Q2 | Environmental, Social and Corporate Governance Report

MAY 6, 2021

CONTENTS

Q2 customers, team members, investors and stakeholders,

As communities everywhere face the economic and human toll of the COVID-19 pandemic, Q2 and its over 1,700 team members are mobilized and focused around accelerating and enabling financial services firms everywhere to support the banking needs of their account holders. The solutions we deliver, and the banking services our customers provide, mean stimulus checks are delivered on time; PPP loans can be initiated and accessed on a mobile device; loan decisions are accelerated; and equipment leases are getting funded in minutes not days, creating peace of mind for individuals and businesses in communities around the globe. I'm proud to say, our mission to build strong and diverse communities by strengthening their financial institutions is more important than ever and our teams are inspired by the tangible benefits others receive from the solutions we deliver.

No matter the circumstances, we have always operated our business with a clear set of guiding principles that have shaped every aspect of our growth strategy and our award-winning culture. Those include putting the customer first; paying attention to the details such as security, compliance, and financial controls; recognizing our employees for not just their hard work, but also their performance; treating every customer and every Q2 team member with the fairness and respect they deserve; and recognizing that change is good, and a requirement for the overall sustainability of our business. More importantly, our principles support the continued pursuit of our mission, with both financial institutions and their communities at its core.

Our ongoing focus to create a lasting impact on the financial services industry, as well as in the communities where we live and work, has created tremendous value for many. And we are confident our initiatives related to environmental, social and governance (ESG) issues will act as additional fuel for growth and positive change. These initiatives will open our minds, unlock our creativity and enable our teams to care for and impact our customers, partners, employees and communities in ways we have yet to imagine.

> **We have always operated our business with a clear set of guiding principles that have shaped every aspect of our growth strategy and our award-winning culture.**
>
> – Matt Flake, CEO, Q2

The technology skills gap and access to capital and credit are two examples of the many issues that have the potential to negatively impact our society and our economy. We are actively investing and volunteering in a variety of technical training programs, providing coding training for underrepresented minorities, as well as developing our capabilities to enable fast, secure digital lending solutions for consumers and small businesses. These initiatives will help close the technical skills gap, create new opportunity through capital and credit and help all of us in confronting these threats. But our ESG efforts aren't limited to these issues alone.

Among our ESG initiatives, diversity, equity and inclusion are key priorities. We are excited about the tangible steps we are taking and the updates we will be providing on our progress. And while we have long been recognized for embracing diversity, equity and inclusiveness, we know future innovation, customer success and sustainability will be better served with the ideas and experiences of a more diverse workforce and inclusive culture.

At Q2, we are committed to proactively building a culture our employees, customers, investors, and our communities can hold up as a light for positive change and with this report, I invite you to learn more about how we strive to achieve this each and every day.

Best regards,

Matt Flake
Chief Executive Officer & President

About Q2

Q2 Holdings, Inc. (NYSE: QTWO), is a global company of over 1,700 employees passionately pursuing Q2's mission to build strong and diverse communities by strengthening their financial institutions.

16 years

Since 2005, our teams have enabled financial brands to create differentiated digital banking and lending experiences for their customers and their employees.

Today, more than 18.3 million account holders and more than 50,000 financial services employees utilize our digital solutions to access accounts, manage their businesses, pay bills, add new accounts, apply for credit, engineer banking-as-a-service (BaaS) programs and manage virtually every aspect of their digital banking and lending interactions.

Our Journey

Q2 began in 2005 by providing digital banking solutions to regional and community financial institutions so that they could combine their trustworthy reputation with our leading technology to compete more effectively in the complex and heavily regulated financial services industry. From the beginning, we have been defined by and recognized for our mission and our corporate culture of collaboration, inclusion, and transparency. And with our repeated recognition as a Top Place to Work and the use of our digital solutions by over one-third of the largest 100 banks in the United States, it is clear our mission and culture shape our success and how we work every day.

Our goal is to enable financial brands everywhere to redefine how they interact with their customers. We believe people should be much more than just an account number and the balances held in those accounts. Our solutions enable meaningful digital experiences helping people save, spend, borrow and plan for their financial future. We envision a world where financial institutions are partners to their customers, anticipating their needs, providing insights relevant for their financial security and helping them achieve their dreams.

> **We have grown rapidly as a result of the success of our vision and our digital solutions.**

We have grown rapidly as a result of the success of our vision as more and more customers recognize the strength of our digital solutions and the quality of the team that delivers and supports them. Through investment in customer-inspired innovation and our acquisitions of leading technologies, our digital solutions have grown to include a broad range of services and experiences, including commercial banking, regulatory and compliance, digital lending and leasing, BaaS, digital account opening and switching and data-driven sales enablement and portfolio management solutions, further serving the needs of financial institutions as well as alternative finance (Alt-FIs) and financial technology companies (FinTechs).

Our Footprint

As of December 31, 2020

450

installed digital banking platform customers located in 48 states

17.8million

consumer and commercial account holders registered on our digital banking platform

>$1.4trillion

in processed transactions in 2020

Our headquarters
Austin, TX

Additional Offices
Lincoln, Nebraska
Des Moines, Iowa
Atlanta, Georgia
Asheville, North Carolina
Charlotte, North Carolina
Cary, North Carolina
Minneapolis, Minnesota
Baxter, Minnesota
London, England
Bangalore, India
Sydney, Australia

As of December 31, 2020

1,751
employees

1,749
full-time
employees

1,520
employed
in the U.S.

Our Mission

From the beginning, Q2 has been defined by its culture and its commitment to building strong and diverse communities by strengthening their financial institutions. Our mission drives how we work with our customers, how we support them and how we continue delivering innovative solutions.

Our goal is to redefine how financial institutions interact with their customers, and we believe people should be much more than just an account number and the balances held in those accounts. We envision a world where financial institutions are partners to their customers, anticipating their needs, providing insights relevant for their financial security and helping them achieve their dreams.

Our Response to the COVID-19 Pandemic

"

When we began our journey with COVID-19, we asked our employees to focus on the positives—on the sunrises and sunsets, and not the number of days. It has been refreshing to see and know that this focus really does shed new light on the situation and how perspective plays a role in how we approach every day.

– Matt Flake, CEO, Q2

"

In 2020, the COVID-19 pandemic brought unprecedented challenges to businesses across the world. Almost overnight, workers were asked to work from home, balance their professional lives with conflicting disruptions to their personal lives, and to stay productive under conditions of extreme stress and uncertainty.

Q2 was prepared. Prior to the COVID-19 pandemic, we maintained and regularly tested a formal Pandemic Plan, among a variety of other disaster and incident response measures, which allowed us to quickly and effectively respond to pandemic lockdown measures. Q2 was well-equipped and familiar with the technologies needed to operate its business with all employees working remotely. And when employees needed assistance to successfully work from home, we acted quickly. For example, where employees did not have home access to high-speed internet, including many of our colleagues in India, we quickly purchased equipment necessary for them to log-in remotely.

