

**2022**  
**ENVIRONMENTAL,**  
**SOCIAL & GOVERNANCE**  
**REPORT**



**SouthernFirst**

# A Letter From Our CEO

Dear Fellow Shareholders:

Since we opened the doors of our bank 22 years ago, our mission of Impacting Lives has been at the forefront of everything we do. I am proud that our reputation is based on the way we care, and the way we approach corporate sustainability is centered around that notion of caring.

We are committed to helping our clients and community thrive, offering products and services that align with our values and partnering with local organizations that extend our impact to serve the needs in our area. Our associates share a dedication to serving others, giving their time and energy freely to each other, our clients, and the community.

Our people are the driving force behind our success, and our team grew tremendously in 2021. We appointed three new directors to our board, hired 80 new team members, and expanded to a new market in Charlotte, NC. We provided development and fellowship opportunities to our associates while continuing to prioritize their health, wellness, and safety. Our unique family culture helps us attract and retain top talent.

We have a bold vision for the future and believe in innovation and technology to support our core strength - relationship banking. We look forward to opening our new corporate headquarters in Greenville, SC this year, which is a physical representation of our focus on creating incredible client and associate experiences.



Southern First has grown from a humble dream to a significant organization that consistently outperforms the industry in terms of growth and market valuation. We have done this by serving one client at a time, building lasting relationships, and enabling dreams. This strategy continues to serve us as we grow and look toward the future.

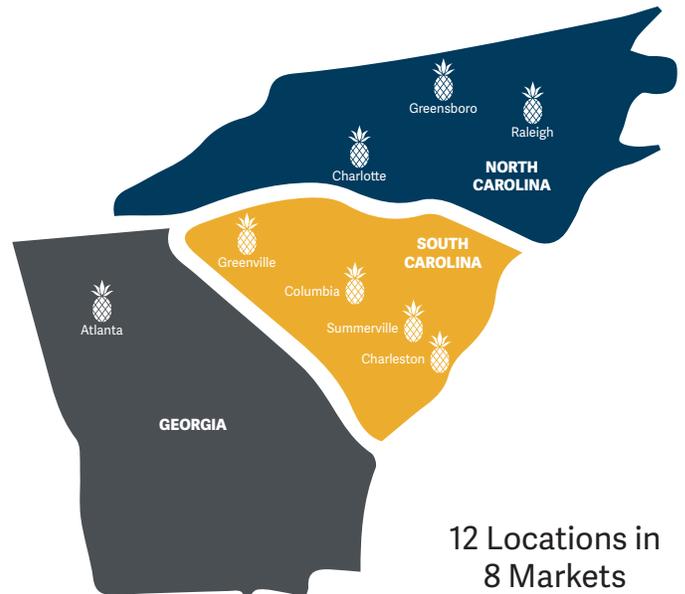
**R. Arthur Seaver, Jr.**  
Chief Executive Officer

## Highlights

**\$46.7M**  
NET INCOME

**\$5.85**  
EARNINGS  
PER SHARE

**\$353M**  
YOY LOAN  
GROWTH





# Governance

## Our Philosophy



### Our Mission

Our mission is to impact lives in the communities we serve.



### Our Purpose

We exist to enable dreams, earn trust, and exceed expectations.



### Our Culture

We focus on the things that matter most: family, community, and teamwork.

## Board of Directors

The Board plays an active role in the oversight and guidance of the executive management team and our Company strategy. The Board believes in maintaining a majority of independent Directors with diverse backgrounds and experiences. Our Proxy Statement includes detailed information about our Board members, their expertise and leadership skills.

### Board Diversity Highlights

- 8% of Board members are ethnically diverse
- 23% of Board members are female
- Average tenure of 15 years
- 87% of Directors are independent
- 92% Director attendance at Board & Committee meetings

## Board Level - Governing Bodies

### Board of Directors

We believe governance of the Company and our ESG strategies starts at the top with our Board of Directors. The Board is committed to long-term sustainability and value creation for our clients and shareholders while promoting responsible business practices and adherence to Southern First policies and standards.

