

2023 Sustainability Report



Who We Are

Vision Statement

Heritage Commerce Corp and Heritage Bank of Commerce 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.

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.

BANKING FOR BUSINESSPEOPLE BY BUSINESSPEOPLE

History

- Heritage Bank of Commerce, a community business bank founded in 1994, headquartered in San Jose, California.
- Heritage Commerce Corp, a California corporation organized in 1997, the holding company for Heritage Bank of Commerce.

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.

Clients

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

Specialty Expertise

- Small Business Administration (SBA) Lending
- Corporate Finance/Asset-Based Lending
- Construction Lending
- Cash Management
- Non-profit organizations, education, and churches
- Homeowner Association Services (HOA)
- Factoring*

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

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This report contains forward-looking statements, including statements about our commitments, targets, and other statements that are not historical facts. These statements are subject to risks and uncertainties and are not guarantees of future performance or assurances that we will take the actions we presently expect. Factors that could cause actual results to differ materially from those expressed or implied by such statements are set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, and readers should interpret our statements of plans and expectations in the context of those risks. All forward-looking statements are based on management's current assumptions, estimates, and projections, and we cannot undertake to update those statements except as required by law.

The disclosures within the Sustainability Accounting Standards Board (SASB) framework were prepared with the goal of developing future qualitative and quantitative reporting that will also align with industry best practices. By mapping our organizational programs against the SASB framework, our sustainability efforts are now part of a broader set of organizational goals. We believe the Company is making meaningful progress within these SASB topics and plans to harvest countless other benefits indirectly resulting from improvements in these material environmental, social, and governance (ESG) areas.

When we use "we," "us," "our," or the "Company," we mean the Company on a consolidated basis with Heritage Bank of Commerce. When we refer to "HCC" or the "holding company," we are referring to Heritage Commerce Corp on a standalone basis. When we use "HBC," we mean Heritage Bank of Commerce on a standalone basis.

Letter from Our CEO

Dear Shareholders,

I am pleased to share our latest Sustainability Report, signifying another step forward in our Environmental, Social, and Governance (ESG) progression. As the Bay Area's premier business bank, we are committed to investing in and utilizing our distinct value-adding factors, including ESG, to ensure ongoing growth as a sustainable, enduring company. At the same time, we recognize that our achievements stem from resilient, enduring relationships. We continue to diligently pursue our sound business strategy, with a notable emphasis on robust enterprise risk management.

In the face of rapidly changing market and regulatory pressures, as well as increasing stakeholder expectations, we continue to advance sustainability as an integrated part of our overall business strategy. Formalizing our commitment to ESG under our Corporate Governance and Nominating Committee, and incorporating it into credit analysis, underscores our commitment to sound risk management. Our business is built on the concept that decisions we make should create long-term, sustainable value for all stakeholders. We seek to create that value through sustainable business practices that integrate economic, environmental, social, and governance objectives and concerns. Our management team leads a focused effort to integrate sustainability and corporate social responsibility into day-to-day operations.

The year 2022 was pivotal for the Company. We delivered solid financial results, increasing loans and achieving record revenue, while maintaining solid credit quality and a strong capital position. The Company reported a net income increase of 40% to \$66.6M. Our 2022 results reflected our emphasis on sound relationship banking. In 2023, we are well positioned because of our ongoing focus on sustainability and our four ESG tenets: (1) Environmental Responsibility, (2) Our People, (3) Our Community, and (4) Governance.

The Company 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 are the bedrock of our success. Fostering an inclusive culture that harnesses our team's individual and unique talents, is essential to not just the success of this organization, but it is a fundamental value of the Company. We are focused on making a positive impact in our communities as well, through charity and fundraising, educational sponsorship, and local community development.

Overall, our sustainability results reflect our story. As you read about our progress, I hope you'll share my excitement about the future for the Company. I think you'll also see why we publish a sustainability report that highlights business and strategic objectives: our sustainability strategy is one and the same. This report, again, formalizes our commitment to regularly communicate our ESG actions and performance. Building on the strong governance foundation detailed on our website and in our regulatory filings, we incorporated and utilized the Sustainability Accounting Standards Board (SASB) framework as part of this disclosure to further enhance disclosure and transparency.

As we continue to build upon an already solid foundation, we are on course for an even stronger future in 2023 and beyond. More than ever, we remain focused on fostering long-term value for our shareholders, strengthening relationships with our clients and communities, and supporting our loyal team members.

We appreciate your confidence and support.