More importantly, we have taken many steps to assist our employees with resulting personal challenges and to stay connected with their Q2 teammates during the pandemic. We offered financial assistance to all our employees globally to assist them and their households with the extra expenses of at-home work, education and well-being. We also provided: enhanced health benefits, including improved mental healthcare; more flexible work schedules, including a COVID day-off program creating multiple extra global holidays for employees to attend to personal matters; and, employer-paid home-office setup enhancements, including ergonomic furniture and IT equipment. We also offered a wide variety of virtual culture-building team events. Our regular Pulse surveys, where we measure employee engagement and satisfaction, reflected employees' appreciation for our efforts.

Najaf Pasha,
Systems Administrator
Bangalore, India

Our response to the COVID-19 pandemic was not limited to just our employees. Shortly after the onset of the COVID-19 pandemic, the Q2 team played a major role in helping U.S. companies, particularly small and local businesses, apply for and receive critical support from the Federal Paycheck Protection Program (PPP). Over a two-week period in March 2020, our lending solutions team rapidly developed and implemented our PPP solution, enabling financial institutions to quickly process PPP loan applications. This was an extensive, collaborative effort where Q2 developers worked long hours to create and stand up the solution. Ultimately, this allowed Q2 customers to much more rapidly process PPP loans and provide much needed financial support to struggling businesses within their communities.

24,236

PPP loans processed by Q2

As of March 31, 2021

OnPoint
COMMUNITY CREDIT UNION

To go from not being an SBA lender to being ranked seventh in the nation for PPP origination was an incredible success, but what matters most is that we were able to deliver a much better experience for our members.

– Steve Leugers, Chief Credit Officer, OnPoint Community Credit Union

Ethics and Compliance

As a company that supports a wide variety of financial services that are critical to the success and security of our highly regulated customers and their individual and business account holders across the globe, ethics and compliance are central to how we work.

Zero reports of ethics violations in 2020

Secure Services

Our solutions leverage our deep domain expertise and the significant investments we have made in the design and development of our data center architecture and other technical infrastructure, including public cloud services, to meet the stringent security and technical requirements for financial institutions and financial services providers. Customers who use our solutions can comfortably satisfy security and technical compliance obligations by relying on the security programs and regulatory certification of our data centers and other technical infrastructure. By doing so, our customers avoid the significant cost and effort associated with building, maintaining and upgrading a regulatory-compliant and secure environment on their own. This is one of the many benefits of our solutions and a key reason why our customers value our partnerships with them.

We are committed to going beyond just meeting regulatory requirements of our target markets. Since our founding, our culture has been about doing the right thing and acting with integrity. This is an essential part of our success, which our customers recognize.

A Committed Team

Our employees are paramount to our success and we operate by a set of principles which guide us to be ethical and accountable to our customers, partners, communities we serve, each other and other stakeholders in achieving our mission. New employees are presented with the Code of Business Conduct and Ethics on their first day at Q2, expected to internalize it and affirmatively indicate their acknowledgment of its importance. Shortly after starting with Q2, new employees also receive training on, among other things, insider trading, anti-corruption, privacy and data protection and how to handle confidential information. We also maintain and regularly inform our employees about our globally accessible compliance hotline where anyone can anonymously report any concerns they may have about misdeeds or ethical issues.

You may reach our compliance hotline at the phone number applicable to your location, or via the internet at:

www.q2.ethicspoint.com

Please be forthcoming with the details of your particular situation to enable the Compliance Officer to fully investigate the situation.

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

Tone from the Top

Our Board of Directors and its committees (Board) 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.

Our Audit Committee oversees the quality and integrity of our financial reporting and our general compliance with legal and regulatory requirements. Our Internal Audit team reports to our Audit Committee quarterly on our compliance with internal controls and procedures, including our adherence to our ethics and compliance training programs. Our Audit Committee also maintains oversight of our Related Party Transactions Policy, which requires Audit Committee review and approval of related party transactions.

Our Risk and Compliance Committee also meets quarterly and oversees our risk management and compliance programs, our information systems and the adherence of our solutions with legal and regulatory requirements.

Our Nominating and Corporate Governance Committee oversees our corporate governance guidelines, compliance with NYSE listing standards and, in conjunction with our Audit Committee, our Code of Business Ethics and Conduct. Our Nominating and Corporate Governance Committee also oversees our ESG developments and initiatives.

Democratizing Banking

Consumers expect their relationship with their financial institution to be more than just checking accounts and debit cards, more than unhindered access to their finances, instant payments and new ways to plan and save. They expect, and need, a partner to help them leverage the latest technology to transform their financial lives.

>90%

of Americans use smartphones or other connected mobile devices*
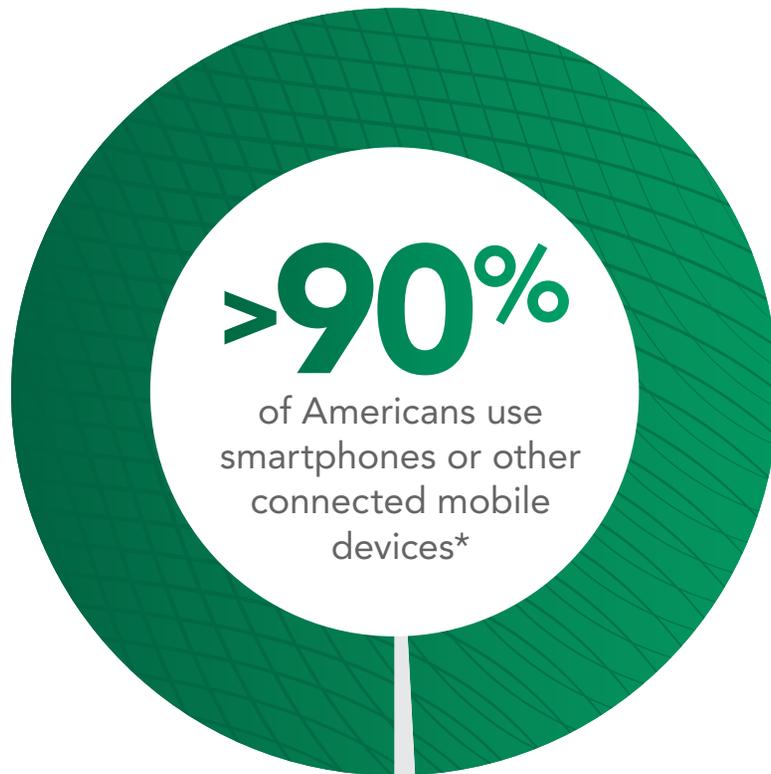
Financial services are now more accessible than ever. In order to stay relevant, financial institutions and other financial services providers must be able to tailor their services to meet individual account holder needs. However, the bar for successfully meeting account holder expectations for digital solutions has been set extremely high by popular non-financial technology brands like Amazon, Apple and Uber. Further, enabling the digitization of a historically in-person experience like banking is complex, expensive and requires specialized talent to design, develop, and manage it in a secure, compliant fashion. To address these challenges and meet account holder expectations, the vast majority of financial services providers must partner with technology services providers like Q2.

