



Environmental, Social and Governance Report

2022



For over 130 years, our company has been driven by our guiding principle: do the right thing. Today, we live and work in a world that our founders could only imagine. The challenges our clients and communities face have evolved, but the support, compassion and expertise they look to us for remain the same. They still need us to be deeply connected and responsive to their needs, and to help them achieve their financial goals.

In 2022, we took an important step forward in documenting our many ESG activities by creating our inaugural ESG Highlights Report. That report detailed our values in action, driving positive outcomes across our entire four-state footprint. Last year established a benchmark and strategic direction. With this year's report, we continue that momentum, share our progress and recognize accomplishments.

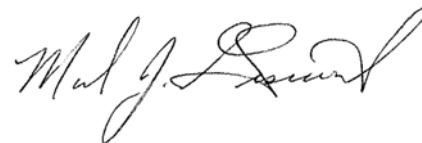
Doing the right thing is always our starting point when considering the way our business operates. This report shines a spotlight on how we are turning this guiding principle into meaningful action. It demonstrates the multitude of ways that our sustainable business practices enhance our long-term strength and ability to create value.

Last year, our diverse teams assisted a wide range of clientele in the communities we serve, from those just starting out to those well settled in retirement, from family farms and young families to large corporations and municipalities. We provided financing for affordable housing projects to reduce housing insecurity, continued to support local businesses with their financial needs as they faced economic headwinds and continued financing public infrastructure projects that enhance and strengthen our local communities.

Doing the right thing also means running our business in a way that aligns with the highest ethical standards and effective governance practices. In 2022, we maintained our mature ethics program and further refined our strong governance practices, including through additional focus on succession planning and on the skills and experience of our Board of Directors.

Finally, doing the right thing compels us to lean in to promote environmental sustainability at Banner. Our four-state footprint provides a snapshot of breathtaking vistas and natural wonders that deserve protecting and preserving for future generations. During the last year, we made significant progress towards calculating our carbon footprint and greenhouse gas emissions. We also continued our support of the transition to a lower carbon economy by providing financing to some amazing and innovative renewable energy and environmental sustainability-focused projects.

Thank you to all Banner stakeholders for your continuing interest in, and commitment to, our organization. With steady progress, I am confident our company will continue to thrive for another 133 years—still connected, knowledgeable and responsive; and still doing the right thing.



Mark J. Grescovich

President and Chief Executive Officer

Banner Corporation (NASDAQ: BANR) 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.

At Banner Bank, we deliver a high level of service with the attributes of a community bank while offering the advantages of 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 consumer clients. With locations in Washington, Oregon, Idaho and California, we ended 2022 with \$15.83 billion in assets.



Our Approach to ESG

Always doing the right thing is what drives us at Banner. We are proud to provide financial services that respect both our communities and the wider environment in which we live and work. As the needs of clients and communities continue to evolve, we are adapting our services to support them as effectively as possible.

Embedding sustainable practices in our strategy and operations is an essential part of our journey. Following the publication of our inaugural ESG Highlights Report in late 2022, we continued to make substantial progress in the development of our ESG Program. Our dedicated ESG working group aims to continuously improve the way we identify and manage emerging ESG-related opportunities and risks. We invite stakeholders to review our Board of Directors' ESG Statement, available at [bannerbank.com/esg/board-statement](https://www.bannerbank.com/esg/board-statement).

ESG represents new ways of illustrating the meaningful efforts our colleagues undertake every day to serve our clients, investors and communities. Operating a sustainable business isn't a simple undertaking, but it is essential to create positive change through our day-to-day business activities, longer-term strategic initiatives and community engagement.



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The Board of Directors oversees the Corporation’s ESG Program through its various committees. Oversight of the overall ESG Program primarily rests with our Corporate Governance/Nominating Committee. The committee reviews the Corporation’s policies and programs that relate to corporate social responsibility matters. It also reviews and reassesses the Corporation’s environmental, social and governance framework and initiatives several times throughout the year.

The Audit Committee maintains oversight of, and reviews, any external ESG reporting and related internal controls outlining the Corporation’s ESG-related activities. Our Compensation and Human Capital Committee oversees matters related to human capital resource management. This committee also annually reviews our diversity and inclusion metrics, including our consolidated EEO-1 Report.

The Risk Committee regularly provides oversight pertaining to our ESG Program risks. Additionally, it closely monitors our progress on ESG risk management initiatives and activities, including climate change risk management, relative to any stated ESG Program goals.

Finally, our ESG working group consists of senior leaders representing various departments throughout Banner Corporation and its subsidiary, Banner Bank. It is responsible for promoting our ESG accomplishments and driving forward our ESG efforts. To do so, it considers the interests of all our stakeholders – including our shareholders, clients, colleagues and communities.

We accomplished several important goals this past year, and we encourage you to continue following our ESG progress in the coming years.

