

2024 SUSTAINABILITY REPORT

HERITAGE
COMMERCE CORP

Who We Are

Vision Statement

Heritage Commerce Corp (Company) and Heritage Bank of Commerce (Bank) will be recognized by the business community as the business bank of choice in our markets and an employer of choice where everyone has the opportunity to thrive.

BANKING FOR BUSINESSPEOPLE BY BUSINESSPEOPLE

HISTORY

- Heritage Bank of Commerce (HBC), is a community business bank founded in 1994, headquartered in San Jose, California.
- Heritage Commerce Corp, was organized in 1997, as the holding company for Heritage Bank of Commerce.

CLIENTS

- Small to medium-sized closely held businesses (and their principals and key team members)
- Professional organizations
- Non-profits
- High net worth individuals

RELATIONSHIP BANKING

- HBC offers a full range of banking services to small and medium-sized businesses, professional organizations, non-profits and community groups and their team members, using a "Consultative" relationship banking approach.

SPECIALTY EXPERTISE

- Small Business Administration (SBA) Lending
- Construction Lending
- Treasury Management
- Non-profit organizations, education and churches
- Homeowner Association (HOA) Services
- Factoring*

* Bay View Funding, a subsidiary of Heritage Bank of Commerce, is based in San Jose, CA, and provides working capital factoring financing to various industries throughout the United States.

Our Mission

Heritage Commerce Corp and Heritage Bank of Commerce will employ trusted values of relationship and customer-focused community business banking, combined with competitive technology, to provide solutions for the banking needs of businesses, professional organizations, non-profits and community groups and their team members. We will treat all of our stakeholders with fairness and urgency.





This Sustainability Report describes certain aspects of our operations for fiscal 2023, focusing primarily on our achievements during that fiscal year, and discussing our goals for fiscal 2024. Financial data depicted herein are as of December 31, 2023, unless otherwise indicated. This report presents the views and opinions of management based upon information available as of the date of this report. Certain statements set forth herein are predictive, aspirational or forward-looking in nature. Readers should not construe those statements as assurances that we will achieve the intended outcomes, or that we will not deviate from our plans or objectives as stated herein. To the extent those statements relate to financial or operational matters, readers should review and consider the information set forth in the section of our Quarterly Report on Form 10-Q for the period ended June 30, 2024, and the corresponding sections of our subsequent SEC reports. Financial data presented in this report are unaudited and have not been reviewed or passed upon by our certifying accountants. For questions regarding our sustainability efforts or the content of this Report, please contact <https://www.heritagecommercecorp.com/information-request/default.aspx>.

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Dear Shareholders,

We are pleased to present Heritage's latest Sustainability Report, which reflects our ongoing commitment to corporate responsibility and our unwavering dedication to meaningful impacts on our communities. This Report is not just about fulfilling business obligations; it represents our desire to accelerate our progress and deepen our connection to all our stakeholders. It's also a testament to our commitment to being the premier business bank in the Bay Area.

In 2023 and 2024, we've worked diligently to align our sustainability strategy with our broader vision, focusing on what truly sets us apart—resilient, enduring relationships and a strong emphasis on enterprise risk management. As we celebrated our 30th anniversary, it became clear that despite increasing regulatory pressures and rising stakeholder expectations, we've successfully integrated sustainability into our overall business strategy, driving continued success.

Sustainability at Heritage is a team effort, and our governance structures reflect that collaborative approach. Our Board of Directors (Board) and our cross-functional executive team lead the charge on our sustainability initiatives, engaging in matters that are important to the success of Heritage and our communities. By formalizing our sustainability commitment under our Corporate Governance and Nominating Committee and incorporating it throughout our operations, we're reinforcing our dedication to sound governance. Our management team ensures that sustainability and responsibility are woven into our organization.

In 2023, we achieved several milestones that bolstered both our business and our sustainability efforts. We continued to build Northern California's premier community business bank, enhanced by our specialty expertise in national and statewide businesses. Our focus on relationship banking, prudent risk management, and improving operational efficiency led to financial success, as evidenced by earning the Raymond James Community Bankers Cup for 2023, placing us among the top 10% of community banks nationwide.

As we move into 2024, we believe that we're well-positioned thanks to our continued focus on our four key pillars: Environmental Responsibility, Our People, Our Community and Governance. Going forward, Heritage continues to plan for the future—not just because we are the business bank of choice, but also because of our continued focus on our team who is the bedrock of our success. We're also committed to making a positive impact in our communities through charity, educational sponsorship and local development.

This Report both describes and formalizes our commitment to regular and transparent communication about our sustainability actions and performance. As you read about our progress, I hope you share my enthusiasm for the future of Heritage. With a solid foundation and a clear path forward, we're poised for a successful 2024 and beyond. Our focus remains on delivering long-term value for our shareholders, strengthening relationships with our clients and communities and supporting our dedicated team.

Thank you for your continued confidence and support.



"Our progress is not just measured by milestones reached, but by the more sustainable future we are committed to building together."

Robertson "Clay" Jones
President and CEO

About Us

Founded in 1994, we are now a \$5.3 billion* premier community business bank based in the heart of Silicon Valley. With 17 offices across the Bay Area, we are committed to building long-term relationships with our clients and communities. Our proven team of professional bankers delivers high-touch service and customized solutions to help our clients succeed.

At Heritage Bank of Commerce, we are dedicated to helping each client make their vision a reality. Our experienced market leaders live and work in the communities they serve, making all our decisions local ones. We listen to our clients and partner with them to deliver the best banking solutions for their businesses.

Despite formidable economic headwinds in 2023, our relationship-centered approach and commitment to financial excellence allowed the Company to deliver solid financial results, increasing loans and achieving net income of \$64.4 million, just shy of our 2022 record earnings of \$66.6 million, while maintaining solid credit quality and a strong capital position. We accomplished this through our unwavering commitment to serve our clients, communities and shareholders. Highlights include:

- A focus on small to medium-sized businesses
- Competitive loan and deposit/cash management products catering to businesses
- Diversified specialty business units
- Experienced management team throughout the Company
- Solid capital and liquidity management
- 15.6% Total Capital Ratio under the Basel III regulatory requirements at 6/30/24
- 76.0% loan to deposit ratio at 6/30/24
- Quarterly common dividend at \$0.13 per share in the first and second quarter of 2024
- Excellent locations and markets with solid market share among community banks

In fiscal 2023, we continued our efforts to align our sustainability strategy with the growth and evolution of our business. This Report provides an overview of these sustainability initiatives, as well as updates on our areas of focus and our achievements. To support clear communication, we have engaged in data gathering and reporting using the investor-focused disclosure standards developed by the Sustainability Accounting Standards Board (SASB). Working with investor stakeholders, SASB has developed a standardized disclosure on the industry specific issues most important to investors.