*https://www.pewresearch.org/internet/fact-sheet/mobile/

New Trends in Financial Services

Financial services are no longer limited to legacy financial institutions and other traditional providers. The financial services market now includes thousands of emerging ALT-FIs and FinTechs worldwide seeking to provide their customers with a variety of financial services, experiences and solutions tailored to their needs. These services are often competitive with, complementary to and dependent upon traditional banking services. These emerging financial services providers are typically less constrained than traditional financial services providers by legacy technology solutions, physical branch locations and regulation.

Consumers are looking for more than just checking accounts or debit cards.
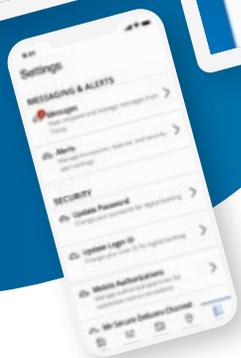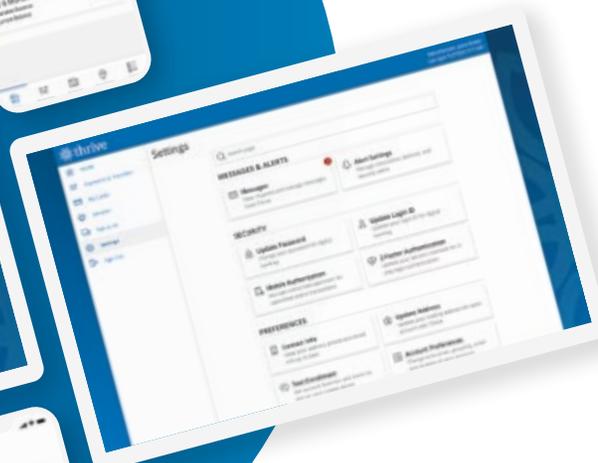

What We Offer

Q2 is a leading provider of secure, cloud-based digital solutions that transform how traditional and emerging financial services providers engage with their customers. We sell our solutions to financial institutions, ALT-FIs and FinTechs. Our products enable our customers to deliver robust suites of digital banking, lending, leasing and BaaS services that make it possible for their account holders to 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 goal is to enable financial brands everywhere to redefine how they interact with their customers. We envision a world where financial institutions are partners to their customers, anticipating their needs, providing insights relevant to their financial security and helping them achieve their dreams.

Open Platform

We design and develop our solutions with an open platform approach intended to provide comprehensive integration among our solution offerings and our customers' internal and third-party systems. This open approach and the variety of integrations we offer allow our customers to deliver unified and robust financial experiences across digital channels. Our solutions provide our customers with the flexibility to configure their digital services in a manner that is consistent with their own workflows, processes and controls. Our solutions also allow our customers to personalize the digital experiences they deliver to their customers by extending their individual services and brand requirements across digital channels. Since our customers desire highly customized functionality, we supplement our offerings with our Q2 Innovation Studio solutions, an open extension framework package that facilitates the development of tools and applications that can be tailored to the exact needs of a financial services provider, so that they can serve the needs of their account holders better. Using Q2 Innovation Studio, our customers are enabling account holders to better

manage their financial outcomes by accelerating loan payoffs, skipping a payment, offering special financing solutions, engaging in customer surveys, sharing customer alerts and notifications related to accounts—all supporting the financial wellness of their account holders.
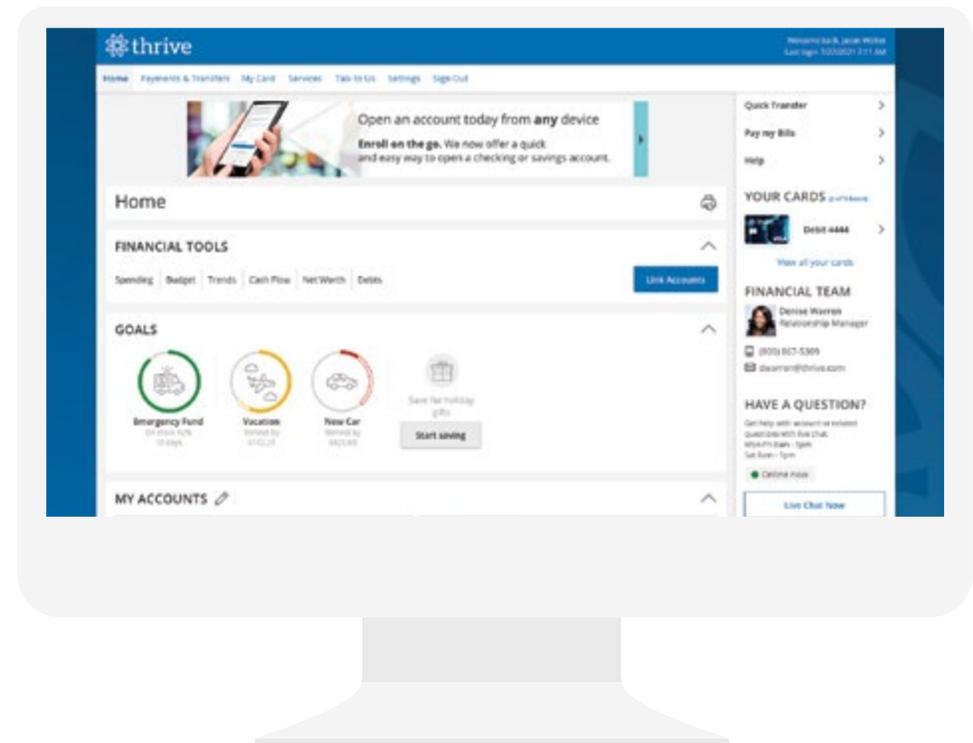
Enterprise Risk, Security and Privacy

Risk management, information security and data privacy are of paramount importance to Q2, as a Technology Service Provider governed by the Federal Financial Institution Examination Council (FFIEC).

"

Our business is trust-based—if our customers do not trust our solutions, or if there is a security issue with our systems—that trust will be compromised, and our business may be harmed.

"

Q2 was recently named a winner of the CSO50 award for our deployment of Trustgrid, a confidential computing platform that enables organizations to build a distributed identity network between business partners, consumers, and other agencies.

This is the second year in a row that Q2 has won this prestigious award. The CSO50 Awards recognizes 50 organizations for security projects and initiatives that demonstrate outstanding business value and thought leadership.

Risk Management

Effectively managing risk requires a structured and clearly defined risk management process. We have implemented an enterprise risk management (ERM) program as the cornerstone of our efforts to identify and mitigate risks. The main components of our program are:

Designate and maintain a Risk Program Coordinator (Coordinator)

Conduct annual risk assessments to identify reasonably foreseeable risks

Ensure mitigation plans are defined, implemented, monitored and tested for effectiveness

Adjust the ERM Program annually or sooner as needed, based on observations from monitoring and testing

The Coordinator provides leadership and oversight of Q2's ERM program and works closely with all internal Q2 teams to ensure its effective implementation. Additionally, the Coordinator:

- Consults and/or conducts surveys with responsible process owners to identify operational areas that are susceptible to risk

- Maintains a risk inventory

- Partners with relevant teams to develop, document and implement risk mitigation plans for risks associated with their function

- Reports regularly on the ERM program to senior leadership and the Board

Third Party Risk Management

Q2 has an extensive program to assess and mitigate risks related to its relationships with third parties, such as vendors, suppliers, consultants and other business partners. The Board of Directors and Q2 management are responsible for ensuring that the risks associated with the use of third parties for Q2's critical operations are fully understood. Accordingly, Q2 has implemented an oversight program to monitor their operational controls, financial condition, and contractual performance.