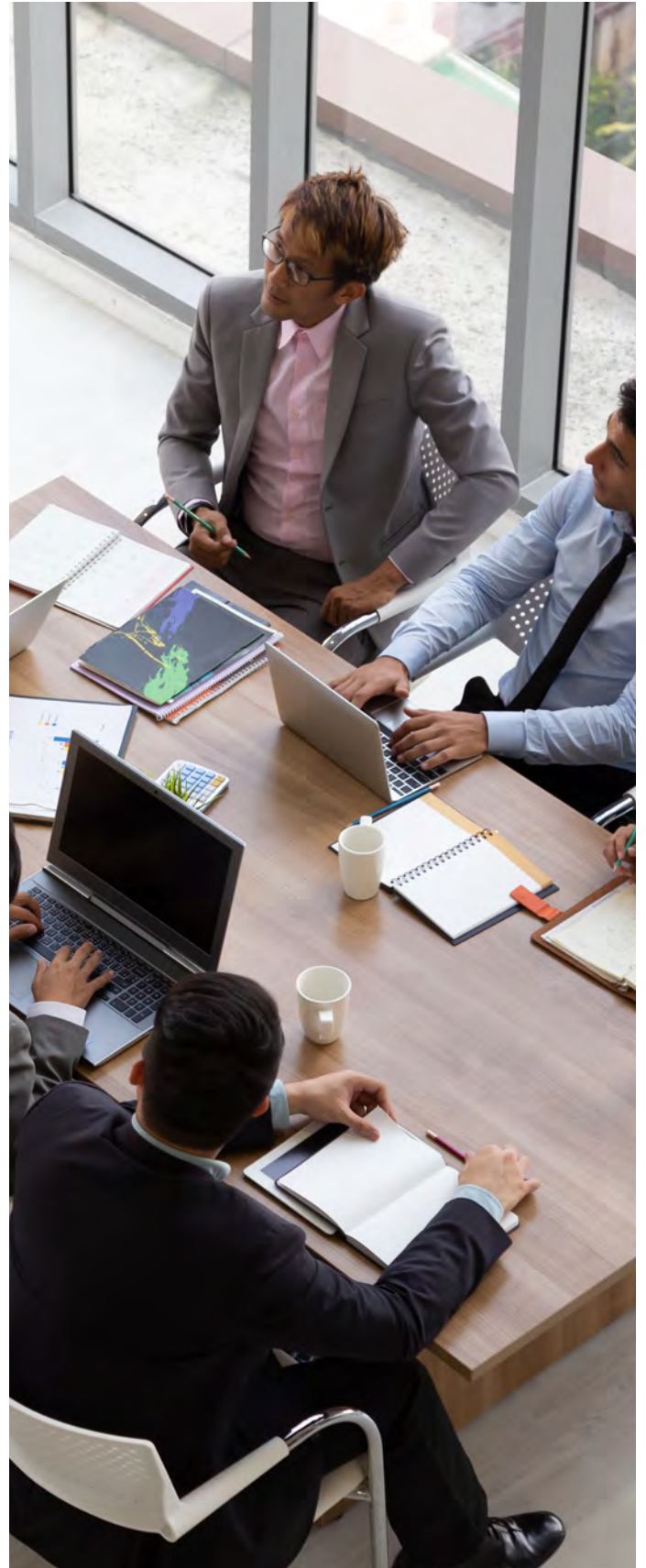
Areas of ESG Oversight Responsibility



Understanding the priorities of our stakeholders is an essential part of our ESG strategy and guides our ongoing efforts. To address issues most important to internal stakeholders as well as leverage insights from investors, rating agencies and ESG frameworks, our 2022 ESG priorities remained:

1. Business Ethics
2. Environmental Product Responsibility
3. Data Privacy and Security
4. Board Composition
5. Consumer Financial Protection

As part of our ESG Program, we commit to carrying out periodic stakeholder priority reviews to align our focus on those areas that will have the most positive impact. Following best practices, we reference globally recognized reporting frameworks, including the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD).



Our Culture

Recruiting the best talent in a tight labor market

Retaining, developing and attracting the best and brightest talent remained a major strategic priority in 2022 with the labor market being the tightest it has been in several decades. Widespread labor demand resulted in restricted supply across much of the economy. Despite these challenges, we successfully hired and onboarded 571 new team members throughout the year. This success was driven in large part by our direct sourcing and sprint recruitment efforts.

To facilitate pay equity and transparency throughout our workforce, we eliminated salary compensation history discussions with potential employees several years ago, and previous compensation is not a consideration in our hiring practices. Instead, we use talent assessment tools to identify candidates who have the right skills and would thrive in our culture, and we provide compensation pay ranges in our job postings. We also partner closely with several colleges and universities with programs relevant to our business. In fact, we created two renewable scholarships. The Gregory Foxx Memorial Scholarship at Seattle University was introduced in 2021 for students studying business, finance or accounting. The Banner Bank Scholarship at Eastern Washington University, launched in 2022, provides full scholarships to up to three undergraduate students per year.

We encourage current employees to provide feedback about their experiences at Banner on independent third-party review sites such as Glassdoor. These reviews provide potential employees with a window into what it would be like as a member of our team, as well as insight into our culture from the perspective of our employees. We continue to closely monitor this feedback and use it to strengthen our employee value proposition.

A diverse, engaged and passionate workforce

Doing the right thing for the communities where we live and work is our guiding principle. An important part of that is supporting our colleagues as they build long-term, rewarding careers. We strive to foster a culture where everyone feels valued and respected. The communities we serve are stronger because of diverse backgrounds, experiences and viewpoints within them. We believe building teams that reflect that diversity makes us stronger, too.

Putting our big IDEAs into action

Launched in 2020, our Inclusion, Diversity, Equity and Advocacy (IDEAs) council continued to lead on matters related to diversity, equity and inclusion (DEI) in 2022. The council helps us develop more effective strategies in these areas, which also helps us attract and retain the very best talent. Led by our Chief Diversity Officer, our council is made up of four groups focusing on communications, metrics, membership and training. In 2022, we further strengthened the council by proactively recruiting members from every level of our company to facilitate listening to our entire organization, providing developmental opportunities and targeting our programs and policies for maximum impact.



Promoting diversity and equity

DEI initiatives remained a top priority in 2022. Our Employee Resource Groups (ERGs) personify our culture by driving understanding and providing supportive places for our employees to share ideas, experiences and insights. Last year, we launched our first two ERGs: Women in Leadership and Working Parents and Caregivers. Both have thriving participation and engagement. The ERG participants develop and help deliver content on a variety of topics, ranging from how to build a personal brand in the workplace to caring for aging parents. To support our ERG leaders who are stepping up and serving in a new and voluntary capacity, we designated a member of our IDEAs (DEI) Council to provide each of the leaders with direct mentorship and support.

In 2022, our CEO, Mark Grescovich, signed the CEO Action for Diversity & Inclusion Pledge to demonstrate our commitment to fostering a diverse and inclusive workplace. As part of this commitment, 96.7% of our employees completed unconscious bias training by year end 2022 (exclusive of employees on leaves of absence), and all newly hired employees completed the training during their onboarding process. We understand unconscious biases can affect everything from hiring and promotions to customer service and stakeholder engagement. By recognizing the ways in which we unconsciously perceive others, we aim to increase our respective awareness and reduce resulting attitudes and behaviors that may impede our ability to provide a dynamic workplace where all feel welcome and able to achieve their full potential.

Equity is more than a value we promote; it is a benchmark against which we continually judge our performance. We want to be known as a responsible and supportive employer, and one testament to that is our ongoing commitment to pay equity. Pay equity means that we provide equal pay for comparable work – which we believe is essential to creating an environment where every employee feels valued and respected. We evaluate pay equity by analyzing base pay, incentive pay, and equity grants to assess whether employees with similar roles, experience and performance earn equal pay for comparable work.

We are pleased to announce we have achieved 100% pay equity for employees of all genders and races. We have achieved this by completing rigorous periodic pay equity studies with the assistance of outside experts and promptly resolving any issues identified in the study.

An essential foundation for achieving pay equity is pay transparency, which we have been promoting since 2018 – before any states or local jurisdictions in our footprint enacted pay transparency laws. For example, we established and communicated pay practices that help employees understand how their salary and variable pay are set in the context of market and business realities. This is designed to build employee confidence in the fairness of our pay practices.



