevention and crisis intervention organization for LGBTQIA+, or lesbian, gay, bisexual, transgender, queer, and questioning young people. Last year, we organized a lunch and learn for our employees about the organization and made a sizable donation to support its activities.



**JDRF'S** mission is to improve lives by accelerating life-changing breakthroughs to cure, prevent, and treat Type-1 diabetes and its complications. In 2022, we held our annual Q2 Dodgeball Tournament, a proud company tradition that raised more than \$120,000 for JDRF.



**TEXAS CONFERENCE FOR WOMEN** honors the importance of diverse communities. By sponsoring events such as the Texas Conference for Women, we prioritize fresh perspectives and help highlight the importance of inclusion networking groups and collaboration programs that address the needs of diverse groups, including the LGBTQIA+ community, people of color, and more.

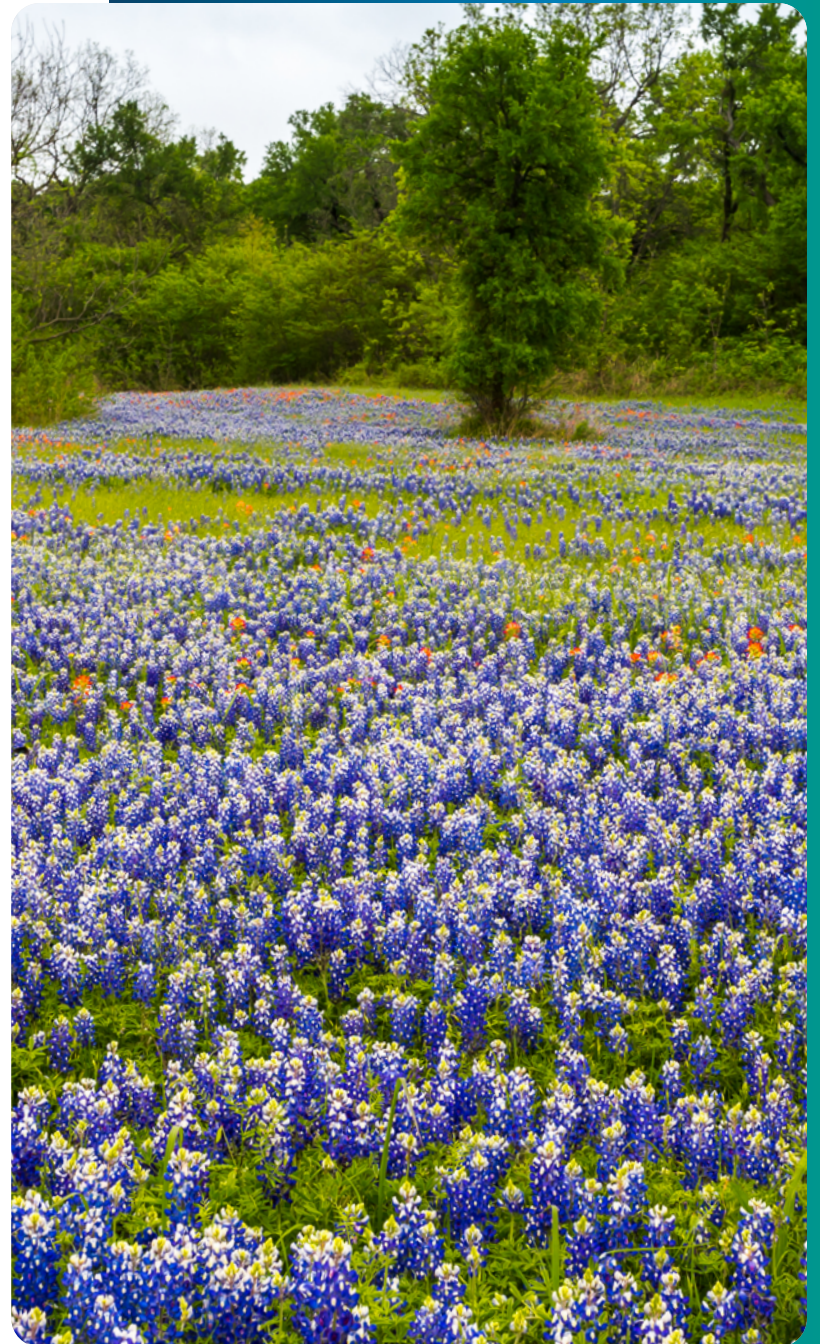
**\$1,041,125** in corporate and employee donations, supporting **414** charities worldwide