To manage third-party risk, Q2 has implemented controls for the selection and management of third parties and performs initial and subsequent periodic assessments of the third parties to assess, among other things, their security measures, financial position, reputational risk, service level performance, and regulatory and product compliance.

> Q2 has implemented controls for the selection and management of third parties and performs initial and subsequent periodic assessments of the third parties.

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, as well as other confidential financial information Q2 has voluntarily chosen as a matter of policy to include within the ISP's scope. The ISP is created to follow the National Institute of Standards Cyber Security Framework as well as the standards set forth in both 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 protecting customer and account holder data requires building and growing a culture of security and privacy awareness. All Q2 employees are required to agree to security policies prior to obtaining access to Q2's systems. Employees also take part in mandatory annual security and data privacy training.

Q2 conducts regular monitoring of its systems to reasonably ensure that safeguards are being followed and to swiftly detect and correct breakdowns in security.

Q2 applies a rigorous level of monitoring based upon the potential impact and risks, as well as the sensitivity of the information. Q2 also 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.

Monitoring also includes sampling, system checks, reports of access to systems, reviews of logs, audits, and any other reasonable measures adequate to verify that the ISP's controls, systems and procedures are working. If any security breach were to occur, Q2's policy is to respond in accordance with a planned and coordinated process in order to detect, identify, protect from, respond to and recover from the incident. We regularly employ third parties to test our security practices and to proactively identify weaknesses so they can be addressed promptly.

Data Privacy

Q2 has implemented extensive measures to protect customer and account holder data, including maintaining compliance with the EU General Data Protection Regulation (GDPR), the California Consumer Protection Act (CCPA) and other applicable privacy laws. We maintain a Privacy Program that outlines our approach to data privacy. In support of the Privacy Program, Q2 has retained a Data Protection Officer responsible for data protection activities and implementation measures within Q2.

The GDPR, CCPA and similar laws impose obligations with respect to the collection, processing, storage, disposal, use and disclosure of personal information and require that financial services providers have in place policies regarding information privacy and security. Under certain of these laws, Q2 is obligated to provide notice to consumers of its policies and practices for sharing nonpublic information with third parties, provide advance notice of any changes to our policies and, with limited exceptions, give consumers the right to prevent use of their nonpublic personal information or disclosure of it to unaffiliated third parties. In addition, Q2 adheres to a strict set of data encryption standards and will ensure these standards are followed by all employees and contractors working on behalf of Q2.

Our People

Q2's culture is inclusive, caring, open, encouraging and ever-evolving. From the beginning, we have always prized our values-driven, compassionate and people-centered approach to doing business.

Best Place to Work

Q2 is honored to have been named, for the 10th year in a row, one of Austin's Top Places to Work by the *Austin American Statesman*. We have also been given similar honors in Lincoln, Nebraska, and by the *Charlotte Business Journal* for our office in Charlotte, North Carolina. These awards are based upon the results from employee surveys and reward outstanding performance in benefits, policies and culture.

Maintaining a strong, supportive and award-winning culture is an ongoing effort that requires continuous attention and cultivation. This was especially true during 2020. To continue fostering our culture during the COVID-19 pandemic, we have worked diligently to keep employees engaged, connected and well by offering virtual mental and physical health activities, stipends for working and living better remotely and additional days off to tend to the increased conflicts between work and home during the pandemic.

We have continuously checked in with our team throughout the pandemic to ensure that they are getting the support they need despite the challenges of working remotely. In order to promote collaboration and connection among our people throughout the pandemic, our team quickly pivoted our engagement activities to make them virtual, and our global teams were able to participate in events as wide ranging as cooking classes to yoga, to musical performances and DJ parties—with families welcomed to participate. Our Executive Leadership Team hosted happy hours, and we organized a Virtual Olympics to build and maintain team spirit to counter the isolation many felt during the pandemic.

TOP WORK PLACES
2011-2020
Austin American-Statesman
statesman.com

Training

When people join the Q2 team, they participate in a new hire orientation that introduces them to the mechanics of working at Q2, and more importantly, to Q2's culture. In addition to being an immersive, Week 1 multi-day journey through our culture, products and markets, this orientation includes a deeper dive into our Code of Business Conduct and Ethics, and our values and guiding principles, which were introduced to them during the hiring process. These items establish our expectations for how they conduct themselves.

In addition, during every employee orientation, they spend time with nearly every member of our executive leadership team, including our CEO. This component of our onboarding has opened up channels for communication and reinforced 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 and it helps new team members quickly get oriented and productive in their new working environment.

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

We also offer on-demand and classroom-led trainings in a variety of areas, including leadership, change management, giving and receiving feedback, to further develop employees as team members and leaders. We also have leadership development programs for upcoming leaders, and offer coursework specifically targeted at our more experienced leaders to continue their skill development.

Training Opportunities at Q2:

- **Immersive Orientation**
- **Executive Team Meetings**
- **90-Day Onboarding Activities**
- **On-Demand and Classroom-Led Trainings**
- **Leadership Development Programs**
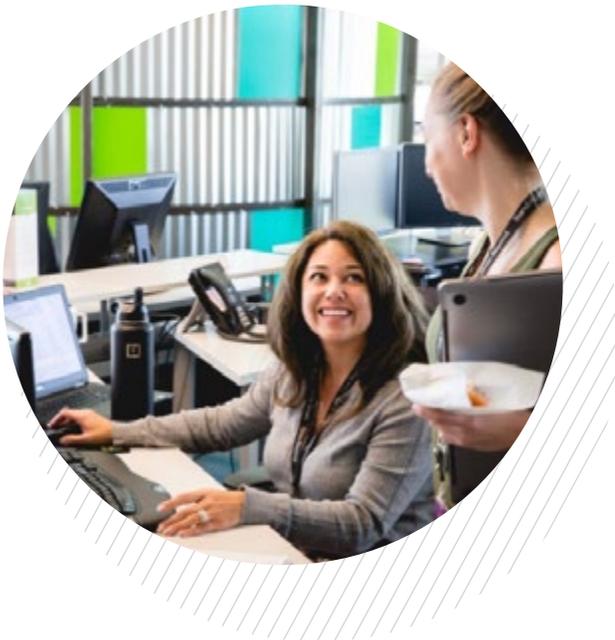
All employees are required to take training courses on compliance, attend new hire orientation and our Leadership Academy (for newly-hired or -promoted leaders at Q2), and participate in panel interviewing for those team members who participate in the hiring and interview process.

We offer focused training on topics such as:

Performance Development

Giving and Receiving Feedback

Coaching

Presentation Skills

Building Customer Relationships

Every employee is also provided access to LinkedIn Learning, which offers more than 7,000 on demand courses and classroom-led training in a variety of areas to further their development as team members and leaders.