96.7%

of our employees completed unconscious bias training by year end 2022

100%

pay equity for employees of all genders and races

Variable pay for performance and risk management oversight

We strive to align compensation incentives with our overall risk and performance frameworks. Our “pay for performance” philosophy connects individual, business unit and/or company results to compensation, providing all employees with opportunities to share in the company’s overall growth and success. We develop, execute and govern incentive compensation plans to discourage imprudent or excessive risk-taking and balance financial reward in a manner that supports our clients, employees and company. Across the company, approximately 16% of total employee remuneration paid in 2022 was variable and subject to comprehensive policies including clawback provisions.

Our Gender Diversity as of December 31, 2022

Employee position level	Female %	Male %
Individual contributor	70%	30%
Manager	64.5%	35.5%
Director*	46%	54%
Executive	38%	62%
Total workforce	68%	32%

*Refers to director-level employees, not Board of Directors

Employee position level	Persons of Color %	Other %
Individual contributor	29%	71%
Manager	20%	80%
Director*	14%	86%
Executive	0%	100%
Total Workforce	27%	73%

*Refers to director-level employees, not Board of Directors

Our “pay for performance” philosophy connects individual, business unit and/or company results to compensation, providing all employees with opportunities to share in the company’s overall growth and success.

Our passionate and engaged employees provide the high levels of service and care for which Banner is known. Our leaders recognize their role in developing employees and providing opportunities is vital to our colleagues feeling valued, listened to and able to perform at their best.

Focusing on well-being

In 2022 we continued using anonymous 'pulse' surveys to seek feedback on our activities and gain valuable insight for the development of new programs. These smaller, more targeted surveys allow us to frequently ask employees about specific areas of interest. For example, in 2022 we asked about employee well-being and how we could better address the issue of burnout. We also launched our first Diversity, Equity, and Inclusion (DEI) survey. This survey gave us direct insight into how our employees perceive fairness and the levels of support they receive. Looking ahead, we plan to augment existing feedback channels with a full employee engagement survey to help us continue to improve our engagement, development and mentorship initiatives.

We believe that being free to celebrate one's culture, heritage or identity is an important part of a person's overall well-being. In 2022, we added Juneteenth as an official company holiday, bringing the total paid holidays per year to 12. This historically important day aligns with our diverse and inclusive culture. What's more, this is in addition to our Community Connection program, which provides up to 16 hours of paid time off during work hours for employees to volunteer with the cause or organization of their choice.

To further support the well-being of our teams, we added Wellness Coach to our portfolio of employee benefits. Employees can access free one-on-one personal coaching on nutrition, fitness, personal finances and other areas vital to mental and physical health. And the benefits can be shared, too – each employee can share access to the service with up to five friends or family members.

Pulse Survey Results: Strengths and Areas to Build On

Strengths



Integrating Differences



Psychological Safety



Belonging



Employees Cite These Strengths

- My immediate manager/supervisor listens to my concerns and suggestions
- My manager creates an environment where I feel comfortable expressing my ideas
- I am treated with respect and dignity

Build



Decision Making



Fair Treatment

Opportunities



Diversity

Launching our Flexible Workplace Program

The Covid-19 pandemic accelerated remote working, creating opportunities for both employees and employers to improve their work experiences and boost productivity due to less commuting. Our turnover figures show flexible working improves our retention of diverse talent while facilitating hiring talent from a much more diverse group of candidates. To capture this opportunity more fully, we formally launched our Flexible Workplace Program in 2022. As of December 31, 2022, nearly 40% of our workforce was working remotely with women representing 65% of that population and people of color representing nearly 20%. We also provide a technology set-up allowance and monthly stipend to help our fully remote employees offset their costs.

Stepping up for a company-wide walking challenge

Our most popular well-being initiative last year was our four-week walking challenge. Using the Wellness Coach app, 633 employees chose to engage in this friendly competition to track their steps with incentives and prizes.

The results were outstanding. In total, our employees walked 140,410,066 steps and burned an estimated 5,616,403 calories in 28 days. That represents an average of nearly 8,000 steps per day per participating employee. As well as bringing people together and encouraging them to be more active, the challenge was a great introduction to the benefits of Wellness Coach.

Banner Walking Challenge

140,410,066

Total steps walked

5,616,403

Estimated calories burned



Spotlighting internal mobility

We want our employees to build long-term, rewarding careers at Banner. In 2022, we continued to invest in employee development using multiple approaches including tuition reimbursement, conferences and training. This empowers our employees to take charge of their individual development goals. We believe in a multi-dimensional approach to learning and development that involves on-the-job development or experiential learning, as well as social learning and formal education. It is important our employees feel in control of their development journey, so we provide information and guides to help them design their own career paths. This approach is complemented by quarterly 'Let's Connect' conversations between leaders and team members to help identify career opportunities and set development goals. This combined approach remains successful, and we filled 20% of all open positions with internal candidates in 2022.



Internal Mobility in Action:

Shannon Mitchell

Senior Vice President, Business Banking Center Manager

Shannon Mitchell has been in banking since 2010 and with the Banner team for more than six years. Initially starting as a business banker, she also served as a commercial banking relationship manager before being promoted to Business Banking Center Manager for Oregon, Southwest Washington and Southern Idaho. As a reflection of her dedication to the growth and well-being of her colleagues, Shannon was also selected president of our Women in Leadership Employee Resource Group.

"Banner is the greatest financial institution out there. We do the right thing for our clients and our employees, and that shows in everything we do."

Increasing internal mobility is an important part of our strategy to increase diverse representation at more senior levels of the organization. Our Women in Leadership Employee Resource Group hosted executive leader guest presentations where speakers provided practical examples of the role that mentorship played in their development. To further support our employees, we offer eight weeks of gender-neutral paid parental leave to help all employees recover from childbirth and bond with a new child. Last year, we introduced 12 weeks of short-term disability which replaces up to 70%, or up to \$2,500 a week, of the employee's income if they are having a baby, are ill, or are injured and can't work. In 2022, 22 team members used this additional leave and 48 accessed short-term disability. These additional benefits are designed to help our employees maintain their career paths even when they experience significant life events.

While the labor market remained highly competitive throughout 2022, pressure began to ease the second half of the year. This, combined with the introduction of retention strategies like the Flexible Workplace Program, saw our voluntary turnover rate decrease to 21% compared to 23% in 2021. Banner Forward initiatives, on the next page, are also resulting in a range of new opportunities for career development.

Reimagining strategic planning while offering career development

Our people are at the core of the outstanding service we offer our clients through all economic cycles. As the needs of our clients evolve and technology continues to transform our industry, it is essential we continue investing in our people, technological innovation and processes. Our reimagined strategic planning process, Banner Forward, has led to increased focus on revenue growth enhancement opportunities and innovation investments to improve our back-end processes and reduce operating expenses.