Protecting the environment is a priority for Q2 and it is consistent with our values as a company and the values of many of our employees. As a software provider, our footprint is modest and limited to the electricity we use in our offices and data centers, the environmental impact of our business travel, and our office and tech waste. More importantly, the nature of our products reduces the need for people to travel to bank branches, avoiding energy use and associated greenhouse gas emissions altogether.

# Environmental Stewardship







We protect the environment through five key strategies:

**Managing** the impact of our offices

**Reducing** employee commuting and travel time through our Coordinated Flexibility approach

**Delivering** products and solutions in an energy-efficient manner

**Engaging** our employees in our mission of corporate stewardship

**Measuring** our impact

**We believe global climate change is a serious environmental, economic and social challenge that requires a focused and serious response by the public and private sectors. We are continuing to assess climate risks and have begun to align our approach with the Task Force for Climate Related Financial Disclosures (TCFD). A more robust breakdown of our approach can be found on Appendix page 63.**

## Avoided Emissions from our Solutions

Our products are designed to enable remote banking and reduce the need for people to travel to physical customer locations like bank and credit union branches. In many cases, we help our customers reduce the need to maintain physical locations or build and run their data centers. We have estimated that the *avoided* emissions from fewer trips taken to bank branches may significantly offset our operational greenhouse gas emissions.

### Avoided emissions

by reducing the need for people to travel to physical locations like bank and credit unions