* As of June 30, 2024

2023 FINANCIAL HIGHLIGHTS

\$64.4M

NET INCOME

\$192.2M

NET REVENUE

\$1.05

DILUTED EARNINGS
PER SHARE

1.2%

ANNUALIZED RETURN ON
AVERAGE ASSETS

13.57%

ANNUALIZED RETURN
ON AVERAGE TANGIBLE
COMMON EQUITY

Introduction

Heritage Bank of Commerce is recognized by the business community as the business bank of choice in our markets and an employer of choice where everyone has the opportunity to thrive.

We employ trusted values of relationship and customer-focused community business banking, combining them with competitive technology, to provide banking solutions for businesses, professional organizations, non-profits and community groups as well as their individual team members.

While there is still much work to be done, we believe that our stakeholders, including our investors, team members, clients and the communities in which we do business, will benefit from our advancement in these material areas. This is our third Sustainability Report.

To inform our reporting, we take a stakeholder driven approach to sustainability. In preparation for our 2024 Sustainability Report, we retained a third party to update our priority assessment. The results of this assessment were mapped to our four tenet areas. The details, results and mapping described in the following pages.

THE FOUR TENETS OF OUR SUSTAINABILITY STRATEGY



Environmental Responsibility

Heritage Bank of Commerce has undertaken several initiatives designed to reduce our impact on the environment and to promote environmentally friendly projects and practices.



Our People

Heritage Bank of Commerce continues to be recognized by the business community as the business bank of choice in our markets. For our employees, we remain the best place to work where everyone has the opportunity to thrive.



Our Community

Heritage Bank of Commerce is deeply committed to building relationships and making a difference in our local communities. Investing in people, neighborhoods and local businesses is part of our mission.



Governance

Heritage Bank of Commerce assures that our operations are conducted in a manner that is both consistent with our sustainability programs and supportive of the entire community in which we operate. Our Board and senior leadership actively support and promote sound corporate governance and risk management across the Company.

| Environmental Responsibility

Sustainability & Stewardship

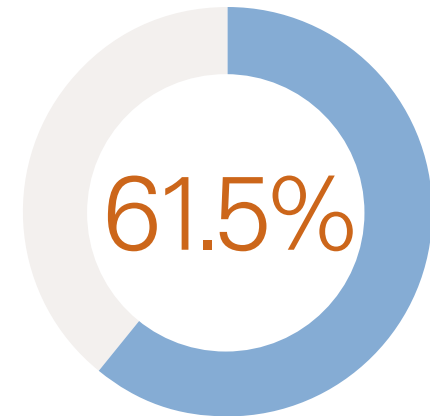
By focusing on environmental responsibility, we believe we can reduce costs and improve sustainability of our operations, which will allow us to stand out in a highly competitive and increasingly homogenized industry sector. We believe the banking industry has a responsibility to create a more environmentally sustainable future for all, making environmental stewardship an integral aspect of the entire business model.

Beyond simply complying with increased regulations and stricter environmental standards, we are committed to playing an active role in this industry transformation. With a goal to increasing efficiency and reducing waste, we continue to digitize manual back office and financial center functions.

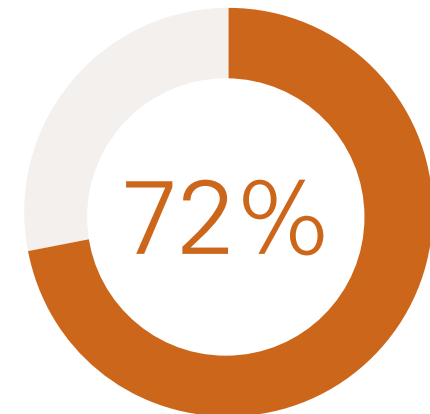
Our business may be vulnerable to damage or interruption due to the effects of the environment. As environmental concerns become more prevalent, we will continue to evaluate our climate-related risks and opportunities.

We comply with applicable legal and regulatory requirements to control and reduce emissions and energy usage in our operations. We are committed to making the necessary investments in systems and technology to ensure compliance and to meet or exceed these standards. Currently, 61.5% of our total office space, including our headquarters building, is Leadership in Energy and Environmental Design (LEED) certified. The certification, awarded by the U.S. Green Building Council, is based on the properties' use of sustainable materials, water and energy efficiency, indoor environmental quality, location and transportation and overall innovation. We continue to evaluate green equipment for office use such as Energy-Star® appliances, motion detector lighting as well as high-efficiency HVAC units. Over 72% of our total office space utilizes LED lighting.

We also have begun to integrate information on environmental risks and challenges by incorporating climate risk factors into credit analyses. We have always incorporated environmental issues into our credit decisions, such as evaluating collateral for hazardous materials and monitoring areas prone to increased risk from natural disasters. In 2023, our working group began to evaluate climate and other environmental considerations as part of our broader commitment to identifying climate change risks.



TOTAL LEED-CERTIFIED
OFFICE SPACE



TOTAL OFFICE SPACE
UTILIZING LED LIGHTING

2023 SUSTAINABILITY HIGHLIGHTS

Encouraged continuation of **ENVIRONMENTALLY FRIENDLY WORK PRACTICES** by supporting the recycling of plastic, glass and paper.

Began collecting **CLIMATE RISK DATA** on client business locations and collateral related to wildfire, drought, flood and rising sea levels.

Increased the use of e-records and e-signing technology including utilizing digital solutions such as mobile/online banking, eStatements, electronic bill pay and remote deposit capture, resulting in **PAPER WASTE AND CARBON EMISSIONS REDUCTION**.

Phased out daily interbranch courier service, reducing our reliance on paper and utilizing a more **COST EFFECTIVE AND ENVIRONMENTALLY FRIENDLY DELIVERY SYSTEM**, resulting in 70,950 fewer miles driven per year on Bay Area roads.

In 2024, we began our climate risk management process by developing a universe of climate-related risks and opportunities. Using our climate risks and opportunities universe as a baseline, we are further evaluating how to prioritize climate-related risks and opportunities into credit analysis to better understand how climate may affect our loan portfolio and collateral.

We also regularly evaluate both acute and chronic physical risks. Acute risks are typically event driven, such as wildfire or flooding, while chronic risks reflect longer-term shifts in climate patterns, such as a change in mean temperature or precipitation levels. Based on this review, we initiated data gathering on wildfire, drought, flood and rising sea levels as these factors relate to our clients and their loan collateral. Over the past year, we have developed and implemented the process of collecting portfolio data to cultivate a greater understanding of the potential impact these risks could have on our clients and the Bank.



| Our People

Inclusion & Belonging

We believe that our greatest differentiator is not our physical or financial assets; instead, it is our people. Our foundation is built on caring for our nearly 400 employees. We depend on a highly skilled, properly motivated, and valued workforce. Exceptional people working together enables us to create remarkable value for our clients, communities, shareholders and each other, which fuels our success.