We are investing in technology tools, updating processes and developing new products and services. When paired with the structural realignments we are undertaking, these efforts are helping us to remain responsive to our clients' evolving needs and expectations while also creating efficiencies and opportunities for career growth.

Supporting first-time leaders

To meet our internal mobility and development goals, we aim to provide employees both the opportunity and the support to step into leadership positions. For first-time leaders, this change can seem daunting and require a steep learning curve. To help make the transition as smooth as possible, we launched a specialized online curriculum for employees transitioning into leadership roles. The module-based training offers approximately 10 hours of focused, targeted learning aimed at helping people more seamlessly transition in their new roles.



Training and skills development

In 2022, our employees completed an estimated 34,300 hours of training, an average of 16.6 hours per employee. We require all employees to complete a wide range of online training courses annually – including courses tailored to specific job functions as well as courses important to our industry such as regulatory compliance training, cybersecurity, fraud prevention and business conduct.

We also offer a range of more formal education resources. Last year, we enrolled approximately 25 employees in continuing education programs relevant to the banking industry through our partnerships with leading industry organizations, including Pacific Coast Banking School and Washington Bankers Association.

As in prior years, we continued to help employees looking to sharpen their existing skills and gain new expertise through formal education. We are proud to offer tuition reimbursement of up to \$5,250 and \$2,625 per calendar year, to full- and part-time employees looking to earn degrees, respectively. In 2022, 19 team members progressed their education, supported by more than \$90,000 in tuition reimbursement.

Employee-related merger and acquisition impacts

We experienced no M&A related activity in 2022. In 2021, we merged our wholly owned subsidiary, Islanders Bank, into the Banner Bank brand realizing efficiencies from merging technology systems while providing additional locations for clients to transact their banking activities throughout the region. All of the former Islanders Bank branch locations continue to operate under the Banner Bank brand. In all M&A related activity, we seek to retain talent by prioritizing filling open positions prior to any displacement.

Health and safety

With the world gradually moving from pandemic to endemic, health and safety continues to be a top priority and the success of our business is fundamentally connected to the well-being of our employees. We provide employees and their families with access to a variety of innovative, flexible and convenient health and wellness programs. Also offered are benefits that support their physical and mental health by providing tools and resources to help employees improve or maintain their health status and encourage healthy behaviors.

When it comes to physical threats and related risks in the workplace, we have detailed policies and procedural plans in place to guide us. All employees are expected to adhere to the policies and procedures detailed in our [Code of Ethics and Business Conduct](#), [Security and Safety Policy Statement](#) and Employee Handbook. We also track our total recordable incident rate (TRIR) – a measure of occupational health and safety based on the number of safety incidents reported relative to the number of employees present and the number of hours worked – to benchmark our safety performance and, over time, assess our safety progress. While this metric is not material for the financial services industry, we are pleased to report a total recordable incident rate for 2022 of 0.12.

We do not have any collective bargaining agreements.

Our Communities

The community spirit on which Banner was founded as a small thrift in 1890 is as strong as ever. Our business model relies on our deep and responsive connection to the people we serve. From treating everyone we interact with fairly to helping businesses boost their resilience, we continued to support our communities in 2022.

Serving People, Businesses and Communities

Increasing access to finance

We are a true community bank. It's our mission to help people, including helping our clients in uncertain times. This includes treating current and prospective clients, whether consumer or business, fairly and equitably. Our product management strategy compels us to provide competitive, sophisticated and innovative products and services in a safe and transparent manner.

We received an Outstanding Rating in our most recent Community Reinvestment Act (CRA) performance evaluation by the Federal Deposit Insurance Corporation (FDIC), recognizing our achievements in meeting the needs of our communities. The FDIC acknowledged our leadership position in providing community development loans and using innovative approaches to flexible lending practices.

In 2022, Banner Bank financed nearly \$415 million in community development loans supporting affordable housing, economic development, community revitalization/stabilization and community services. Affordable housing represented 79% and community services represented 16% of the total number of community development loans extended in the year.

Providing assistance in challenging times

Climate change is predicted to increase the frequency of extreme weather events, as well as make our heat waves and cold snaps more intense. Increasing the resilience of our communities over the long-term is essential, as is being there to help when disasters strike.

Between late 2021 and early 2022, record rainfall caused floods that devastated homes in the Washington counties of Whatcom, Skagit and San Juan. Many families were left without a habitable home and many more faced substantial damage to their properties.

We were able to respond quickly and offer interest-free loans with no fee to people impacted by the floods. To help families repair, rebuild or replace essential items, we offered financing in amounts ranging from \$1,000 to \$15,000. During a 45-day lending period, our team approved 68 loans totaling \$893,412. Our streamlined application and approval process meant that most applicants got their funds within 24 hours, with our Lynden Branch team handling most of the applications.

This is not the first time we have provided affordable disaster assistance loans to communities in need, nor will it be the last. We will continue to hone our processes and utilize our expertise to quickly provide needed support in response to disasters throughout our service area.

During a 45-day lending period,
our team approved

68 loans

totaling

\$893,412

for people impacted by flooding
in several Washington counties.

152

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

99%

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

\$3 million

Community Heroes Mortgages closed in 2021

\$38 million

LMI mortgages closed in 2021 through the
Affordable Mortgage Program

30%

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

Another way we continue to lean in on the national housing crisis is through our consumer lending efforts. Assisting low-to-moderate income residents has long been a priority for us and we believe it is an essential part of improving the well-being of the communities we serve. We added to our innovative mortgage loan products by designing a loan specifically for these borrowers.

We offer a full range of loans for 1-4 family residential properties, including [PowerWise](#) – geared toward energy self-sufficiency – as well as [Household Plus](#) and [Community Heroes](#). Throughout 2022, these products continued to help individuals and families find the right mortgage loan for their unique needs.

A noteworthy success for the year was the continued impact of our unique home loan programs. Our Affordable Mortgage Program (AMP) is a tailored mortgage loan solution for low-to-moderate income (LMI) borrowers. In conjunction with a first mortgage, the program includes a homebuyer education component, down payment assistance availability and the potential to combine the AMP with the HomeFresh second mortgage. The HomeFresh second mortgage may be particularly helpful to clients who buy homes in need of repair. In 2022, we closed 100 AMP loans, plus another 76 down payment assistance loans, totaling \$28.6 million. We are proud to report that more than 24% of home loan originations in 2022 went to first-time buyers. We look forward to continuing to support people who live in the communities we serve as they take their first steps into home ownership in the years ahead.