Additionally, we have a three-tiered leadership development program, specifically targeted at up-and-coming leaders, newly hired or newly promoted leaders and our more experienced leaders, to support their leadership skill development and provide them with the skills necessary to succeed in their aspirational, new or expanding roles.

We also encourage students to explore careers in software. Our U.S.-based Summer Internship Program is 12 weeks long and offers participants the opportunity for weekly classroom trainings 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.

Employee Engagement

Our employees are paramount to our success and their feedback is critical to enhance our culture of listening, while boosting employee engagement. We seek continuous feedback from our employees to inform operating policies, training investments and communications strategies. Annually, we conduct a global employee engagement survey and in 2020, more than 90 percent of employees took part. Based on the results of these surveys, we craft robust action-oriented plans with regular updates at the team and organization levels. In 2020, we added quarterly Pulse surveys focusing on employee experiences during the pandemic. These regular Pulse surveys have supplemented our annual engagement survey to stay current, measure real-time satisfaction of employees and inform any strategic opportunities to foster employee engagement.
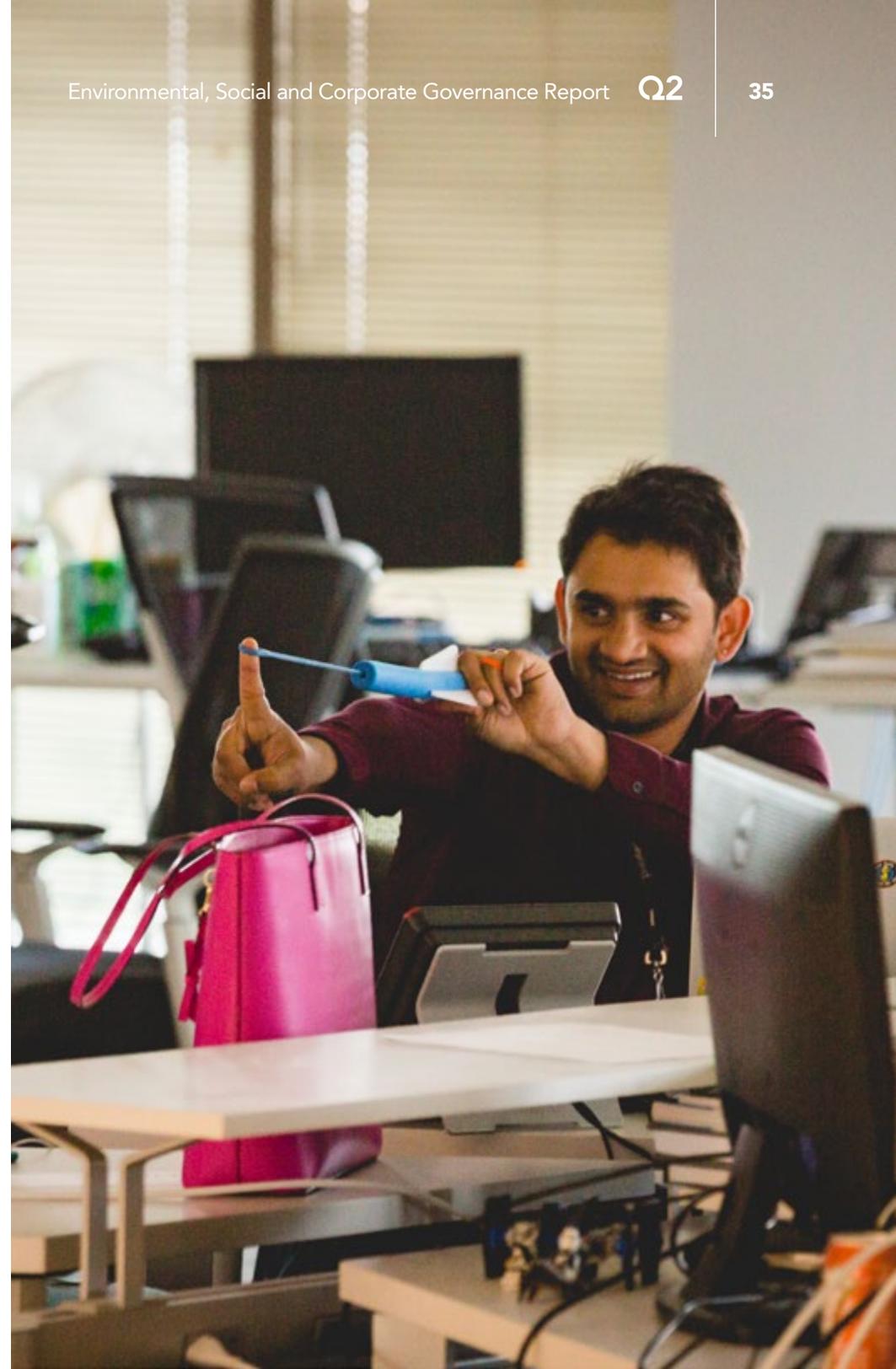
Diversity, Equity and Inclusion

At Q2, diversity, equity and inclusion are intentionally interwoven into our business functions, strategy, and engagement efforts to execute on our mission of building strong and diverse communities by strengthening their financial institutions. 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. Q2's full potential may only be realized by listening and responding to a set of diverse perspectives represented by our many stakeholders. We eagerly seek this input and have both formal and informal ways of gathering information to inform and continuously evolve our business tactics and strategies for the diverse stakeholders and communities we serve.

In alignment with our growth, product development and client engagement strategies, Q2 is focused on enhancing the employee experience by promoting an equitable and inclusive work environment—one where employees feel safe to express their ideas and perspectives, feel they belong, and believe they are treated equitably in relation to their roles, experience and contributions.

In fiscal 2020, we created and launched a diversity-focused council of 11 employees of color, sponsored by our Chief Executive Officer, to help inform our diversity, equity, and inclusion strategy. Key to this strategy, in early 2021, we hired our first full-time leader of diversity, equity and inclusion.

Our efforts in 2021 and beyond will include: educating employees and leaders to recognize where bias exists and building practices to combat its impact; recruiting, developing and retaining diverse talent; and, reinforcing our commitment by supporting external community-based diversity, equity and inclusion-focused causes and organizations.

To that end, we are partnering with Austin's African American Leadership Institute (AALI) development program in their mission to enhance civic awareness and leadership opportunities to make an innovative community impact on Central Texas.

HBCU's we are actively recruiting from:

- **Huston-Tillitson University**
- **Jarvis Christian**
- **Prairie View A&M**
- **St. Philips College**
- **Texas Southern University**
- **Texas College**
- **Paul Quinn College**
- **Southwestern Christian College**
- **Wiley College**

Our strategy to support diverse communities is much broader than our regional work with AALI, and it will consider public-private partnerships with a vast array of organizations. Additionally, we are working to grow our new-hire candidate diversity and are actively examining our candidate pools for representation across gender identity and underrepresented minority groups. In 2021, our new diversity, equity and inclusion strategist will build out a comprehensive strategy, implementation plan and evaluation metrics to strengthen our employee and community interactions and initiatives.