Inclusion is vital to the Company. Our commitment starts with our goal of attracting, developing and retaining a workforce that is diverse in background, knowledge, skills and experience. We are committed to providing equal employment opportunities with regards to recruiting, compensation, performance and promotion decisions without discriminating on the basis of gender, sexual orientation, age, family status, ethnic origin, nationality, disability, religious belief or any other legally protected characteristics.

In 2023, we had 354 full-time equivalent team members with an average tenure of 8 years. Our turnover rate was 12.68%, which was a 6.32% decrease from the prior year, and of those who departed, 48% were due to retirement, health reasons or relocation out of our service footprint. We are proud to share that females represent 60% of our workforce and self-identified racially and/or ethnically diverse individuals represent approximately 55%. In 2023, females earned 66% of promotions, while racially and/or ethnically diverse individuals accounted for 41%.

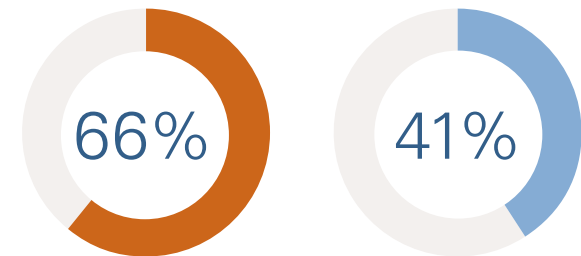
We actively support and celebrate cultural events throughout the year, such as Lunar New Year, Black History, Women’s History, Asian Heritage, Mental Health and Wellness, Pride, Hispanic Heritage and Native American Heritage among many others. We are focused on creating an inclusive and high-performance culture through our diversity education workshops, which include topics like understanding, recognizing and interrupting negative biases and advancing allyship.

Our diversity training framework includes a conversation series featuring experts who provide insights and discuss issues, classes on allyship and other modules that complement our existing compliance training where 100% of active team members participated in 2023. We believe people are the most critical component in our continued success, and we strive to attract high-performing talent. The voice of the team is critical to guide the Company to further enhance team member engagement and Company culture.



- Female
- Racially/Ethnically Diverse
- Non-Diverse

2023 PROMOTIONS



Our Chief People and Culture Officer, along with other senior leaders, hosted listening sessions offered to all team members, allowing for one-on-one meetings and group conversations. Common themes, strengths and opportunities gathered from team members were summarized and shared with the Executive Leadership Team and the Diversity, Equity, Inclusion and Belonging (DEIB) Steering Committee. Two top common themes emerged: team members wanted to be more involved with impacting the Company's culture, and many desired more DEIB education.

Based on feedback from listening sessions, we also created a self-nominated Culture Ambassador Group (akin to team member resource groups for larger organizations) comprised of non-executive team members from various departments and locations. Through self-identification, the Culture Ambassadors represent 73% female and 64% racial/ethnic diversity. Culture Ambassadors serve an important role on enterprise initiatives such as creating corporate values, promoting awareness of various cultures as well as providing timely and ongoing feedback to the DEIB Steering Committee. They are an important part of our communication vehicle to enhance DEIB initiatives and serve our people in each market keeping abreast of team sentiments.

In 2023, we furthered our commitment to inclusion by continuing to bolster our DEIB Steering Committee, which is comprised of diverse company leaders charged with review and implementation of our policies, procedures, training and behavior, in order to create an even more inclusive place to work.

SOME HIGHLIGHTS INCLUDE:

In 2022, we hired an Executive Vice President, Chief People & Culture Officer who enhanced the DEIB Steering Committee initiatives and expanded efforts across the enterprise.

We continued to host listening sessions for all team members offering group and one-on-one conversations.

We created a self-nominated Culture Ambassador Group.

With the input of the Culture Ambassador Group, we created and rolled out our inaugural Company Core Values.



Our Culture

We promote and celebrate teamwork through various recognition programs. We launched a new recognition program called “Core Values Champions” designed to recognize individuals who demonstrate our Company’s Core Values through their work and interactions. Throughout the year, employees are encouraged to nominate colleagues who go above and beyond their regular duties in showcasing one or more of our Core Values.

The CEO highlights and broadly shares Core Value Champions’ stories, celebrating their exemplary accomplishments and contributions. In 2023, we launched our inaugural Leadership Essentials Workshop series with modules consisting of (1) Leveraging Individual & Team Strengths, (2) Attracting, Hiring & Retaining Top Talent and (3) People Decisions & Performance Management.



In 2023, grounded in our Core Values, we significantly enhanced our Company’s [Code of Ethics and Conduct Policy](#) to offer more specificity to directors and employees. This update introduced greater clarity across various topics, such as workplace safety, protection of client and employee information, conflict of interest guidelines, anti-retaliation policy and procedures for reporting concerns. Every director and employee is subject to the Company’s Code of Ethics and Conduct, and senior leadership employees are subject to a more restrictive [Principal Officers/Senior Management Code of Ethics](#), as well. We continually promote a speak-up culture, so our workplace feels welcoming and safe. We take all complaints seriously and thoroughly investigate every report. Employees have the ability to report concerns through a variety of channels including their immediate manager, any leader at the company, to People & Culture or through our external anonymous complaint hotline. We have a zero tolerance, anti-retaliation policy.

We encourage our team members to form deeper relationships with those around them based on mutual respect, dignity and understanding. The Company has non-discrimination and anti-harassment policies as outlined in our Company’s [Code of Ethics and Conduct Policy](#) and the team member handbook. These policies drive a workplace and workforce that embraces the highest ethical and moral standards. We maintain strong and confidential reporting processes and procedures that support an open and honest environment in an effort to ensure that the highest principles of integrity are maintained.

Human Capital Management

We strive to be the employer of choice among banks in our markets by earning a reputation as a place where every employee can thrive. We believe deeply that employees drive our Company's stability and success. With this in mind, we are dedicated to recruiting, nurturing, advancing and retaining a workforce that embraces and cultivates a culture of excellence, teamwork, customer focus, diversity, equity, inclusivity, belonging and accountability.

We constantly seek ways to improve our culture, recruitment strategies, training and retention. Progress on these human capital efforts are shared regularly with the Board's Personnel and Compensation Committee throughout the year because we believe their perspective and feedback is invaluable to our continuous improvement. Our ultimate goal is to deepen client and community relationships and deliver an exceptional experience to all whom we serve.