One additional way we are working to be part of the overall solution to the housing crisis is by encouraging our employees to share their expertise. The Washington Department of Commerce appointed one of our CRA Community Outreach Officers to its Home Ownership Disparities Task Force. This is not only a recognition of our colleague's passion and expertise in tackling housing inequality, but an important opportunity to create solutions that increase homeownership opportunities for Black, Indigenous and people of color (BIPOC) communities.

Additionally, the Washington State Senate confirmed the second-term appointment of our Mortgage Banking Director to the State Housing Finance Commission. The 11-person commission is publicly accountable and self-supporting with a focus on increasing housing access and affordability and expanding the availability of quality community services for the people of Washington. The Commission makes funds available for low-to-moderate income housing throughout the state without the use of additional public funds. Serving another term gives this leader a voice in policy-making decisions as legislation is being developed, providing a unique opportunity to support the Commission's important mission.



Michael Dotson

Vice President
Senior Community Outreach Officer



Ken Larsen

Executive Vice President
Mortgage Banking Director

Our partnership with Habitat for Humanity

We have a long-standing relationship with Habitat for Humanity (Habitat), a global nonprofit housing organization working to provide healthy, affordable homes for people around the world.

In 2022, we partnered with several Habitat chapters as a sponsor for fundraisers and through engagement in volunteer opportunities, including:

- **California:** We contributed to the 2022 Financial Institution Collaborative, an alliance effort that aims to close the racial wealth gap, foster racial equity and champion transformational change for residents of the Sacramento Promise Zone, a 22 square mile area of the economically hardest hit neighborhoods in Sacramento. Habitat was a funding recipient of the program. We also helped sponsor Rock the Block, which raised enough funds to repair 22 homes, complete five community projects and host a neighborhood clean-up.

- **Oregon:** We sponsored Habitat's HopeBuilder Luncheon and Hard Hat & Black-Tie Auction. The funds raised are contributing to construction projects in the Portland, Beaverton and Hillsboro areas.
- **Washington:** As well as sponsoring several annual fundraising events, we again sponsored and participated in the annual Blitz Build, a concentrated three-week Habitat home build. A number of our area employees used their Community Connection hours to volunteer during the build.



Supporting Businesses

Putting ourselves even closer to our communities

To be in business for more than 130 years, it's been essential that we continually evolve and adapt to changing client needs, fluctuating economies and advancements in technology. In the past two years, that included streamlining the structure of our Commercial, Business Banking and Community Banking divisions. Making adjustments like these when and where they are beneficial demonstrates we are continually adapting to the needs of our clients, while remaining agile in our approach and recommitting to responsiveness.

This ongoing transformation highlights our focus on relationship banking while also creating new career development opportunities for our employees.

We recently reorganized the job roles and functions in our branches to better facilitate meaningful, long-term relationships with our clients by supporting their broader banking needs. This approach, together with providing compelling products, also naturally facilitates ongoing opportunities to attract new clients. We also introduced additional training opportunities focused on credit and lending concepts specifically for consumer and small business bankers, to help our teams offer even more comprehensive advisory services while also assisting with our colleagues' long-term career development.

Financing small and underserved businesses

In addition to providing financing for large commercial and municipal clients, we offer a range of services aimed at smaller and underserved businesses. Our QuickStep business loan program, for example, provides businesses with faster access to loans up to \$1 million.

Small Business Opportunity Fund (SBOF)

We created the Banner Bank Small Business Opportunity Fund to support underserved small businesses, particularly those with gross annual revenues of \$1 million or less that are owned by Black, Indigenous and people of color (BIPOC), as well as businesses in economically disadvantaged rural and urban communities. In 2021 and 2022, our \$1.5 million investment assisted 153 small businesses.

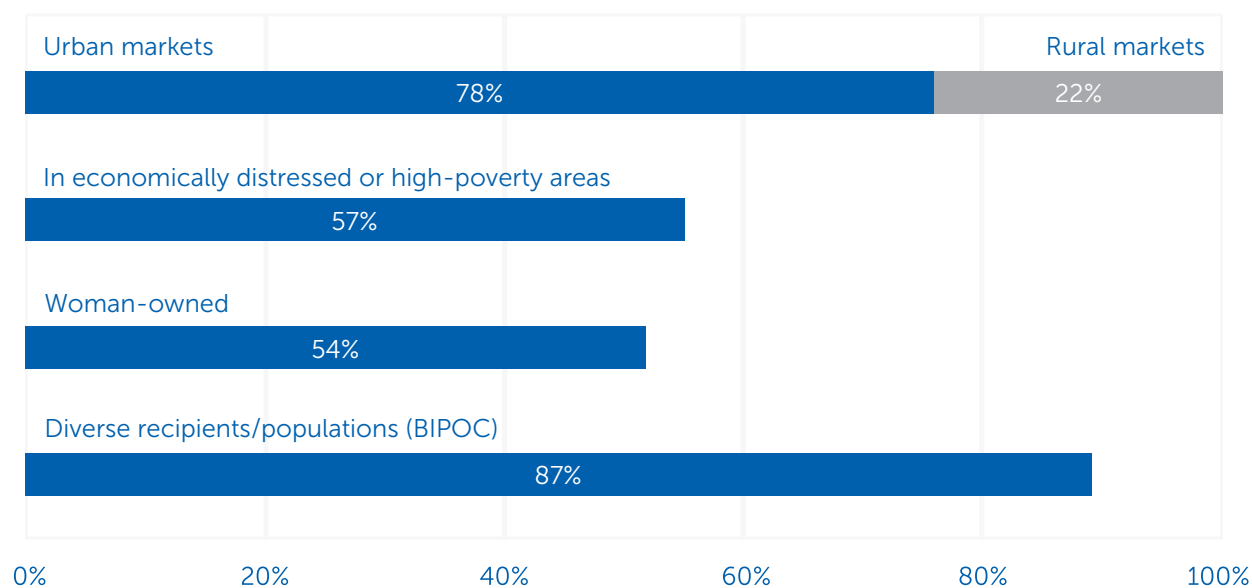
Mission-Driven Equity Investment

Minority depository institutions (MDIs), also known as mission-driven banks, provide an important 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 a merger with City First Bank, became the largest Black-led MDI in the United States. In 2022, this MDI maintained its focus on low- and moderate-income communities and communities of color in Southern California and the Washington, D.C. metro area. Specifically, for the year ending 2022, the MDI deployed \$304 million in capital with 69% in mission lending.