Q2's own greenhouse gas emissions



A net benefit of Q2



## Sustainable Offices

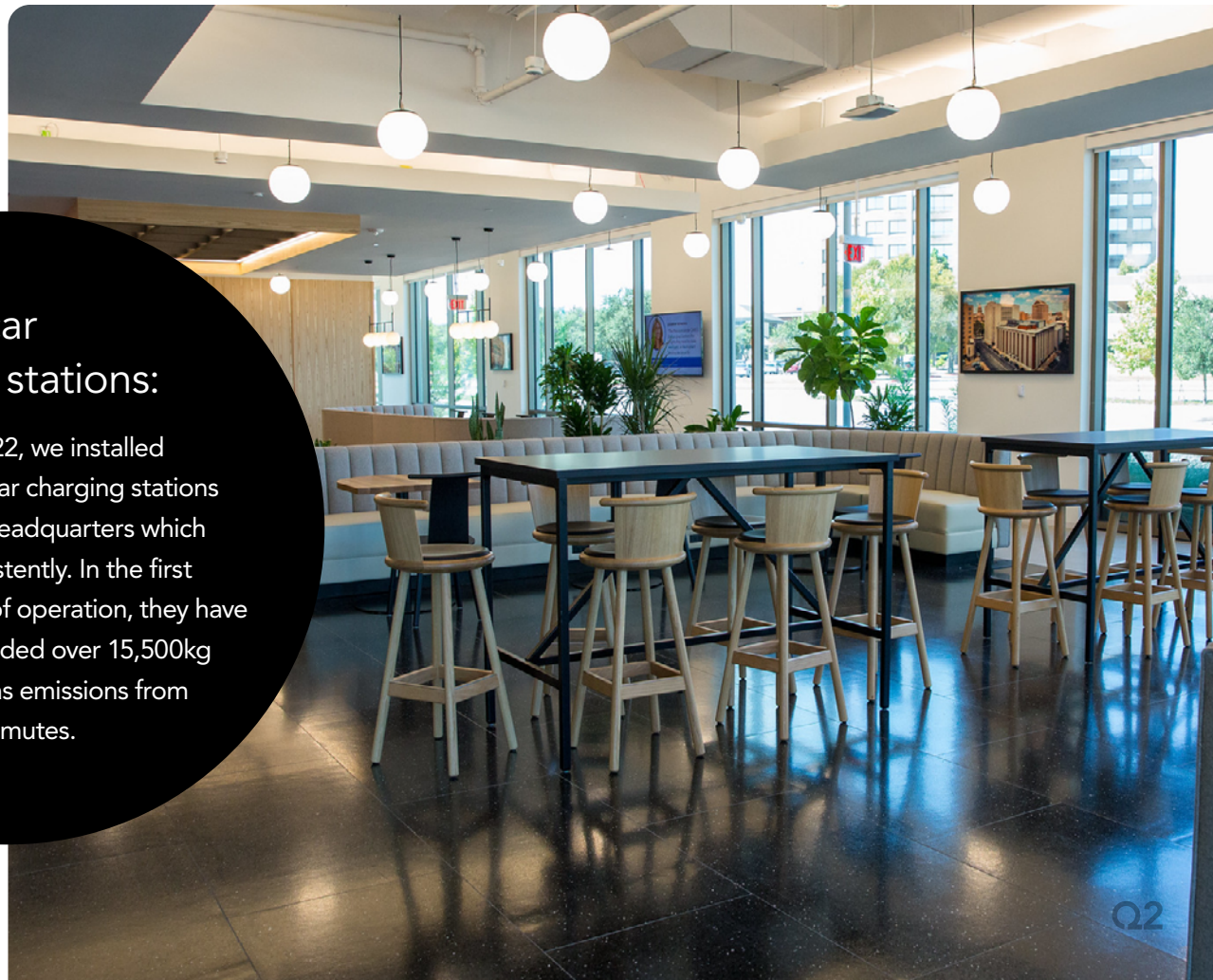
As employees returned to the office following the pandemic, we retained a flexible approach to the workplace through our Coordinated Flexibility program. We have significantly reduced our office space footprint—cutting our associated utility consumption and emissions.

In our Austin HQ, we installed needlepoint bipolar ionization (NPBI) air-cleaning technology in our offices and elevators. NPBI improves air by reducing airborne particulates, odors, and pathogens, delivering indoor air free of ozone and other harmful byproducts.



### Electric car charging stations:

In October 2022, we installed eight electric car charging stations at our Austin headquarters which are used consistently. In the first eight months of operation, they have effectively avoided over 15,500kg greenhouse gas emissions from employee commutes.





Other sustainable features of our headquarters and surrounding campus include:

- **LEED (LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN) CERTIFICATION:** Over two thirds of Q2's office space is at our headquarters, where the Aspen Lake 2 building is LEED Silver certified and Aspen Lake 3 is certified to LEED standards for core and shell development.
- **LIGHTING:** 100% of our lighting is LED. In office interiors, we use motion sensors and run lights below 60%, increasing the drivers' efficiency and life. We use daylight harvesting for perimeter lights and our exterior lights are on a photocell.
- **ROOMLESS ELEVATORS:** Building elevators are mounted in the elevator shaft, eliminating the need for a separate room and the accompanying HVAC (heating, ventilation and air conditioning) systems.
- **WATER FOR OFFICE INTERIORS:** Our water heaters feature a high-efficiency recirculating pump that provides hot water on demand. All toilets and sinks are auto-operated and low-flow.
- **IRRIGATION:** In flower beds, we have drip lines to eliminate waste. We use high-efficiency heads throughout the irrigation system.
- **HVAC:** We use high-efficiency HVAC units and have GPS air purification systems in the Aspen Lake 2 and Aspen Lake 3 buildings. We also use a condensate recovery system that captures all the water from the HVAC system and uses it to water oak trees on our grounds—eliminating the need to irrigate them.
- **OFFICE RECYCLING:** Our physical office locations offer single-stream and electronic recycling, including battery recycling. In 2022, we recycled more than 50,000 lbs. of waste from our HQ in Austin, Texas.
- **REDUCING WASTE:** We have reduced waste by eliminating single-use plastics and offering reusable utensils and soda fountains. We also recently launched a food composting program at our HQ which has already produced 1,815 gallons of composted materials.