We are also investing in a more robust procurement and vendor management function to better promote diversity within our suppliers and partners, including hiring a procurement leader in early 2021 to lead these initiatives.

As part of our diversity, equity and inclusion efforts, we monitor key statistics that highlight the results in our journey. We are committed to making more progress towards a more representative workforce.

Q2 Employee Gender, Racial and Ethnic Diversity

Gender numbers reflect Q2's global workforce. Ethnic and racial numbers exclude our workforce in India. Diversity, equity and inclusion has long been an important initiative for us and the reported numbers reflect noteworthy improvement from prior years. For certain title levels, employee participation is relatively low, which may make the reported numbers less statistically significant. We will hold ourselves accountable to make further advancements at all levels.

LEVEL*	FEMALE	MALE	NON-WHITE	WHITE
Executive Vice President	14%	86%	14%	86%
Senior Vice President	8%	92%	17%	83%
Vice President	25%	75%	21%	79%
Senior Director	33%	67%	5%	95%
Director	25%	75%	20%	80%
Senior Manager	38%	62%	16%	84%
Manager	33%	67%	17%	83%
Individual Contributor	34%	66%	30%	70%
All Levels Combined	33%	67%	28%	72%

Pay Equity

We also undertake pay equity studies, to uncover any potential disparities in how we compensate our employees. This table shows data regarding base salary compensation of our employees, categorized by level and gender.

LEVEL*	FEMALE	MALE
Vice President	0.91	0.92
Senior Director	0.97	1.06
Director	0.97	1.00
Senior Manager	1.07	1.10
Manager	1.14	1.13
Individual Contributor	1.01	1.02

*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 noteworthy improvement from prior years. For certain title levels, employee participation is relatively low, which may make the reported numbers less statistically significant. We will hold ourselves accountable to make further advancements at all levels.

Q2 in the Community

At Q2, our mission to build strong and diverse communities by strengthening their financial institutions drives us every day.

While our day-to-day work and expertise is in software solutions, we are committed to our impact extending far beyond the technology we build and customers we serve.

Q2's customers include many regional and community financial institutions which have historically been at the center of the growth in their communities. These institutions, among other things, help local businesses get loans to expand and grow, provide funding for local bridge and school projects, and provide the funding for new home construction for families where they operate. In addition, their account holders often include small businesses and other important members of the communities who depend upon financial services providers to offer them relevant and personalized solutions. It is critical to our mission that financial institutions and their customers are provided with the financial services and solutions necessary for them to build stronger communities and support local investment.

Programs and Partners

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

BLACK GIRLS CODE is on a mission to increase the number of women of color in the digital space by empowering girls of color ages 7 to 17 to become innovators in STEM fields, leaders in their communities and builders of their own futures through exposure to computer science and technology. It seeks to provide African American youth with skills to occupy some of the 1.4 million computing job openings expected to be available in the U.S. in the near term, and to train 1 million girls by 2040. Q2 recently provided a substantial donation to continue its support of Black Girls Code.

CODE2COLLEGE seeks to dramatically increase the number of minority and low-income high school students who enter and excel in STEM undergraduate majors and careers. This program is a multi-year, career prep and college access program that leverages volunteer technical talent to teach coding and web development skills to traditionally underrepresented students to support them through college and into STEM careers, while promoting digital inclusion. In late 2020, Q2 announced a multi-year $100,000 donation to support Vision 2024, a Code2College initiative to place 200 Black and Latinx women into STEM roles by 2024. Austin-based Q2 employees also commit their own personal time volunteering with Code2College and its amazing students.

YEARUP is a nationwide program we support financially that is committed to ensuring equitable access to economic opportunity, education, and justice for all young adults—no matter their background, income, or zip code. The program also helps employers confront a growing need for talent, despite millions of young people who want and need jobs.

THE JUVENILE DIABETES RESEARCH FOUNDATION'S (JDRF) mission is to improve lives by accelerating life-changing breakthroughs to cure, prevent, and treat Type-1 diabetes and its complications. For multiple years Q2 has hosted a dodgeball tournament, bringing together many other Austin-based organizations that share a passion for this important cause, to raise funds for much needed support. In 2020 due to the COVID-19 pandemic, our dodgeball event could not be held, but Q2 continued its support for the JDRF with a $30,000 donation.

NATURAL DISASTER RELIEF Q2 provided a $70,000 donation in 2020 to help alleviate the suffering caused by the natural disasters of the Gulf Coast Hurricanes and the wildfires in California and the Pacific Northwest. The funds provided supported volunteer services and provided supplies so that those impacted could begin to rebuild their lives after these catastrophic events.

AFRICAN AMERICAN LEADERSHIP INSTITUTE 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 and serves on the planning committee of Austin's African American Leadership Institute, which focuses on increasing civic awareness, advancement opportunities and employee retention for Austin's Black population.

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 LGBTQ+ community, people of color and more.

DELL CHILDREN'S MEDICAL CENTER OF CENTRAL TEXAS has been a Q2 partner for many years with 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 an organization that builds specially adapted custom homes for severely injured post-9/11 veterans. Q2 is proud to support such an organization and continue to strengthen our community and honor those who protect our freedom.

TEAM MEMBER DONATIONS Q2 leverages a number of digital solutions to enable team members to make meaningful contributions of time and money to causes that are relevant to them. As an example, through an online campaign, we raised more than $20,000 for Lifeworks Austin to furnish household goods to youth striving to exit homelessness.

QMMUNITY Q2 employees learn, participate and give to non-profits through our online tool Qmmunity powered by YourCause, a helpful, collaborative internal community service tool. To enhance team members' volunteer efforts, Q2 also donates to organizations to which employees give their time. For every two hours given, Q2 matches the effort by donating $50 to the charitable organization. Teams can get in on the act too, earning $500 for an organization when ten employees donate a cumulative 20 hours. Additionally, our team members can redirect points they have earned in our internal award program to benefit non-profit organizations.