Small Business Opportunity Fund Fully Deployed

(\$1.5 Million to support 153 Small Businesses)



Investments, contributions and volunteerism

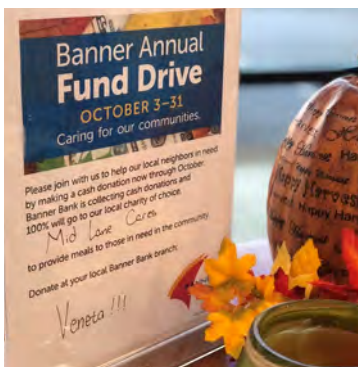
We demonstrated our commitment to communities in many ways during 2022. Our Community Reinvestment Act (CRA) investments totaled \$162 million. The investment proceeds are helping to create over 2,250 affordable housing units, while also providing supporting funds toward community services, economic development, and community revitalization and stabilization. Additionally, 795 organizations received more than \$1.8 million in financial support through our charitable giving and sponsorship contributions.

Employees are encouraged to volunteer in the communities we serve for organizations and causes to which they feel individually connected. Our employees' contributions of time and talent are making a lasting impact on our communities, including underserved segments and populations, while often helping individual employees gain new skills and leadership opportunities.

To minimize potential barriers to volunteering, our Community Connections program offers employees up to 16 hours of paid time off to volunteer during work hours with the organizations and causes of their choice. We also encourage employees to take leadership roles in these organizations as part of their professional development. For 2022, 179 employees volunteered in a board capacity, logging 5,847 service hours. In total, nearly 1,400 organizations and their chapters benefitted from more than 14,000 hours of employee volunteerism and financial support.

Providing warm meals to those in need

On the second Friday of every month, members of our team in Walla Walla, Washington volunteer at a local nonprofit focusing on providing food and shelter to people struggling with hunger, homelessness, addiction and mental illness. Our ongoing, long-time support of this vital organization helps them to serve approximately 47,000 individual meals a year, as well as to provide lodging to those who earn less than 50% of the median income of the area.



Fundraising to fight hunger

According to the U.S. Department of Agriculture, roughly 13.5 million American households, with 33.8 million people, were impacted by food insecurity in 2021. Each fall, our teams come together to collect donations to fight hunger in our local communities. In 2022, the drive raised over \$51,000 for our local communities for more than 85 food banks and food-assistance programs across our four-state footprint.

Our Approach to Governance

For more than 130 years, people have trusted us to act with integrity, including when protecting their interests, money and privacy. The rigorous governance structures we have in place assist us in upholding our high standards.

Board governance in 2022

In terms of Board composition and performance, 2022 was a year of refinement and building on the strong foundation already in place, with no changes to the composition of the Board since our most recent disclosure. Assignment of ESG oversight to various Board committees and the related revision of several committee charters was implemented in 2021. Stakeholders are invited to review our Board of Directors' ESG Statement, available at bannerbank.com/esg/board-statement.

As part of our ongoing refinement of governance processes, last year we developed a dashboard to enhance our accountability for responding to themes identified in our annual evaluation of Board performance, in which all directors and executives participated. The dashboard allowed us to track and report our progress on the objectives we set in response to the Board evaluation feedback, and provided a framework for ongoing dialog with the Board's Corporate Governance/ Nominating Committee.

Board Size

11

Total Number of Directors

Gender Diversity

31%

4 of 11 directors

Ethnic Diversity

27%

3 of 14 directors

Overall Diversity

55%

6 of 11 directors

Board Independence

91%

10 of 11 directors are independent

Ethics and Compliance

Our mature ethics program continued to work well throughout 2022, helping every part of our business maintain high standards of conduct and compliance. We are committed to always acting in a way that aligns with all applicable consumer laws and regulations as well as our long-standing guiding principle to do the right thing.

Our Code of Ethics and Business Conduct is reviewed annually by the Board. This last occurred on July 26, 2022. To ensure all employees are familiar with the Code, all new hires must complete online training and certify they understand and will abide by the Code, and all ongoing employees must recertify their commitment annually. Directors also provide a similar certification on an annual basis.

Three lines of defense to oversee risks

We employ a “three lines of defense” risk control structure. In this design, responsibilities for control are distributed across our business operations (inclusive of client-facing roles as well as enterprise support functions), risk management and compliance, and internal audit. The three lines of defense structure facilitates both a collaborative model operated between profit and cost centers, as well as independence of the oversight roles of our risk and audit functions.

Our first lines of defense reside in our operational units where responsibility to execute objectives is balanced with the potential exposure to risk. Functional leaders develop monitoring and testing processes in a self-auditing function and report their observations to the second line of defense.

The second line of defense is charged with design and execution of control structures that are supportive of strategic initiatives yet grounded in a culture of strong regulatory compliance and prudent capital management. Functionally, the second line of defense comprises specializations of credit risk administration, BSA/AML, compliance, fair lending, fraud, physical security, information security, model risk management, regulatory affairs, enterprise risk, operational risk, and credit risk review. Additionally, the second line of defense oversees real estate related risks in the areas of appraisal and market research. The second line of defense is completely independent of the business units, or first lines of defense.

In each of the second line of defense functions, we employ career professionals who are experts in their field. These subject matter experts work in tandem with the business unit leadership in growing our company in a controlled manner.

Adherence to this risk framework is independently tested through a comprehensive internal audit control structure, the third line of defense. As in the second line of defense, the third line is comprised of specialists, expert in their field for assessing adherence to policies, procedures, and regulation.

Collectively, the three lines of defense model operates as a checks and balances approach, helping us identify and properly manage risks, while contributing to our overall growth objectives in a measured fashion. Independence in the second and third lines of defense is established through direct accountability to the Board of Directors.

We have practiced this classic three lines of defense structure for many years and consider our status to be mature. This risk framework is routinely examined by our banking regulators and external auditors. It is a proven governance model that allows us to effectively pursue strategic priorities of serving our shareholders, clients and communities, in a regulatorily compliant manner.

The three lines of defense structure facilitates both a collaborative model operated between profit and cost centers, as well as independence of the oversight roles of our risk and audit functions.

Listening and learning

Strengthening our compliance culture has been an ongoing effort for a number of years. This includes encouraging all employees to proactively raise concerns or submit complaints without fear of retribution or retaliation. If an employee, client, or other stakeholder is not comfortable discussing concerns with management, our anonymous third-party hotline, [EthicsPoint](#), is described on our website and is available anytime by phone and online.

All EthicsPoint reports are submitted to our Ethics Officer, Chief Audit Executive, and the chair of the Audit Committee, who is an independent Board member. Additional executives and/or other management are engaged as appropriate to assess and respond to 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 systemic or repeated problems, enabling them to be appropriately addressed. Non-retaliation against employees is formalized in our Code of Ethics and Business Conduct and includes strong legal protections for those who raise ethical concerns or complaints in good faith.