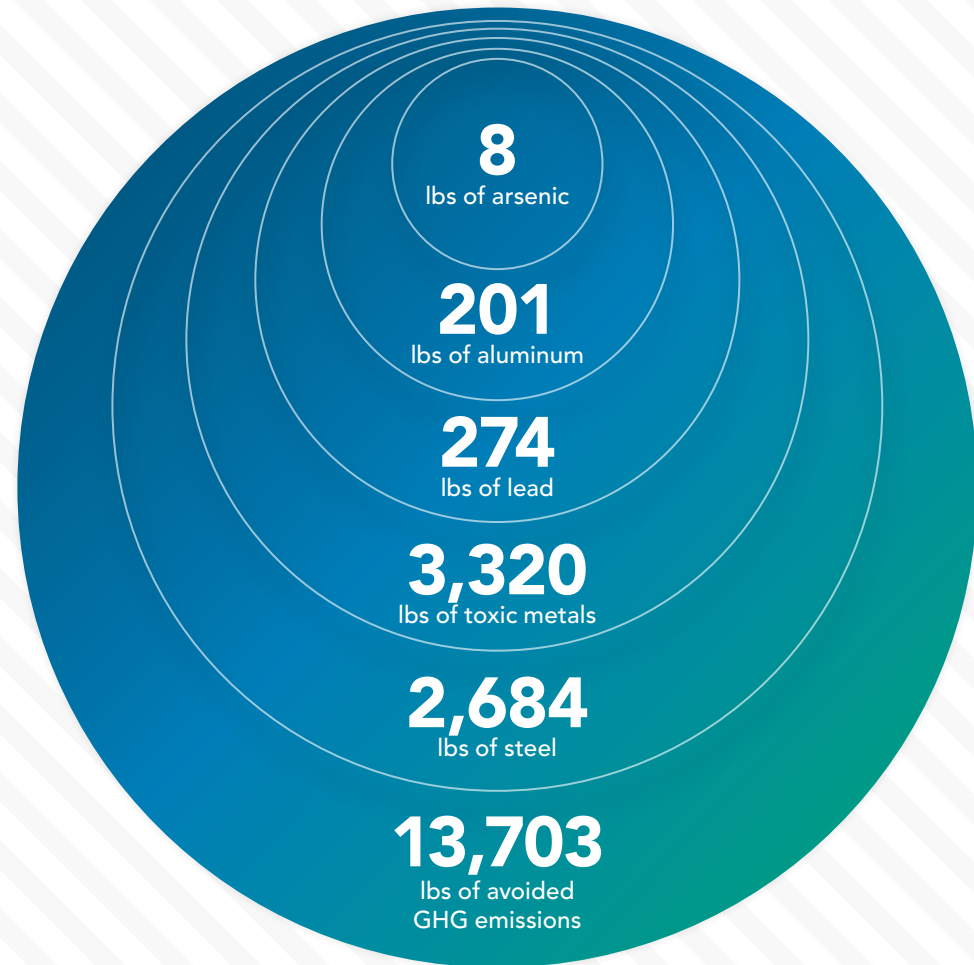
Looking ahead, we seek opportunities to insulate our headquarters campus to increase energy efficiency in large meeting spaces. We are also investigating solar panel installation.