333
non-profits
supported

5,700
employee hours
volunteered

168
communities
impacted

Environmental Footprint

As a software and technology provider, our environmental impacts are modest: the electricity we use in our offices and data centers, the carbon footprint of our business travel, paper and office products and water. However, protecting the environment is consistent with our values of caring for our communities and aligned with the expectations of our team and our other stakeholders.
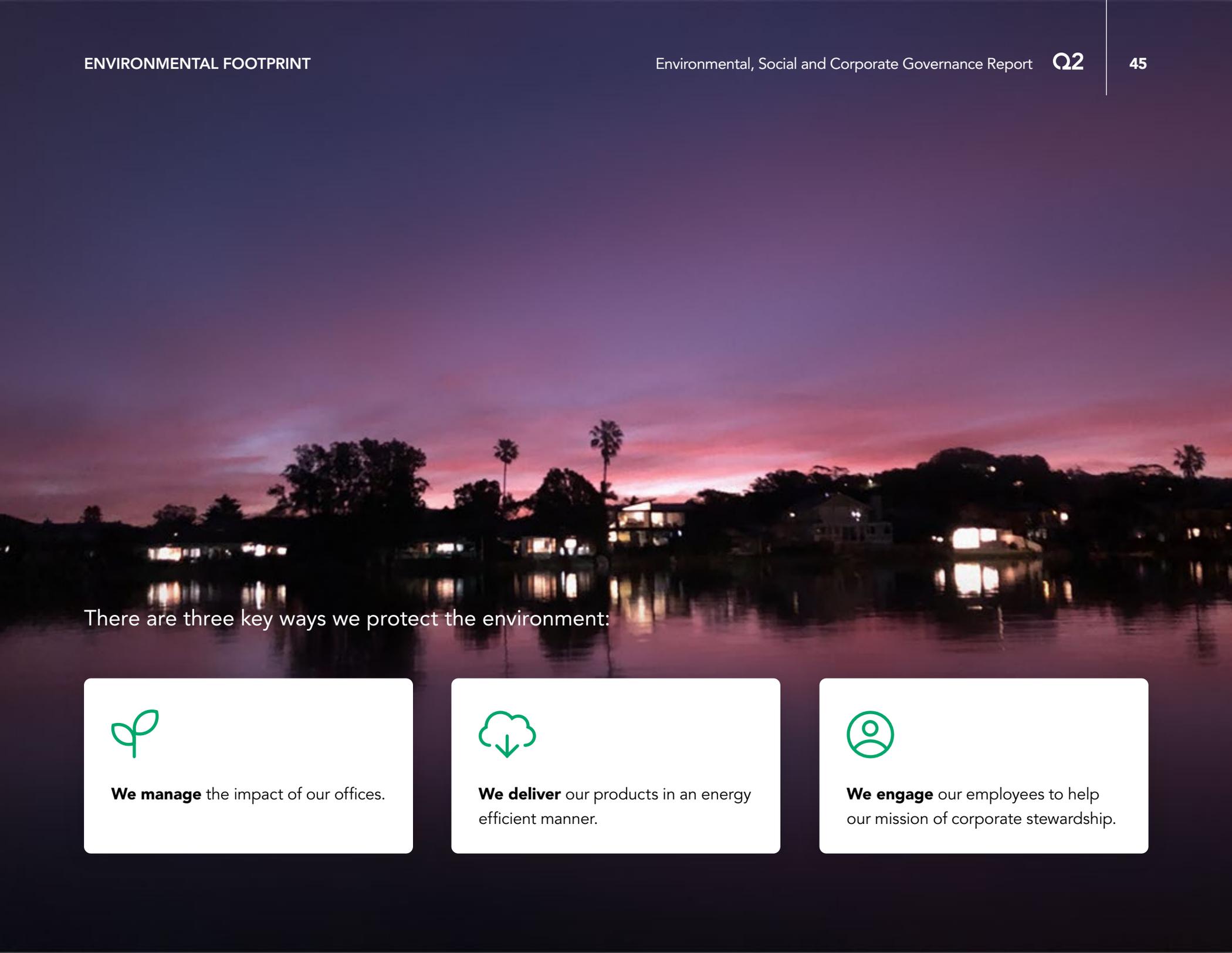
There are three key ways we protect the environment:

We manage the impact of our offices.

We deliver our products in an energy efficient manner.

We engage our employees to help our mission of corporate stewardship.

Efficient Offices

We manage the resource usage of the physical space we occupy through water conservation, recycling programs and efficient energy usage. The COVID-19 pandemic has certainly impacted the footprint of our on-site activities, as almost all our employees still work remotely and have since March 2020.

In pre-pandemic times, we sought to reduce employee travel through the deployment of desktop and group teleconferencing alternatives. We will certainly continue to encourage their usage once working patterns return to a new post-COVID normal. We anticipate when that happens that a much higher percentage of our employees will work more from home. We also expect that employee travel will be lower even after we return to the office. This will save on costs and time, and reduce our environmental impact even further.

Our corporate headquarters in Austin, Texas is certified at the silver level by the Leadership in Energy and Environmental Design, or LEED, program. Our physical office locations offer both single-stream recycling and electronic recycling, including battery recycling. We use on-site water

purification systems to reduce the number of plastic bottles used. We have taken steps to decrease the amount of waste we produce by reducing our reliance on paper and other single-use products in all our offices. We provide filtered and carbonated water and coffee stations and provide our employees with reusable hot and cold cups. In our Austin headquarters, we utilize natural daylight wherever possible and almost all lights (>99%) are LED bulbs equipped with room occupancy sensors. We encourage our employees to retain electronic instead of paper records, significantly reducing our paper usage, and avoiding the need for off-site paper storage.

Efficient Technology

Our cloud computing products positively impact our environmental footprint compared to traditional hardware and software delivery models. We partner with entities (for instance, our data center and public cloud hosting providers) that operate with high energy efficiency standards. Moving forward we and our data center partners plan to explore options to deliver our services using increasing percentages of renewable energy where technically and economically possible. Our products reduce the need for people to travel to physical customer locations to conduct their business. We also reduce the need for our customers to maintain physical locations or build and run their own data centers. While quantifying this is challenging, we are confident fewer trips means fewer cars on the road, less energy usage, reduced environmental impacts from these trips and reduced environmental impacts from fewer physical customer locations.
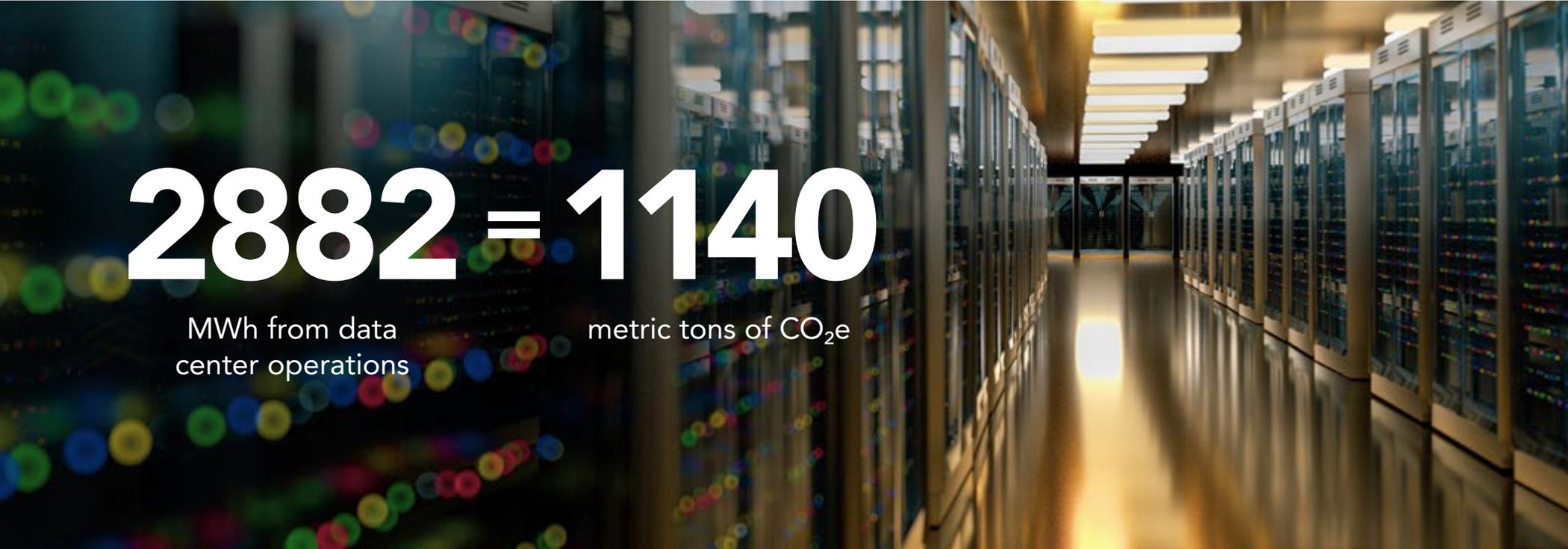
2882 = 1140