Any consumer compliance-related complaints received through EthicsPoint are also shared with our Chief Compliance Officer or Fair Lending Officer and reviewed for compliance concerns. Our Complaint Management Program is led by a workgroup that meets monthly to review client complaints, escalate concerns, analyze trends and improve systems to promote a positive client experience.

Focusing on Our Human Capital

Ensuring that every team member feels supported, listened to, valued and able to hone their skills as well as take on new challenges is an essential part of achieving our ESG goals. That environment also creates real opportunities to drive engagement, productivity and business value.

This renewed focus is being led from the top. In 2022, our Board's Corporate Governance/Nominating Committee refreshed its list of desired director attributes. In considering the skills and competencies we need most to drive our business forward, the Committee added human capital management/executive compensation experience to the list. The addition reflects the level of importance the Board places on supporting our human capital as a key component of our organization's strategy in the coming years.



Succession planning

The Board of Directors understands the importance of succession planning and actively monitors actions regarding planning for succession of our CEO and other key executives. The Board annually reviews our succession plans for senior leadership roles to make sure the right leadership talent is in place to support our objectives, now and into the future.

In the past year, the Board made the strategic decision to shift committee oversight for executive succession planning from the Corporate Governance/Nominating Committee to the Compensation and Human Capital Committee, thereby continuing to expand the responsibilities of the Compensation and Human Capital Committee to encompass areas beyond executive compensation. Going forward, the Compensation and Human Capital Committee will be responsible for reviewing talent development and succession planning, including tracking the gender and ethnic diversity of high-potential employees.

Executive Compensation

Our “pay for performance” philosophy connects compensation to employee individual performance as well as the performance of the bank. We believe this provides the best incentive to our people and allows them to share more fully in our overall growth and success.

We aim to align incentives with the risk and performance frameworks of our business in a way that best facilitates the support expected by our clients, employees and stakeholders. This extends to all levels of our business, and work has begun to integrate ESG goals into our executive compensation packages. By year-end 2022, approximately 70% of our Executives had an ESG or DEI goal linked to their compensation package.

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Information Technology and Cybersecurity

We continued to invest significantly in cybersecurity capabilities. Our security protocols and standards follow the ISO27001 framework and regulatory guidance, and our policies and processes monitor and mitigate the threats we face. Combined, they are designed to bolster our resilience such that our branch and back-office operations would continue to perform should a cyber incident occur.

Our Risk Management Oversight Committee and our Board’s Risk Committee are responsible for oversight of our cybersecurity and data security programs and policies regarding information technology and cybersecurity risk, including our framework to prevent, detect and respond to attacks or breaches. These committees receive regular reports on matters relating to cybersecurity and data security.

Launching our third-party provider policy

In 2022, our new Third-Party Provider (TPP) Lifecycle Management Policy was approved by the Board. The policy recognizes the importance of effectively managing third-party providers. It establishes the process all employees use to engage TPPs and facilitates the acquisition of the right products and services at competitive prices. It also provides guidance on appropriate risk-based due diligence processes in advance of contract execution, further managing our potential risks and quarterly business reviews that are performed for our critical vendors.

This new policy is the latest step in our move from an IT-centric TPP management policy toward a company-wide program that supports the entire organization. The Third-Party Provider Management group is involved in key vendor contract negotiations and RFP

processes, helping create efficiencies, reduce risk and drive value from our vendor relationships. Since its introduction, teams across the organization have successfully partnered with the TPP team on complex vendor sourcing and negotiation.

Data security

We aim to continually strengthen our security controls. As a financial institution, our reputation is built on our ability to safeguard our clients' assets and personal information. As the threat landscape continues to evolve and become more sophisticated, so must we. Our ability to manage data and aggregate it in an accurate, secure and timely manner are essential parts of effective risk management.

The ways we protect, collect and use personal data is detailed in our privacy notice and supplemental policy for the Banner Bank mobile banking app. Both are reviewed every year, and we notify clients and colleagues of any changes in accordance with legal requirements for each state. New clients also receive our privacy notice at account opening.

It remains a core commitment of Banner not to sell the personal information of our clients or share it for marketing purposes with non-affiliated entities. When we do share personal information with affiliates, it is strictly as part of an ongoing business relationship.

Audit frequency

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 and Washington State Department of Financial Institutions; and
- Review by an independent cybersecurity consultant.

Education and training

The Board receives cyber security training. Additionally, employees receive cybersecurity awareness training as part of the onboarding process as well as annual refresher training on phishing and related subjects. Tests are carried out regularly to keep employees up to date with this ever-evolving and common threat.

We also provide educational resources and support to our clients on topics such as account takeover, common forms of fraud, protecting their accounts and computer systems, best practices for digital and physical security of their financial information.

It remains a core commitment of Banner not to sell the personal information of our clients or share it for marketing purposes with non-affiliated entities. When we do share personal information with affiliates, it is strictly as part of an ongoing business relationship.

From the Canadian border to the Mexican border, our footprint encompasses some of our nation's most unique and beautiful natural habitats. These habitats are part of the shared history and identities of our communities, and we are playing our part in protecting and preserving them for future generations.

Continuing to Evolve Our Climate Strategy

Climate change impacts are already being felt by communities internationally. To help mitigate these risks and strengthen climate-related resilience, governments around the world are introducing national legislation and joining international agreements aiming to combat the rise in global temperatures. In 2022, we made significant progress on building a climate risk management program.

Climate strategy governance

Our Board's Risk Committee provides oversight of climate-related issues and guides our strategy with regard to climate risk. The Risk Committee receives quarterly updates on climate-related issues and status updates on the progress of our climate risk program. This includes information on greenhouse gas emissions data and transition and physical risks related to certain climate scenarios.

On the management level, climate-related responsibilities are assigned to the Enterprise Risk Management team, with direct oversight by the Chief Risk Officer. They provide regular reports to the ESG working group, as well as quarterly reports to the Risk Management Oversight Committee and the Risk Committee.

Identifying and managing climate risk

The Enterprise Risk Management (ERM) department conducts quarterly ERM assessments spanning 11 key risk areas including credit, market/price, liquidity, interest rate, financial reporting, operational, technology, people, compliance/legal, reputation and strategic. Climate-related risk management responsibilities are also assigned to this department. We have begun work to incorporate climate-related considerations into these risk assessments where applicable, and we expect to continue to refine this aspect of our risk assessments as we enhance our climate risk program over time. In 2022, we also established procedures to help us responsibly meet the evolving regulation around ESG-related disclosures.