### Nominating & Corporate Governance Committee

The Nominating & Corporate Governance Committee of the Board is responsible for direct oversight of ESG. Our committee charter underscores the committee's leadership role in ESG related initiatives, policies, and strategy.

### Audit Committee

The Audit Committee of the Board is responsible for oversight of the audit function and financial reporting of the Company and oversees management succession planning. In addition, the Audit committee reviews the audit plans and results, including those focused on cyber security and client privacy.

### Compensation Committee

The Compensation Committee of the Board is responsible for ensuring that compensation programs are designed to reward executive officers for the achievement of strategic and operational goals and the achievement of increased shareholder value, while at the same time avoiding the encouragement of unnecessary or excessive risk-taking. Toward that end, the Committee is responsible for reviewing and approving all compensation to executive officers.

## Management Level - Governing Bodies

### Executive Project Technology and Risk Committee (“EPTRC”)

EPTRC is responsible for oversight of the Company’s Enterprise Risk Management. The Committee meets twice per month to monitor and review emerging and current risks to the Company, including those related to ESG. The committee is comprised of executive and business line management and reports to the Risk Committee of the Board.

### Credit Approval and Support Team (“CAST”)

CAST is responsible for oversight of the Company’s credit function, including setting overall credit policy and processes. CAST meets weekly to discuss items related to the credit portfolio of the Company and to decision loans to borrowers with large credit exposures. Committee membership includes members of executive and credit management and reports to the Risk Committee of the Board.

## Stakeholder Engagement

With a commitment to transparency, we engage our stakeholders through an open communication process to seek out viewpoints on strategies and opportunities. Below are methods we use to engage our stakeholders:

<b>Shareholders</b> <ul style="list-style-type: none"><li>• Board presentations from shareholders</li><li>• Sell-side sponsored conferences</li><li>• Roadshows</li><li>• Annual shareholder meeting</li><li>• Virtual and in-person meetings</li><li>• Outreach calls</li></ul>	<b>Clients</b> <ul style="list-style-type: none"><li>• Personal banking relationships</li><li>• Digital banking channel</li><li>• Social media</li><li>• Meetings with Board off-site</li><li>• Selected quarterly client events</li></ul>
<b>Employees</b> <ul style="list-style-type: none"><li>• Intranet Site</li><li>• Internal Social Media Site</li><li>• Monthly discussion on topics for managers to share with team members</li><li>• Company-wide meetings led by our CEO</li><li>• United Way giving</li><li>• Meetings with Board off-site</li></ul>	<b>Regulators and Related Agencies</b> <ul style="list-style-type: none"><li>• Management meetings and briefings</li><li>• Management and committee reports</li><li>• Targeted exams</li><li>• Responding to proposed rules through the comment making process</li><li>• Participation in events hosted or led by regulators</li></ul>

## Ethical Behavior

We have designed rules to provide a safe, equitable, and productive environment for all concerned. Southern First has established written conduct guidelines to alleviate misunderstandings of conduct expectations, including the following:

- Ethics Policy
- Anti-Competitive Behavior Policy
- No Retaliation Policy
- Whistleblower Policy
- Anti-Bribery and Anti-Corruption Policy
- Compliance Management Policy and Program
- Fair Lending Policy and Program
- Community Reinvestment Act Policy and Program
- Privacy and Information Security Policy and Program

# People



## Our Culture

We focus on the things that matter most: family, community, and teamwork. Our people are the driving force behind our success, and they are committed to helping our clients and communities thrive. Just as service to our clients is vital to the success of the Company, a similar value is important within the Company's daily operations. We refer to this as a partnership among all associates of the Company. As partners we have respect for each individual, accept diversity of ideas, encourage innovation, display openness and trust in our relationships, and recognize quality achievements. As each associate displays these values, we create the kind of teamwork necessary for our continued success.

## Diversity Initiatives

The Company recognizes that a diverse, equitable and inclusive work environment is essential. We prioritize hiring from a diverse candidate pool and developing a talented and diverse workforce dedicated to serving others.