# Electronics Recycling

We ensure that the electronic equipment we no longer need from our offices and data centers is properly disposed of and handled by reputable recyclers. That includes laptops, servers, mobile devices, and other equipment that has reached the end of its useful lifecycle. In 2022, our electronics recycling efforts resulted in 13,703 lbs (6,216 kg) of avoided GHG emissions. In addition, hundreds of pounds of hazardous materials, such as lead and arsenic, were diverted from landfills.

## ELECTRONICS RECYCLING

by the numbers



**9,831 lbs**

lbs. of electronics diverted from landfill

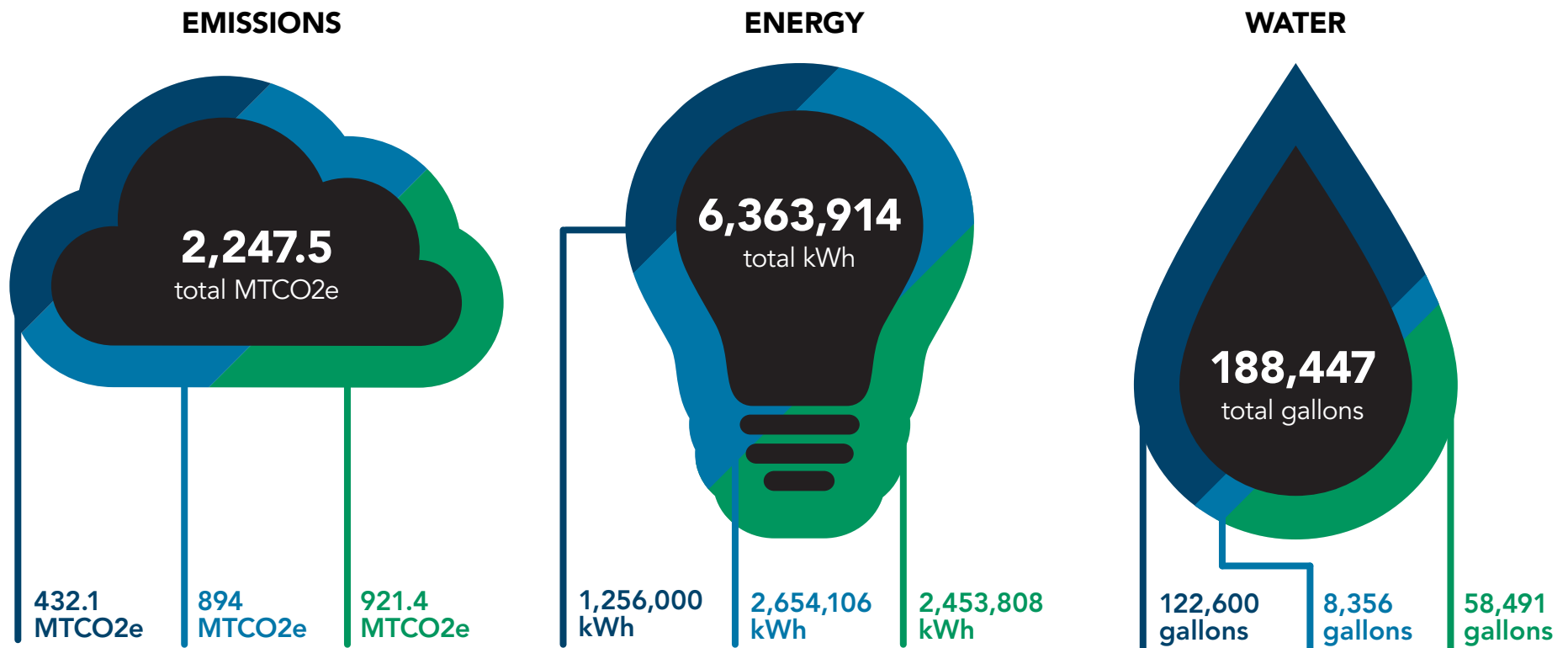
# Energy, Emissions, and Water

Our Austin headquarters and co-located data centers make up a vast majority of our energy consumption and the resulting Scope 1 and Scope 2 greenhouse gas footprint. Our headquarters only has Scope 2 emissions in the form of electricity while our data centers produce both Scope 1 and Scope 2 emissions. Both our headquarters and data centers use water for their operations and represent our total water footprint.