To better inform the continuing development of our climate strategy, we completed a scenario analysis in 2022. Preliminary results showed that, as an organization, Banner is quite resilient to both the physical and transitional medium-term risks presented by climate change.

We recognize the inherent climate-related risks that may impact our business. We also acknowledge the potential opportunities we might undertake to increase our positive impact.

Measuring our emissions

In 2022, we began to measure our emissions to better understand our carbon footprint and begin to identify ways to reduce it. Working alongside external subject matter experts, we have calculated our scope 1 and 2 emissions for 2021 and 2022. Scope 1 emissions are direct greenhouse gas (GHG) emissions from sources owned or controlled by Banner Bank, primarily consisting of natural gas consumed at our locations. Scope 2 emissions are indirect GHG emissions from the generation of electricity purchased by Banner Bank. These emissions calculations are a critical early step in establishing emissions reduction targets and will be used to inform emissions goals in the future.

Scope 1 and Scope 2 Greenhouse Gas (GHG) Emissions*

	2021	2022
Scope 1 Emissions	1,416.56	1,451.86
Natural Gas	1,325.04	1,379.44
Fuel Oil/Diesel	34.61	21.00
Propane	25.59	18.80
Gasoline (Mobile Combustion)	31.31	32.62
Scope 2 Emissions – Electricity (Location-Based)	4,355.02	3,946.48
Total Scope 1 and Scope 2 Emissions	5,771.58	5,398.34
Per 1,000 Square Feet	4.73	4.76
Per Revenue (Millions)	9.73	8.59
Building Area (Square feet)	1,219,379	1,113,706
Revenue (Millions)	\$593.31	\$628.43

*Emissions expressed in Metric Tons of Carbon Dioxide Equivalent (MT CO₂e).

Note 1: Scope 1 and Scope 2 emissions calculations were developed in accordance with the GHG Protocol. Limited Assurance has been provided for the overall Scope 1 and Scope 2 emissions calculations.

Note 2: Utility consumption is based on actual utility invoices for properties where Banner receives a utility bill, and estimated for properties that Banner controls, but does not receive a bill. Fugitive emissions are considered immaterial.

Note 3: The Base Year for GHG emissions calculations will be determined once emissions reduction targets are established.

Note 4: The threshold for base-year emissions recalculation will be 10% of base year emissions, determined on a cumulative basis from the time of the established base year.

We believe we can create more value by supporting environmentally responsible projects and welcome the opportunity to finance projects that will increase public infrastructure resilience. This complements our activities in supporting consumer clients in search of financing to buy or renovate their homes. Utilizing our expertise and role as a provider of capital to advance important issues is in alignment with what we've been doing for over a century.

Publishing a formal climate statement

Our initial publication of the Banner Social, Environmental and Climate Credit Risk Statement is available for stakeholder review at www.bannerbank.com/esg/credit-risk-management-statement. This document links our environmental risk management with our credit lending.

Financing sustainability-based projects

We continued to provide financial support to a range of ESG-related projects throughout 2022. Increasing the energy-efficiency of homes within our communities remained a priority as we built on the successful 2021 launch of our [PowerWise Home Loan](#) and [HomeFresh Second Mortgage](#). We also maintained our record of providing banking services and loans to innovative businesses that are pioneering new ways to take on the challenges posed by climate change.

For example, we issued a Small Business Administration (SBA) loan to a solar installation company as part of the Energy Trust of Oregon's 'Path to Net Zero' initiative. An office for the company will be built on the commercial property using high efficiency building materials and window design, and is later expected to be powered by solar panels. We also financed a project to reclaim environmental biogas produced through agricultural processes.

Operating sustainably

We appreciate the efforts our teams have undertaken to improve the environmental efficiency of our operations. The platinum-rated LEED building of our Boise, Idaho branch and administrative offices uses 65% less electricity for lighting and 60-80% less water than a typical office building of the same size. We perform regular audits of all our locations to identify areas for potential additional investment.

Managing our environmental data

Utility provider invoices are the source data for our Scope 1 and 2 greenhouse gas emissions calculations. We use a third-party platform to track and pay utility invoices. A combination of system and employee authorization steps are used to validate various stages, including automated alerts when consumption is outside predefined parameters. Significant changes in utility consumption are identified monthly and investigated to provide us with an opportunity to correct issues and mitigate unnecessary emissions.

Utility consumption figures are converted to greenhouse gas emission estimates using a calculator developed by a leading environmental services consultant with expansive international operations. We have received [Limited Assurance](#) of the overall Scope 1 and Scope 2 emissions calculations from our independent public accountants.

Energy usage

Investment in LED lighting and energy management systems across our footprint continued in 2022. As a result of the acceleration of remote work over the last several years, we have been able to reduce the square footage we actively own and manage.

Water usage

Our water consumption remained relatively low in 2022, yet we continued exploring additional ways to reduce usage at our owned properties – for example, we implemented hardscaping at three additional properties in 2022 to reduce water consumption.

“I’m fully remote now – which means I’m not driving more than 7,500 miles each year to get to and from the office. The savings for me have been significant, in addition to the positive environmental impact.”

- Banner Bank team member

Waste management

In 2022, we recycled over 588,000 pounds of shredded paper through our recycling partner. We also began phasing out plastic and foam bowls, plates and cups from breakroom supplies. Our switch to thermal printing also reduced the amount of ink cartridges we use annually.



“Doing the right thing is always our starting point when considering the way our business operates. This report shines a spotlight on how we are turning this guiding principle into meaningful action. It demonstrates the multitude of ways that our sustainable business practices enhance our long-term strength and ability to create value.”

- Mark J. Grescovich

Maintaining Our Momentum. Maximizing Our Impact.

2022 was a landmark year for us. We published our inaugural ESG Highlights Report, providing additional transparency in relation to our governance, social and environmental activities. This year's report shows we are continuing this positive trajectory and maintaining momentum throughout our organization.

We are pleased with our achievements in pursuit of a more sustainable business through continued improvements in the areas of environment, social and governance. We also recognize there is more to do.

In addition to this report, we share updates on our ongoing ESG efforts on our website. You are invited to review our progress any time at 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, 2022 (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.

For more information

[Code of Conduct](#)

[Community Reinvestment Act](#)

[Complaint Management](#)

[Corporate Governance Guidelines](#)

[Credit Risk Management](#)

[Fair Lending](#)

[Information Security And Privacy](#)

[Privacy Notice](#)

[Product Management](#)

[Respectful Workplace](#)

[Responsible Sales Practices](#)

[Safety And Security](#)

[Sustainability Accounting Standards Board \(SASB\)](#)

[Task Force on Climate Related Financial Disclosures](#)

[Whistleblower](#)