- Increased the percentage of female Executive Leadership from 8% to 16%
- Focus on internal diverse talent recruitment and development

**22%** OF NEW HIRES WERE RACIAL/ETHNIC MINORITY

**16%** OF TOTAL WORKFORCE IS ETHNICALLY DIVERSE

**64%** OF TOTAL WORKFORCE IS FEMALE

## Human Rights Statement

At Southern First, honoring and affirming protections for human rights is consistent with our founding mission, purpose, and core values. Specifically, *impacting lives in the communities we serve* and *cherishing our family culture* serve as our internal compass in ethical decision making and policies related to human rights, labor, environment, and anti-corruption efforts. We believe that all human beings are born free and equal in dignity and rights. As such, we have developed a Human Rights Statement outlining our commitment to human rights initiatives.

## Health & Well-Being

People are the essence of our organization. We prioritize maintaining the overall well-being of our employees. Serving others, celebrating victories, and cherishing our family culture create ample opportunities for community service, fun, and fellowship. In 2021, we were able to celebrate together over 20 times both indoors and outdoors in a COVID safe manner. For some, this was a critical point in managing the stress of the pandemic. Additionally, we conducted financial wellness, mental health seminars, yoga, and other events to support the varying wellness needs of our workforce. These efforts combined with premium stability in our medical costs and employer HSA contributions have been powerful tools to attract and retain talent.

## Additional 2021 Highlights

- 14% increase in full-time associates
- 36 individuals were promoted internally
- 6% increase to entry level wages
- 153 associates participated in development opportunities
- 4,553 hours of leadership, development, and technical training completed by associates
- Adoption of opportunities for hybrid work arrangements as needed
- No increase in cost to employees for medical premiums
- National recruiting, resulting in new hires from California with new perspectives

# Environment

## Our Approach

We strive to be positive environmental stewards by practicing responsible consumption and production.

## Digital Offerings

We prioritize educating our clients on digital banking services to ensure a seamless online experience for clients, while also reducing paper usage, emissions, and our carbon footprint.

For example:

- New deposit accounts are opened electronically, eliminating paper documents
- Transactions can be conducted electronically through online and mobile banking options
- Mortgage applications are accepted online
- Digital signature software in lieu of generating physical loan packages
- Internal forms for employees are distributed and signed electronically

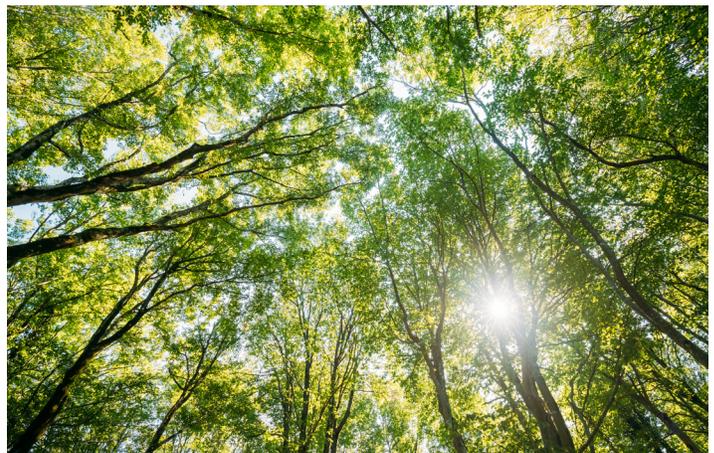


## Building Construction

Our office footprint consists of only 12 locations, helping keep our environmental impact low. Our standards for construction and renovations of our offices focus on energy efficiency, water conservation, and adoption of other sustainable and green building practices. We use LED lighting and automatic shut off settings in our office locations. Our new headquarters was designed using high sustainability standards for energy efficiency, materials reduction, green spaces, and environmental design.

## Responsible Consumption & Production

We evaluate vendors to increase our purchase and usage of sustainable products and lessen our impact on the environment. For example, we purchased furniture for our new headquarters from a vendor which sources material from the US, with a focus on environmental sustainability. We used a paper shredding and recycling vendor Company wide, and as a result, we saved 826 trees through paper reduction. We also reuse and recycle equipment and partner with an electronic recycling vendor who collects computer monitors, laptops, storage devices, servers, networking equipment, and phones on a quarterly basis.