In 2022, our operations used 6,363,914 kWh of energy representing 2,247.5 metric tons of carbon dioxide equivalent (MTCO<sub>2</sub>e) of combined Scope 1 and 2 emissions. Our total water footprint was 188,447 gallons. However, our Carrollton data center enables us to pursue BEF Water Restoration Certificates which help restore water to regional watersheds, resulting in an offsetting of 70,189 gallons of water use.

## Scope 1 + 2: Emissions, Energy, and Water

■ Austin HQ   
 ■ CyrusOne data center–Austin   
 ■ CyrusOne data center–Carrollton





## Energy, Emissions, and Water (cont.)

In assessing our Scope 3 emissions inventory, we determined three categories to be material to our business model: Purchased Goods & Services, Business Travel, and Use of Sold Product. These categories cover the emissions associated with our corporate spend, our business-related travel, and the use of our software on devices that run on electricity. Calculations were performed in accordance to the Greenhouse Gas Protocol and using the U.S. EPA's U.S. Environmentally-Extended Input-Output (USEEIO) Models.

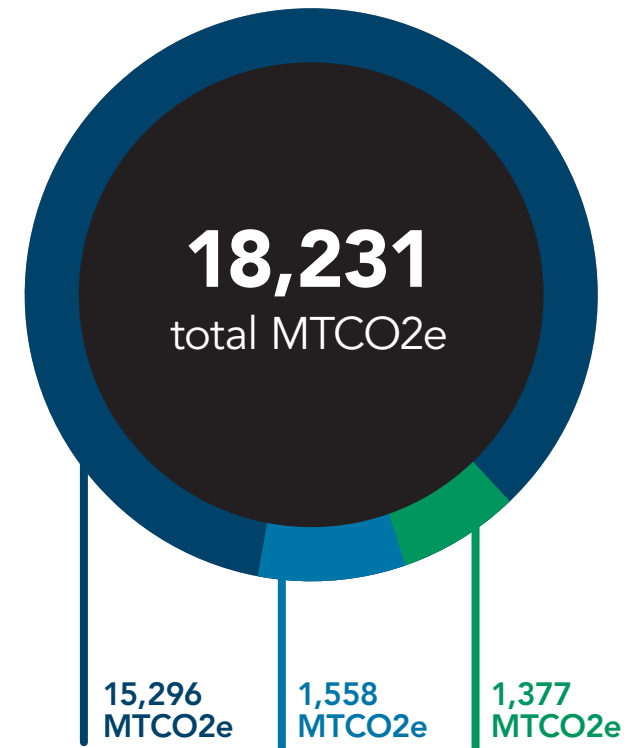
As Q2's first Scope 3 assessment, we aim to use this as a benchmark in better understanding our climate impact at the scale of our value chain and track our progress going forward.

Q2 cloud computing products help to minimize our environmental footprint compared to traditional hardware and software delivery models. When choosing partners, such as our data center and public cloud hosting providers, we focus on those that operate to high energy-efficiency standards. We plan to explore service delivery options that use a higher percentage of renewable energy with our data center and public cloud partners where technically and economically feasible.

Our products are designed to enable remote banking and reduce the need for people to travel to physical customer locations like bank and credit union branches. In many cases, we help our customers reduce the need for physical locations or to build their own data centers. We estimate that avoided emissions from reduced trips to bank branches may represent a larger reduction in external emissions than Q2 emits through our operational greenhouse gas emissions.