We are committed to pay equity and regularly review our compensation model to ensure fair pay practices across our business, while also avoiding pay practices that would incentivize inappropriate or unnecessary risk-taking with the Company's assets.

The Personnel and Compensation Committee reviews the Chief Executive Officer's performance at least annually, and also reviews and approves the Chief Executive Officer's evaluation of the management team on an annual basis. The Board (largely through the Personnel and Compensation Committee) evaluates the compensation plans for senior management and other employees to ensure they are appropriate, competitive and properly reflect the Company's objectives.

| 2021 | | 2022 | | 2023 | | |
|--|---|---|---|---|--|---|
| Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| <ul style="list-style-type: none"> Established a Diversity, Equity, Inclusion and Belonging ("DEIB") Steering Committee | <ul style="list-style-type: none"> Hired an EVP Chief People and Culture Officer(CPCO) CPCO, together with other managers, hosted listening sessions to allow for 1-1 and/or group conversations Relaunched Heritage Hearts Community Outreach Group | <ul style="list-style-type: none"> Launched inaugural DEIB Education Program for all employees, 96% participation rate as of December 2023 Established an enterprise Culture Ambassador Group | <ul style="list-style-type: none"> Conducted comprehensive Enterprise Workforce Analysis Review (total compensation, pay for performance, job leveling and pay equity calibration) | <ul style="list-style-type: none"> Implemented a new online Human Capital Management system Enhanced Employee Benefit Offerings: Offered a zero-cost individual health insurance plan, increased free licensed counseling sessions from 3 to 5 annually | <ul style="list-style-type: none"> Introduced inaugural Company Core Values Launched Leadership Essentials Development Program to help leaders better recruit, manage, reward and recognize their team members | <ul style="list-style-type: none"> Implemented a new enterprise recognition program called "Core Value Champions" available for all team members |

We encourage our team members to build relationships with co-workers based on mutual respect, dignity and understanding. Our goal is to be the preferred place to work in our industry and to attract the best people by creating a culture that is respectful, inclusive, rewarding and innovative. Internal career mobility continues to be an important part of team member engagement and development. In 2023, 66% of promotions were females and 41% were racially or ethnically diverse individuals.

We foster an engaging and rewarding experience for our people. Ensuring high levels of employee pride and engagement requires significant attention to topics such as growth and development, rewards and recognition and the evolving needs of the workforce of the future. These practices include standards for goal setting, performance evaluations, succession planning and learning and development. We are committed to fairness in compensation and regularly review our compensation model to ensure fair and inclusive pay practices across our business. Other recent highlights include the following:

- Employing the process of benchmarking our total compensation practices so we remain competitive in the markets in which we have employees;
- Enhancing our talent management process, which includes an annual performance review with periodic check-ins throughout the year; and
- Strengthening our relationships with local universities to benefit our recruitment process;
- Championing professional development through discussion, training and networking.

To ensure the health and well-being of our team members, we aim to provide a robust health and wellness package.



VARIOUS BENEFITS INCLUDE:

MEDICAL, DENTAL AND VISION BENEFITS for team member, spouse and dependents

FLEXIBLE SPENDING ACCOUNTS for both healthcare and dependent care

HEALTH SAVINGS accounts and **HEALTH REIMBURSEMENT** accounts

Monthly **FITNESS STIPEND**

LIFE INSURANCE and short- and long-term **DISABILITY INSURANCE**

PAID VOLUNTEER HOURS

Access to wellness programs and counseling sessions through our **TEAM MEMBER ASSISTANCE PROGRAM**

401(K) retirement savings program with **MATCHING CONTRIBUTIONS**

Generous **TUITION REIMBURSEMENT** program

| Our Community

Community Outreach

Our success is interdependent with the prosperity of the communities we serve. We are committed to having a positive impact on the communities where we operate by being good neighbors and good corporate citizens. We believe that investing in local communities is fundamental to generating social impact. We believe that stewardship in our communities is essential and that it derives directly from our recognition of how our presence and partnership can affect others.

Since our inception in 1994, we have been deeply committed to building relationships and making a difference in our local communities. Investing in people, neighborhoods and local businesses is part of our mission. We strive to understand their needs and how we can help them attain their goals and improve the quality of lives throughout the greater Bay Area. We are extremely grateful for the efforts of so many local nonprofit organizations and are proud of our long-standing history of supporting these organizations.

Our goal is to have a positive impact on the communities we serve. We focus our philanthropic giving on initiatives that promote community and economic development, affordable housing, asset building, financial education and youth programs, as well as those that support human service organizations with programs that assist low and moderate income or minority individuals. In 2023, we donated \$750,000 to over 380 nonprofit organizations while serving on over 70 nonprofit boards of directors. We are perennially named a Top Corporate Philanthropist by both the *Silicon Valley Business Journal* and *San Francisco Business Times*, which recognizes for-profit companies that make contributions to charitable organizations in the San Francisco Bay Area.

\$750K

DONATED IN 2023

380+

NONPROFIT ORGANIZATIONS
DONATED TO IN 2023



Community Investment

We also invest in our local communities in a variety of ways, including through the unwavering commitment of our employees as they volunteered over 2,550 hours.

Community engagement highlights include:

- Increasing year-over-year volunteer hours by 20% and number of staff participating in volunteer events by 20% with the help and encouragement of the Heritage Hearts ambassadors;
- Leading internal drives to support Family Giving Tree's (FGT) Annual Backpack and Holiday Wish Drives by collecting backpacks, school supplies and holiday gifts, as well as organizing days for employees to volunteer at FGT's warehouse;
- Continuing support of our adopted school, Rudsdale High School, by organizing and hosting a three-session Entrepreneur Workshop for students and volunteering at student Career Symposiums;
- Hosting Small Business Toolbox Events/Seminar Series that focused on minority-owned small businesses in Oakland;
- Supporting nonprofits through event sponsorships;
- Offering financial literacy classes, career resources, staff support and other annual donations to local students including low income and ethnically and racially diverse students; and
- Maintaining our long-time support of Catholic Charities of Santa Clara County whose mission is to alleviate the conditions of chronic poverty, reduce the effects of situational poverty and prevent the cycle of generational poverty.

2,550+

VOLUNTEER HOURS IN 2023

20%

INCREASE IN YEAR-OVER-YEAR
VOLUNTEER HOURS IN 2023



| Governance

Culture of Governance

As a publicly-traded community financial institution, it is incumbent upon us to assure that we operate in a manner that is both consistent with our sustainability initiative and supportive of our communities. Our Board and senior leadership actively support and promote sound corporate governance and prudent risk management across the Company.