# Community



## Our Approach

We encourage our associates to actively support our community by volunteering their time, contributing monetarily, and utilizing our banking services and financial expertise to empower our community members. We also vow to keep our client's information safe and secure through proper privacy measures and safeguards.

## Investments in the Community

We invest in our community through monetary donations and sponsorships, direct investments, community outreach and volunteer efforts.

## Monetary Donations & Sponsorship Highlights

**\$364,000**

PHILANTHROPIC &  
COMMUNITY GIFTS

**\$175,000**

DONATIONS TO SUPPORT LOW TO  
MODERATE INCOME INDIVIDUALS

**\$22,000**

EVENT SPONSORSHIPS WITHIN  
MINORITY COMMUNITIES

## Direct Investments

In 2021, the Company maintained investments of \$15M in affordable housing, \$3M in economic development initiatives, and \$1M in revitalization initiatives within low-to-moderate income, distressed or underserved communities. Our investments include investments in Community Development Corporations, Small Business Investment Companies, minority owned financial institutions and affordable housing funds within our local communities.

## Community Outreach

Over the past year, our associates conducted various outreach activities within the minority community to provide professional services and promote economic empowerment. This included conversations and planning sessions with minority community leaders on improving home ownership rates, conducting educational events on homeownership, and the sponsorship and participation in events featuring minority and women-owned start-up companies.



## Volunteer Efforts

Our Board members and associates conducted 734 hours of volunteer efforts with non-profits over 2021 and served in a Board or Advisory Committee capacity for 34 different non-profits within our communities. Additionally, 91 hours of financial literacy courses were led by our associates to educate individuals from elementary school age to adults. The Company allocated "paid time off" hours for associates who volunteer in their local community. Our associates give freely of their time, energy, and paid time off to complete these efforts is a small way to show it is noticed and appreciated.

## **Digital Innovations**

We believe innovation and technology improvements make it easier for all Americans to access financial services. As such, we hired a Chief Innovation Officer in 2021 to manage the innovation process within the Company. The role includes the responsibility of identifying strategies, business opportunities, and new technologies as well as developing new capabilities and architectures to serve those opportunities.

## **Products**

Our core values center around relationship banking, “client first” service, and impacting lives. We are committed to offering products that align with our core values and that positively impact our clients and our communities. In addition to our traditional banking products, we offer loan programs to meet all community needs, including:

### **Government Loans**

#### **Federal Housing Administration Loans (“FHA”)**

FHA loans provide affordable home ownership opportunities to low and moderate income families.

#### **Veterans Administration Loans (“VA”)**

VA loans provide affordable home ownership opportunities to low and moderate income veterans.

#### **United States Department of Agriculture (“USDA”)**

USDA loans provide affordable home ownership opportunities to low and moderate income borrowers, offering 100% financing with reduced mortgage insurance premiums and below market rates.

### **Habitat for Humanity Loan Program**

In partnership with Habitat for Humanity, we offer a zero-interest loan to borrowers who qualify for the Habitat program. The program includes sweat equity, education classes, budgeting, and personal finance education.

### **Down Payment Assistance Programs**

We participate with various partners and local non-profits to offer affordable housing assistance to first time and non-first time homebuyers, including down payment and closing costs assistance.

### **Dream Mortgage**

The Company offers an internally developed Dream Mortgage product to provide affordable home ownership opportunities to first time homebuyers. Financing is available up to 100% for qualified borrowers, without the requirement of Private Mortgage Insurance.

### **SBA 504 Loan Program**

The Company participates in the SBA 504 Loan Program to provide long-term, fixed rate financing up to \$5 million for major fixed assets that promote business growth and job creation within our communities.

### **NC Rural Center Program**

We participate in the North Carolina Rural Center Loan Program, a uniquely tailored small-business lending program that provides access to capital and promotes small business growth.

## **Protecting Client Information**

To protect the personal information of our clients from unauthorized access and use, we use security measures that comply with Federal law. Our Information Security Officer oversees the privacy of client information through the execution of our Information Security Program. The Company undergoes extensive third-party audits to evaluate the design and operating effectiveness of our information security practices, including oversight functions, the management and controlling of IT related risks, and protecting client privacy.