## Scope 3: Emissions

- Purchased Goods & Services
- Business Travel
- Use of Sold Product



# Looking Ahead

We are proud of what we have accomplished. Our values are strong and our mission is clear. As a company dedicated to digitization, we have created products that enable a more inclusive financial system that consumers can access from anywhere. Digitization helps prevent unnecessary trips to physical branches, benefiting our environment through avoided emissions. In our work, we are committed to remaining an employer of choice, further deepening our diversity and inclusion efforts, and positively impacting the local and global communities where we live and work.

Q2 stands confidently among its customers and partners in providing services that digitize, democratize, and personalize people's experience with their finances. Q2's products provide transparency, security, and innovation that help safeguard the finances of our end-users and help them prosper.

In this third annual ESG report, we have continued sharing our progress and our environmental, social, and governance performance. We welcome input from our stakeholders about how they would like to see us improve and which of our efforts they would like to learn more about.

**In 2023 and beyond, we will continue to aim to live up to our values and conduct ourselves in a proud manner.**







# SASB Index

## Software and IT Services Standard





## ENVIRONMENTAL FOOTPRINT OF HARDWARE INFRASTRUCTURE

Accounting Metric	2022 Disclosure
(1) Total energy consumed (2) percentage grid electricity (3) percentage renewable	Reflects Texas Operations: 1) ~22,910 GJ for data center services and offices 2) 100% 3) 25.7% renewable based on 2021 ERCOT grid mix. Q2 does not purchase renewable electricity beyond this.
(1) Total water withdrawn (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	1) Q2 does not track water withdrawal 2) 713 cubic meters, 26% in regions with High or Extremely High Baseline Water Stress
Discussion of the integration of environmental considerations into strategic planning for data center needs	Our top priorities for data center services are reliability and security. Our primary partner for datacenter services in Texas has announced a goal to be 100% carbon neutral by 2040, with the centers that serve our equipment utilizing 100% and 70% renewable electricity respectively at the end of 2021.
DATA PRIVACY & FREEDOM OF EXPRESSION	
Description of policies and practices relating to behavioral advertising and user privacy	Q2's policy is to comply with all applicable laws and regulations regarding data privacy. More information regarding our data protection and privacy approach can be found here.

<b>DATA PRIVACY &amp; FREEDOM OF EXPRESSION   DATA SECURITY</b>	
<b>Accounting Metric</b>	<b>2022 Disclosure</b>
Number of users whose information is used for secondary purposes	We do not sell identifiable user data nor distribute it outside of that necessary to support our services.
Total amount of monetary losses as a result of legal proceedings associated with user privacy	Zero.
(1) Number of law enforcement requests for user information (2) Number of users whose information was requested (3) Percentage resulting in disclosure	1) 0 2) 0 3) 0
List of countries where core products or services are subject to government-required monitoring, blocking, content filtering, or censoring	None.
<b>DATA SECURITY</b>	
(1) Number of data breaches (2) Percentage involving PII (3) Number of users affected	We choose not to disclose this information due to its sensitive and proprietary nature.
Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards	See pages 40-41.

<b>RECRUITING &amp; MANAGING A GLOBAL, DIVERSE &amp; SKILLED WORKFORCE</b>	
<b>Accounting Metric</b>	<b>2022 Disclosure</b>
Percentage of employees that are (1) foreign nationals (2) located outside US	1) 4% <sup>1</sup> 2) 18% <sup>1</sup>
Employee engagement as a percentage	See page 34.
Percentage of gender and racial/ethnic group representation for (1) management (2) technical staff (3) all other employees	See page 29.
<b>INTELLECTUAL PROPERTY PROTECTION &amp; COMPETITIVE BEHAVIOR</b>	
Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	Zero.
<b>MANAGING SYSTEMIC RISKS FROM TECHNOLOGY DISRUPTIONS</b>	
Number of (1) performance issues (2) service disruptions (3) total customer downtime	We choose not to disclose this information due to its sensitive and proprietary nature.
Description of business continuity risks related to disruptions of operations	For a detailed discussion of these risks, please see our Annual Report on Form 10-K and subsequent quarterly reports on Form 10-Q.