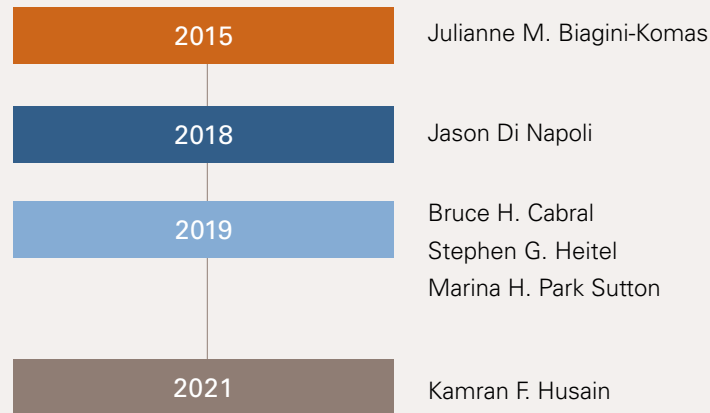
This culture of accountability, integrity and transparency affirms our unwavering commitment to building sustainable value. We conduct our business in a fair, ethical and responsible manner to earn and maintain the trust of our stakeholders. Our corporate governance policies and practices include self-evaluations of the Board and its committees, as well as continuing director education.

Our [Principal Officers/Senior Management Code of Ethics](#) is available on our website and, in conjunction with other Company and Board policies, communicates our values and expectations for our directors, officers and team members. These policies are reviewed periodically by our Board.

We were among the first companies to adopt a fully NASDAQ compliant executive compensation recovery or “clawback” policy. Our [Code of Ethics and Conduct: How We Do Business](#) is also available on our website. These policies are reviewed periodically by our Board. Our Board of Directors is comprised of a majority of independent directors as defined by the NASDAQ listing standards and our [Charter for the Corporate Governance and Nominating Committee](#). Our Board maintains fully independent Audit, Personnel and Compensation and Corporate Governance and Nominating committees, and each has an independent chair.



BOARD REFRESHMENT



Our Board believes that ongoing Board refreshment allows for a blend of perspectives that add value to oversight and decision-making. Accordingly, over the prior eight years, new directors have joined our Board as independent directors as others have retired or not stood for reelection. We further enhanced our Talent Management and Succession Planning framework that was shared with the Board, which includes ongoing board governance oversight for CEO and executive officers. We developed a robust Succession Planning roadmap that clearly outlines a plan for unexpected vacancies and a longer-term executive talent development plan for executive ranks and key roles.

We proactively interact with our shareholders and other interested parties throughout the year in a variety of forums. Our interactions cover a broad range of governance and business topics, including strategy and execution, compensation practices, risk oversight, sustainability, culture/human capital and ESG. The exchanges we have had with shareholders provide us with a valuable understanding of our shareholders' perspectives and meaningful opportunities to share views with them.

SHAREHOLDER ENGAGEMENT IS CONDUCTED BY

- Chief Executive Officer
- Chief People and Culture Officer
- Chief Financial Officer
- Selected Directors

WHOM WE ENGAGE

- Institutional investors
- Retail shareholders
- Portfolio managers
- Investment analysts
- Community and business leaders
- ESG rating agencies
- Representatives of Nasdaq

HOW WE ENGAGE

- In-person investor conferences
- In-person and telephone individual investor meetings
- Virtual meetings and calls
- Annual Shareholders Meeting
- On-site investor meetings

HOW WE COMMUNICATE

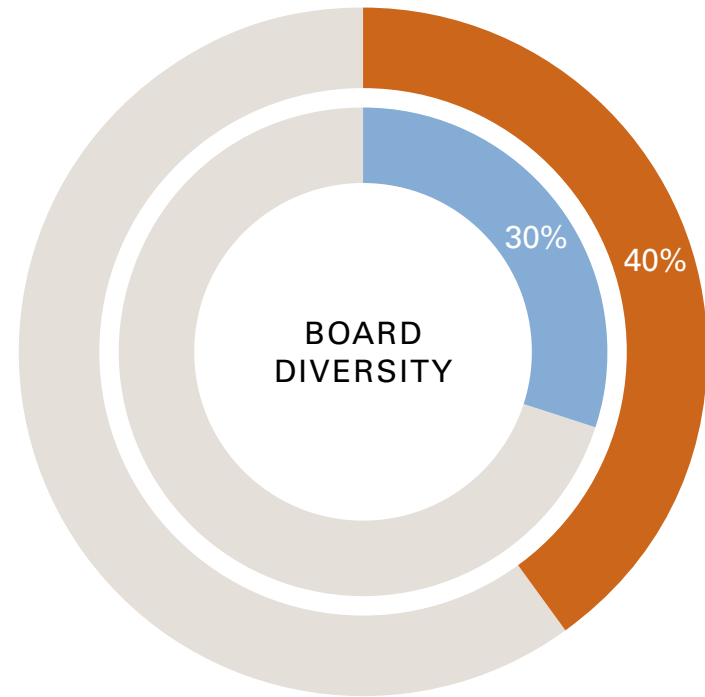
- Company website
- Annual Report on Form 10-K
- Quarterly Reports on Form 10-Q
- Annual Meeting Proxy Statement
- SEC periodic reports on Form 8-K
- Press Releases
- Sustainability Report

WHAT WE DISCUSSED

- Business strategies
- Financial Performance
- Credit quality
- Securities portfolios strategy
- Loan growth initiatives
- Deposit growth and retention
- Net interest margin
- Liquidity
- Capital requirements
- Risk management
- Corporate governance
- Succession plans
- Executive compensation plans
- Executive compensation issues
- Inclusion & Belonging programs and plans

Additionally, we have embedded a discipline of building a strong external diverse talent pipeline for executive and board seats. Throughout the year, employees are offered a variety of opportunities to participate in learning and education programs such as attending internal and external seminars/workshops, on-line training courses, panel discussions and trade group conferences to enrich one’s own development. Furthermore, we offer a generous tuition reimbursement to support employees’ desire to pursue higher education degrees. Employees also have the opportunity to earn industry related and/or role related professional certifications and our Company reimburses for classes, materials, test fees and ongoing required education costs. Each year, we also offer certain identified leaders an opportunity to attend Pacific Coast Banking School as part of their career development plan.

Of the ten nominees for election to our Board at the 2024 Annual Meeting, 30% are women and at least 40% are diverse. It has long been the practice of the Company to separate the roles of Chief Executive Officer and Chair of the Board in recognition of the differences between the two roles. The Board believes the separation of the duties of the Chief Executive Officer and the Chair of the Board eliminates any inherent conflict of interest that may arise when the roles are combined, and that an independent director who has not served as an executive of the Company can best provide the necessary leadership and objectivity required as Chair of the Board.