MWh from data center operations

metric tons of CO_2e

Employee Support

Our employees are a key motivator for and contributor to our environmental protection efforts. To help support this, we have created a variety of campaigns to help address specific global issues such as our battery and mobile phone recycling program and a green focus group, where our team can develop new ideas for how Q2 can do better in its quest for environmental protection.

Recycle. Reuse. Repurpose.
Love our planet Earth.

Governance

Managing our ESG efforts starts at the top.

Our Board

Our Board has eight members, three of whom are women, one of whom is non-white. Six of the eight Board members are classified as independent under SEC and NYSE guidelines, and the roles of Chairman 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 Chairman, while also positioning our Chief Executive Officer as our 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 Chairman.
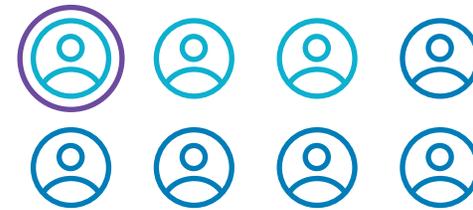
Eight Board members,
3 of whom are women,
one of whom is non-white

6 out of 8

Board members classified
as independent under
SEC and NYSE guidelines

Chairman of the Board
and Chief Executive Officer
are separate individuals

There are four Board committees:

- **Nominating and Corporate Governance**
- **Audit**
- **Risk and Compliance**
- **Compensation**

In early 2021, the Nominating and Governance Committee formally changed its charter to include oversight and reporting on ESG issues.

Our Board has Corporate Governance Guidelines and we have adopted a Code of Business Conduct and Ethics that applies to our Directors, employees and consultants. The code covers, among other things, confidentiality, conflicts of interest, fair dealing, compliance with laws, intellectual property and includes details on our compliance hotline, which enables anonymous reporting of violations of the code or other suspected misconduct.

Risk Governance

Our risk management function is overseen by our Board. The Audit and Risk and Compliance Committees regularly review pertinent financial and other risks and keep our Board apprised of material risks. Management provides Q2's directors access to all information necessary for them to understand and evaluate how these risks interrelate, their impact on us and how we manage them.
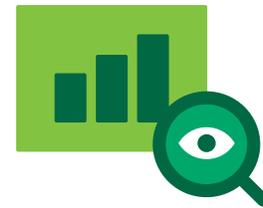
Independent Leadership

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

Looking Ahead

We are proud of what we have accomplished. Our values are strong and our mission is clear.

This report represents our first step towards being more transparent about our efforts to manage our environmental, social and governance performance, and we look forward to continuing on this journey and updating you on our progress. We invite feedback from our stakeholders about how they would like to see us improve and where they would seek more information. In the meantime, we will continue to live up to our values and conduct ourselves in a manner that we all can be proud of.

SASB IT Services and Software Standard

ENVIRONMENTAL FOOTPRINT OF OPERATIONS			
Accounting Metric(s)	**Code**	**Response or Location in Report**	
(1) Total energy consumed (2) Percentage grid electricity (3) Percentage renewable	TC-SI-130a.1	Gigajoules (GJ), Percentage (%)	(1) 10,390 GJ for data center services (2) 100% (3) 25% renewable based on 2020 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	TC-SI-130a.2	Data not available	
Discussion of the integration of environmental considerations into strategic planning for data center needs	TC-SI-130a.3	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 by the end of 2021.	

DATA PRIVACY AND FREEDOM OF EXPRESSION

Accounting Metric(s)	Code	Response or Location in Report
Description of policies and practices relating to behavioral advertising and user privacy	TC-SI-220a.1	Q2's policy is to comply with all applicable laws and regulations regarding data privacy. More information regarding our approach to data protection and privacy can be found here.
Number of users whose information is used for secondary purposes	TC-SI-220a.2	We do not sell identifiable user data nor distribute it outside of that which is necessary to support our services.
Total amount of monetary losses as a result of legal proceedings associated with user privacy	TC-SI-220a.3	Zero.
(1) Number of law enforcement requests for user information, (2) number of users whose information was requested, (3) percentage resulting in disclosure	TC-SI-220a.4	(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	TC-SI-220a.5	None.

DATA SECURITY

(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of users affected	TC-SI-230a.1	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	TC-SI-230a.2	See page 23.

RECRUITING AND MANAGING A GLOBAL, DIVERSE AND SKILLED WORKFORCE

Accounting Metric(s)	Code	Response or Location in Report
Percentage of employees that are (1) foreign nationals and (2) located off-shore	TC-SI-330a.1	As of December 31, 2020, we had 1,751 employees, of which 1,749 are full time employees, 1,520 were employed in the United States, and 231 were employed outside of the United States.
Employee engagement as a percentage	TC-SI-330a.2	See page 35.
Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees	TC-SI-330a.3	See page 37.

INTELLECTUAL PROPERTY PROTECTION AND COMPETITIVE BEHAVIOR

Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	TC-SI-520a.1	Zero.

MANAGING SYSTEMIC RISKS FROM TECHNOLOGY DISRUPTIONS

Number of (1) performance issues and (2) service disruptions; (3) total customer downtime	TC-SI-550a.1	We choose not to disclose this information due to its sensitive and proprietary nature.
Description of business continuity risks related to disruptions of operations	TC-SI-550a.2	For a detailed discussion of these risks, please see our Annual Report on Form 10-K and subsequent quarterly reports on Form 10-Q.

ACTIVITY METRICS

Accounting Metric(s)	Code	Response or Location in Report
(1) Number of licenses or subscriptions, (2) percentage cloud based	TC-SI-000.A	As of December 31, 2020, we had 450 installed digital banking platform customers located in 48 states, and those customers had approximately 17.8 million consumer and commercial users registered on our digital banking platform. A substantial majority of our digital banking platform services are supported from our outsourced active/active data centers, with a small percentage offered as cloud-based services.
(1) Data processing capacity, (2) percentage outsourced	TC-SI-000.B	Virtually all data processing we offer to our customers is serviced by third-party active/active colocation datacenters.
(1) Amount of data storage, (2) percentage outsourced	TC-SI-000.C	We choose not to disclose this information due to its sensitive and proprietary nature.