<sup>1</sup> As of 5/12/2023



ACTIVITY METRICS	
Accounting Metric	2022 Disclosure
(1) Number of license or subscriptions (2) percentage cloud based	As of December 31, 2022, we had 444 installed digital banking platform customers located in 48 states, and those customers had approximately 21 million consumer and commercial users registered on our digital banking platform. A substantial majority of our digital banking platform services are supported by our outsourced active/active data centers, with a small percentage offered as cloud-based services.
(1) Data processing capacity	Virtually all customer data processing is serviced by third-party active/active colocation datacenters and/or via cloud-based systems.
(1) Amount of data storage (2) percentage outsourced	We choose not to disclose this information due to its sensitive and proprietary nature.

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# Aligning with the Task Force on Climate- Related Financial Disclosures



# Aligning with the Task Force on Climate-Related Financial Disclosures

Governance	Risk Management	Strategy	Metrics
<p>ESG factors, including those related to climate change, represent potential risks and opportunities. Therefore, incorporating ESG risks into our decision-making process is necessary to position ourselves for long-term viability. We are committed to actively managing the ESG issues most material to our ability to create long-term value for our stakeholders and ensuring we operate in a sustainable, transparent, and ethical manner.</p> <p>Our Board has oversight over all risk-related topics, including ESG- and climate-relevant risks and opportunities. We address business decisions with an ESG lens when appropriate. The development and implementation of ESG policies and related programs is a company-wide effort, with collaboration between many departments, including Human Resources, Facilities, Legal, Investor Relations, and others as necessary. The Nominating and Governance Committee is ultimately responsible for defining and leading our ESG strategy, in partnership with the Risk and Compliance and Audit Committees of our Board that oversee risk management.</p>	<p>Our risk management function is overseen by the Board. The Board leverages the review of financial and other risks by its Audit, Risk and Compliance, and Compensation Committees, as well as information provided through management reports and company policies, such as our Corporate Governance Guidelines and our Code of Business Conduct and Ethics to stay apprised of material risks and obtain access to information necessary for its members to understand and evaluate how risks related to our business interrelate, how they affect us, and how our management addresses those risks.</p> <p>Examples of ESG and climate-related risks that may be pertinent to Q2 include:</p> <ul style="list-style-type: none"> <li>• The availability and cost of low or non-carbon based energy sources;</li> <li>• Storm or other weather-related events that may impact data centers that we utilize or impede our employees to travel to and from Q2 or customer sites;</li> <li>• The evolving regulatory requirements affecting ESG or climate-reporting standards or disclosures; and</li> <li>• The availability of suppliers that can meet our sustainability (including climate change relevant), diversity and other ESG standards.</li> </ul> <p>We believe our exposure to climate risks is limited and modest. However, we will continue to assess such exposures and report additional findings.</p>	<p>Given our position in the Software as a Service (SaaS) sector, we are currently developing our strategy to address climate change which accounts for our limited impacts. Potential actions under consideration include procuring renewable energy for our offices, utilizing renewable energy in our data centers, and engaging with our suppliers on their climate efforts.</p> <p>We remain intentional about continuous improvement by conducting assessments of ESG best practices, evaluating our approach to ESG leadership, and setting meaningful goals regarding our climate performance. Our business strategy is potentially impacted directly or indirectly by climate change-related issues, and we are committed to identifying ways to mitigate any risks or take advantage of any opportunities that we may discover during this process.</p>	<p>We monitor and report on scopes 1, 2 and 3 emissions. By tracking emissions and energy usage, we can establish a meaningful baseline from which to set goals, make decisions, and take advantage of any available opportunities while mitigating risks to our operations. Relevant metrics regarding our climate impacts can be found on pages 55-56 of this report.</p>