● Total Diversity ● Gender Diversity ● Non-Diverse

30%

WOMEN

40%

TOTAL DIVERSITY

Risk Management

The Board has ultimate authority and responsibility for overseeing the Company's risk management arising out of its operations and business strategy. This includes overseeing the Company's enterprise-wide risk management framework, which establishes the Company's overall risk appetite and risk management strategy and enables senior management to understand, manage and report on the risks faced by the Company.

We have also significantly enhanced our cybersecurity expertise by adding a Chief Information Security Officer (CISO) in 2023 and strengthening our response and disclosure policies in order to assure the timely and appropriate detection of, response to and disclosure of cybersecurity incidents.



The Board reviews and oversees policies and practices established by management to identify, assess, measure and manage key risks, including risk appetite metrics developed by management and approved by the Board. The Board monitors, regularly reviews and reacts to material enterprise risks identified by management. The Board receives specific reports from senior management with oversight responsibility for particular risks within the Company. These reports include strategic, operational, execution, financial, investment, credit, liquidity, interest rate, capital, technology, cyber security, legal and regulatory compliance and reputation risks, and the Company's degree of exposure to those risks. The Board, as part of its annual strategic plan process, reviews a risk tolerance matrix that identifies potential Company risks and evaluates the Board's tolerance level for each risk identified.

The Board is also heavily engaged, through the Audit Committee, in the oversight of cybersecurity incident detection and response, including the related disclosure and notification requirements. Our management team, led by our CISO, continually monitors emerging threats and vulnerabilities and seeks to minimize the risks associated with these ever-evolving, increasingly sophisticated cybersecurity threats.

Properly managing risks has been identified as critical to the conduct of safe and sound banking activities and has become even more important as new technologies, product innovation and the size and speed of financial transactions have changed the nature of banking markets. The Company has identified a spectrum of risks facing a banking institution including, but not limited to, credit, market, liquidity, operational, legal and reputational risk. In particular, recent regulatory pronouncements have focused on operational risk, which arises from the potential that inadequate information systems, operational problems, breaches in internal controls, fraud or

unforeseen catastrophes will result in unexpected losses. The Company is subject to a comprehensive capital framework (the “Capital Rules”) adopted by Federal banking regulators (including the Federal Reserve and the FDIC). The Capital Rules implement the Basel III framework for strengthening the regulation, supervision and risk management of banks, as well as certain provisions of Dodd-Frank.

We follow robust risk management programs to ensure compliance with applicable laws and regulations governing ethical business practices. We maintain a complaint and whistleblower policy monitored by an independent third party to receive notice of financial regularities, breaches of internal controls, conflicts of interest and fraud. We are dedicated to ensuring that whistleblower complaints are promptly and thoroughly investigated, and we have a zero-tolerance policy regarding retaliation against those who raise concerns about such matters. The Company is subject to rigorous controls and audits, and our Board actively oversees our cybersecurity practices. Our risk management teams ensure compliance with applicable laws and regulations and coordinate with subject-matter experts (SMEs) throughout the business to identify, monitor and mitigate material risks. Management provides mandatory compliance training on a variety of topics including, but not limited to, the areas of Fair Lending and Anti-Money Laundering (AML), which includes recognizing and reporting unusual or suspicious activity.

THE BOARD

The Board ensures that senior management is properly focused on risk and understands that it is responsible to the Board regarding the Company’s risk management process, including by assessing and managing the risks faced by the Company. Senior management is responsible for creating and recommending to the Board for approval appropriate risk appetite metrics reflecting the aggregate levels and types of risk the Company would be willing to accept in connection with the operation of the Company’s business and pursuit of the Company’s business objectives.

BOARD COMMITTEES

Board committees are responsible for risk oversight in specific areas. The Audit Committee is responsible for monitoring the Company’s overall risk program.

THE AUDIT COMMITTEE oversees financial, accounting, internal controls, enterprise risk management and informational technology and cybersecurity risk management policies. The Company’s internal Risk Management Steering Committee reports directly to the Audit Committee on a quarterly basis. Our Chief Risk Officer chairs the internal Risk Management Steering Committee. The Audit Committee receives quarterly reports regarding the Risk Management Steering Committee, the Company’s internal audit department and information technology matters. The Audit Committee reports periodically to the Board on the effectiveness of risk management processes in place, risk trends and the overall risk assessment of the Company’s activities.

THE PERSONNEL AND COMPENSATION COMMITTEE assesses and monitors risks in the Company’s compensation, human capital and diversity programs and assures that our compensation programs and practices do not encourage our leadership or employees to take unnecessary or imprudent risk with the Company’s assets.

THE CORPORATE GOVERNANCE AND NOMINATING COMMITTEE recommends director candidates with appropriate experience, skills and diversity who will set the proper tone for the Company’s risk profile and provide competent oversight over our material risks. This Committee also monitors the Company’s risk related to environmental, social and governance (ESG) concerns.

Cybersecurity

The primary goal of our data security program is to maintain cybersecurity defenses with capabilities that are best-in-class within our industry. We use examination guidelines, frameworks and privacy laws to guide us in consistently meeting legal and regulatory requirements. We are committed to safeguarding data and raising security awareness related to cybersecurity risks, adhering to applicable state and federal privacy regulations and applying sound data management practices.

The federal bank regulatory agencies have issued multiple statements regarding cybersecurity. This guidance requires financial institutions to implement multiple layers of security controls to establish lines of defense and ensure that their risk management processes address the risk posed by compromised customer credentials and include security measures to authenticate customers accessing internet-based services of the financial institution. The management of a financial institution is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption, and maintenance of operations in the event of a cyber-attack.

A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to a cyber-attack. If we fail to observe the regulatory guidance, we could be subject to various regulatory sanctions, including financial penalties.

As of May 1, 2022, financial institutions are required to comply with the final rule issued by the federal bank regulatory agencies to improve sharing of information about cyber incidents that may affect the U.S. banking system. The rule requires financial institutions to notify their primary federal regulator of any significant computer-security incidents as soon as possible and no later than 36 hours after they determine that a cyber-incident occurred. Notification is required for incidents that have materially affected (or are reasonably likely to materially affect) the viability of a financial institution's operations, its ability to deliver banking products and services or the stability of the financial sector. We do not anticipate this rule to have a material impact on the operations of HCC and HBC at this time.

Ensuring the privacy and security of customer data is critical to the success of our tech-forward business and building the trust of our customers. This commitment starts at the top with oversight by our Board's Audit Committee, which receives, at least, quarterly reports related to information security, data quality and data privacy, as well as industry and regulatory updates. These reports focus on management's efforts to comply with evolving privacy and data management regulations as well as the ever-changing threat landscape. Our Company team members are responsible for complying with our cybersecurity standards and complete training to understand the behaviors and technical requirements necessary to keep information secure.

“We are committed to safeguarding data and raising security awareness related to cybersecurity risks, adhering to applicable state and federal privacy regulations and applying sound data management practices.”

Our IT team operates 24/7 and uses a combination of industry-leading tools and in-house innovative technologies to help protect our stakeholders against cybercriminals and fraudsters. Our team members are responsible for complying with our cybersecurity standards and complete mandatory annual training to understand the behaviors and technical requirements necessary to keep information secure. Our strategy allows us to perform a high level of due diligence by investing in information security and monitoring controls, which provide the best mechanism to defend against bad actors. We utilize a combination of cloud-based, immutable backup storage systems, and a separate off-site disaster recovery center to support the highest levels of business continuity. We also offer ongoing practice and education for team members to recognize and report suspicious activity.

We recognize our responsibility to appropriately use, maintain, and safeguard the personal data we collect from our stakeholders. Our overall security posture continues to evolve to address potential new threats and has bolstered our ability to protect against possible vulnerabilities. Our data security and privacy practices are designed to support privacy rights and are based on industry standards. Everyone at the Company who works with personal information has a responsibility to understand and honor our privacy obligations. These individuals must read and comply with our internal privacy policies.

In 2023, as in prior years, we did not experience a material compromise to any of our data systems and did not incur any material expenses resulting from information security breaches, related penalties, or settlements. The Company is committed to disclosing and providing appropriate notices regarding any such data breach in compliance with relevant laws and regulations.



| Appendix

This appendix expands transparency through key quantitative data compiled in accordance with the SASB frameworks and standards, along with additional details on our workforce, revenues, sales, stakeholders, locations and certification. Report data covers all global operations unless otherwise noted. In developing our Sustainability Report, we have compiled metrics organized by key themes incorporated within our tables and throughout our organization.

SASB Table

| TOPIC | SASB METRIC | SASB CODE | DATA AND NARRATIVE RESPONSE |
|--|---|---------------------|--|
| Commerical Banks | | | |
| Data Security | (1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected | FN-CB-230a.1 | Any material cybersecurity incidents from the reporting period would be disclosed in accordance with regulatory requirements in our public SEC filings. |
| | Description of approach to identifying and addressing data security risks | FN-CB-230a.2 | <p>At Heritage, our robust Information Security Program is led by internal risk IT management teams that coordinate with subject matter experts throughout the business to identify, monitor and mitigate information security risks.</p> <p>We leverage the latest security configurations and technologies on our systems, devices, and third-party connections, incorporating the 'Defense-in-depth' model with multiple layers of physical, technical and administrative controls. We perform rigorous testing programs and employ detection and response mechanisms designed to contain and mitigate security incidents.</p> <p>We further vet third-party vendors' security capabilities and controls, as required, through our third-party management process, to mitigate risk of data breaches to vendors' information systems.</p> <p>Our internal risk management and compliance teams also oversee compliance with applicable laws and regulations related to data security and data privacy, such as the Gramm-Leach-Bliley Act of 1999 which, among other things, requires that we develop, implement and maintain a written comprehensive information security program containing appropriate safeguards based on our size and complexity, the nature and scope of our activities and the sensitivity of customer information we process, as well as plans for responding to data security breaches. Various state and federal banking regulators and states have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach.</p> |
| Financial Inclusion & Capacity Building | (1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development | FN-CB-240a.1 | <p>CRA Reportable Small Business Loans as of 12/31/2023</p> <p>Number: 454 Value: \$82,062,388 (as of 12/31/2023)</p> <p>For the total number and amount of outstanding small business loans, please see page 24 of our 6/30/2024 Call Report Schedule RC-C Part II – Loans to Small Businesses and Small Farms, available on the FFIEC Database.</p> <p>The Community Reinvestment Act guides our small business and community development lending activities. We received a CRA rating of "Satisfactory" in our most recent regulatory examination. We are committed to being a positive force in the local communities* we serve and we strive to be responsive to the credit needs of small businesses.</p> |

* To align with established Community Reinvestment Act (CRA) reporting, we have excluded data from our wholly owned subsidiary CSNK Working Capital Finance Corp (dba Bay View Funding) due to its nationwide footprint beyond the community served by the Company.

| TOPIC | SASB METRIC | SASB CODE | DATA AND NARRATIVE RESPONSE | | | | | | | | | | | | | | | | | | |
|---|---|--|---|--------------|------------|--------------------------|-----|------------|-----|----------------------|-----|-----------------------|-----|-------------|----|---------------------|----|--------------|----|------------------|----|
| Commercial Banks | | | | | | | | | | | | | | | | | | | | | |
| Financial Inclusion & Capacity Building (cont.) | (1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development | FN-CB-240a.2 | Number: 10 Value: \$1,446,981 (as of 12/31/2023) | | | | | | | | | | | | | | | | | | |
| | Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers | FN-CB-240a.3 | This metric is not applicable to our business, as we are not a retail bank and do not offer no-cost retail checking accounts. | | | | | | | | | | | | | | | | | | |
| | Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers | FN-CB-240a.4 | Heritage engages with community members to promote financial literacy. In 2023 we offered financial literacy classes, career resources, staff support, and other annual donations to local students including low income and ethnically and racially diverse students. A highlight of this work was our collaboration as a Corporate Partner with the Cristo Rey Corporate Work Study Program (CWSP). Cristo Rey is a high school located in a low-income area serving students from underserved, low-income communities. Students take a full course load of college prep coursework in addition to participating one day each week in a CWSP. As a Corporate Partner, Heritage Bank employed a student intern during the 2022–2023 school year whose earnings from the program covered most of their tuition cost. Heritage additionally supported student financial literacy programs through a collaboration with the Adopt an Oakland School Program. Through this partnership, 11 volunteers from Heritage Bank participated in Ruidsdale High's Fall Career Symposium, a three-part Entrepreneurship Workshop Series, the Spring Career Symposium and a Spring Exhibition. This amounted to approximately 73 volunteer hours and interactions with approximately 100 students. In 2023 Heritage also hosted an inaugural Small Business Toolbox Event/Seminar Series that provided resources to minority-owned small businesses in Oakland. | | | | | | | | | | | | | | | | | | |
| Incorporation of Environmental, Social and Governance Factors in Credit Analysis | Commercial and industrial credit exposure, by industry | FN-CB-410a.1 | <table border="1"> <thead> <tr> <th>Type of Loan</th> <th>% of Total</th> </tr> </thead> <tbody> <tr> <td>CRE - Non-owner occupied</td> <td>37%</td> </tr> <tr> <td>Commercial</td> <td>14%</td> </tr> <tr> <td>CRE - Owner occupied</td> <td>17%</td> </tr> <tr> <td>Residential Mortgages</td> <td>15%</td> </tr> <tr> <td>Multifamily</td> <td>8%</td> </tr> <tr> <td>Land & Construction</td> <td>4%</td> </tr> <tr> <td>Equity Lines</td> <td>4%</td> </tr> <tr> <td>Consumer & Other</td> <td>1%</td> </tr> </tbody> </table> | Type of Loan | % of Total | CRE - Non-owner occupied | 37% | Commercial | 14% | CRE - Owner occupied | 17% | Residential Mortgages | 15% | Multifamily | 8% | Land & Construction | 4% | Equity Lines | 4% | Consumer & Other | 1% |
| | Type of Loan | % of Total | | | | | | | | | | | | | | | | | | | |
| CRE - Non-owner occupied | 37% | | | | | | | | | | | | | | | | | | | | |
| Commercial | 14% | | | | | | | | | | | | | | | | | | | | |
| CRE - Owner occupied | 17% | | | | | | | | | | | | | | | | | | | | |
| Residential Mortgages | 15% | | | | | | | | | | | | | | | | | | | | |
| Multifamily | 8% | | | | | | | | | | | | | | | | | | | | |
| Land & Construction | 4% | | | | | | | | | | | | | | | | | | | | |
| Equity Lines | 4% | | | | | | | | | | | | | | | | | | | | |
| Consumer & Other | 1% | | | | | | | | | | | | | | | | | | | | |
| Description of approach to incorporation of environmental, social and governance (ESG) factors in credit analysis | FN-CB-410a.2 | We have begun to further integrate information on environmental risks and challenges by incorporating climate risk factors into credit analyses. We have always innately incorporated environmental issues into our credit decisions, such as evaluating collateral for hazardous materials and monitoring areas prone to increased risk from natural disasters that include climate change. In 2022 and 2023, our working group began to evaluate climate and other environmental considerations as part of our broader commitment to identifying risks associated with climate change. After a thorough review, we determined that we would initiate data gathering on wildfire, drought, flood and rising sea levels as it relates to our clients and their loan collateral. Over the past year, we developed and implemented the process of collecting portfolio data to cultivate a greater understanding of the potential impact these risks could have on our clients and the Bank. | | | | | | | | | | | | | | | | | | | |

* To align with established Community Reinvestment Act (CRA) reporting, we have excluded data from our wholly owned subsidiary CSNK Working Capital Finance Corp (dba Bay View Funding) due to its nationwide footprint beyond the community served by the Company.

| TOPIC | SASB METRIC | SASB CODE | DATA AND NARRATIVE RESPONSE | | | | | | | | | |
|--|--|---|---|--------------|--------|-------|----------|-------|---------------|-----------|--------|-----------------|
| Commercial Banks | | | | | | | | | | | | |
| Business Ethics | Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice or other related financial industry laws or regulations | FN-CB-510a.1 | Any material losses from the reporting period would be disclosed in accordance with accounting and regulatory requirements in our 10K. | | | | | | | | | |
| | Description of whistleblower policies and procedures | FN-CB-510a.2 | <p>In accordance with Section 301 of the Sarbanes-Oxley Act of 2002, the Audit Committee has established procedures to (1) receive, retain and treat complaints received by the company regarding accounting, internal control or auditing; and (2) receive confidential, anonymous submissions by employees of the Company regarding questionable accounting or auditing matters. Our complaints and whistleblower policies provide mechanisms and procedures to encourage anonymous reporting of good faith complaints to the Audit Committee regarding questionable accounting or auditing matters, including without limitation, the following:</p> <ul style="list-style-type: none"> • Fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement of the Company; • Fraud or deliberate error in the recording and maintaining of financial records of the Company; • Non-compliance with the Company's internal controls; • Misrepresentation or false statements by senior officers regarding a matter contained in the financial records, financial reports or audit reports of the Company; or • Deliberate deviation from full and fair reporting of the Company's financial condition <p>The Company does not engage or permit retaliation against any employee good faith reports. Complaints or concerns regarding any accounting, internal accounting controls, fraud or auditing matters may be reported on a confidential, anonymous basis via our website or hotline: Toll-Free Telephone: 855-222-0659. The Company may reward individuals with material complaints that involve intentional and material misrepresentation of financial statement records.</p> <p>Whistleblower Policy</p> | | | | | | | | | |
| Systemic Risk Management | Global Systemically Important Bank (G-SIB) score, by category | FN-CB-550a.1 | Heritage Bank of Commerce is not categorized as a Global Systemically Important Bank. | | | | | | | | | |
| | Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy and other business activities | FN-CB-550a.2 | <p>Heritage has established concentration limits in its loan portfolio for commercial real estate loans, commercial loans, construction loans and unsecured lending, among others. All loan types are within established limits. We use underwriting guidelines to assess the borrowers' historical cash flow to determine debt service, and we further stress test the debt service under higher interest rate scenarios. Financial and performance covenants are used in commercial lending to allow us to react to a borrower's deteriorating financial condition, should that occur.</p> <p>Source: Annual Report, pg. 76: https://s26.q4cdn.com/293620860/files/doc_financials/2023/ar/hcc-2023-annual-report-on-form-10-k.pdf</p> | | | | | | | | | |
| Activity Metrics | (1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business | FN-CB-000.A | <table border="1"> <thead> <tr> <th>Account Type</th> <th>Number</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>Personal</td> <td>9,053</td> <td>\$696,321,230</td> </tr> <tr> <td>Business*</td> <td>18,518</td> <td>\$3,357,919,466</td> </tr> </tbody> </table> | Account Type | Number | Value | Personal | 9,053 | \$696,321,230 | Business* | 18,518 | \$3,357,919,466 |
| | Account Type | Number | Value | | | | | | | | | |
| Personal | 9,053 | \$696,321,230 | | | | | | | | | | |
| Business* | 18,518 | \$3,357,919,466 | | | | | | | | | | |
| (1) Number and (2) value of loans by segment: (a) personal, (b) small business and (c) corporate | FN-CB-000.B | Please see the Loan Distribution table on page 75 of our 2023 Annual Report, which presents the Company's gross loans outstanding by type as of 12/31/23. | | | | | | | | | | |

* Sole proprietors are included in business totals. Also, Insured Cash Sweep (ICS) accounts (shadow accounts) and COD accounts are not included.

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