Robertson "Clay" Jones
President and CEO

"Overall, our sustainability results reflect our story. We are well positioned in our sustainable growth strategy because of our ongoing focus on our four ESG tenets."

ROBERTSON
"CLAY" JONES



About Us

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 their decisions local ones. We listen to our clients and partner with them to deliver the best banking solutions for their businesses.

Founded in 1994, we are a \$5.2 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.

2022 was a transformational year for the Company. We delivered solid financial results, increasing loans and achieving record revenue, 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:

- Small to medium-sized business client relationship focus in vibrant economic geography
- Competitive loan and deposit/cash management products catering to businesses
- Diversified specialty business units
- Highly experienced management team throughout the Company
- Strong capital and liquidity management
- Excellent locations and markets with solid market share among community banks

STRATEGIES:

- ✓ Continue to build a Northern California premier community business bank, augmented by National and Statewide businesses that have specialty expertise and controls. Services will be delivered through our offices and loan/deposit teams.
- ✓ Growth will be achieved through organic expansion of relationships and new clients, opening de novo locations when relationship management teams are found in key markets, and acquisitions of Northern California community banks or national businesses that complement our existing lines of business.
- ✓ Focus will remain on Strong Risk Management and Relationship Banking vs. Transaction-Only Banking.

Our common stock trades under the ticker symbol "HTBK" on the NASDAQ Market. For additional and current information on our business and operations, visit <https://heritagebankofcommerce.bank/>.

Information from our website is not incorporated into this report or our Securities Exchange Commission filings.

* As of 12/31/22

YOY PROFITABILITY INCREASED 40% TO	NET INTEREST INCOME INCREASED 23% TO	EFFICIENCY RATIO	NON-PERFORMING ASSETS TOTALED
\$66.6M	\$179.9M	49.9%	\$2.4M

Introduction

We know that making a difference with ESG issues is a team effort. We also believe that the effective management of ESG issues will help support the sustainable long-term growth of our business and create value for our stakeholders. Therefore, we strive to integrate these principles into our business strategy in ways that optimize opportunities to make positive impacts while advancing our long-term goals.

To support clear communication surrounding our values, we have implemented robust data gathering and reporting, using the investor focused disclosure standards developed by the SASB. Working with investor stakeholders, SASB has developed a standardized disclosure on the industry-specific issues most important to investors.

Our disclosures within the SASB Framework were prepared with the goal of developing future qualitative and quantitative reporting to align with industry best practices, and our values as an organization. While there is still much work to be done, we believe that all Company stakeholders, including our investors, team members, clients, and the communities in which we do business, will benefit from our advancement in these material ESG areas. This is our second Sustainability Report, which takes a materiality-based approach to disclosure and covers data through fiscal year 2022, unless otherwise noted.

THE FOUR TENETS OF OUR ESG STRATEGY ARE:



A photograph of a dense forest of tall redwood trees. The trees are very tall and have thick, textured bark. The forest floor is covered with green ferns and brown pine needles. A wooden boardwalk with railings runs through the forest on the right side. The title "ENVIRONMENTAL RESPONSIBILITY" is written in large, white, sans-serif capital letters in the upper left quadrant of the image.

ENVIRONMENTAL RESPONSIBILITY



Sustainability & Stewardship

We embed the principles of advancing a circular economy into our practices. We are committed to operating our business in a sustainable manner. The Company has undertaken several initiatives designed to reduce our impact on the environment and to promote environmentally friendly projects and practices. With a goal to increasing efficiency and reducing waste, we continue to digitize manual back office and financial center functions.

IN 2022, WE:

- ✓ Encouraged continuance of environmentally friendly work practices by supporting the recycling of plastic, glass, and paper.
- ✓ Increased the use of e-records and e-signing technology resulting in paper waste and carbon emissions reduction, including utilizing digital solutions such as mobile/online banking, eStatements, electronic bill pay, and remote deposit capture.
- ✓ Continued to migrate technology infrastructure to a cloud environment, reducing energy usage and our carbon footprint.
- ✓ Ensured organizational participation in decision-making as part of our ESG management.
- ✓ Complied with all applicable legal and regulatory requirements related to environmental requirements.
- ✓ Began collecting climate risk data for collateral and business locations related to wildfire, drought, flood, and rising sea levels.

Through modernization efforts, we strive to offset negative environmental impacts. Currently, 60% 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 68% of the Company's total office space utilizes LED lighting. Our older office technology is donated to local non-profits, and we contract with a certified e-waste company, for disposal of outdated equipment.

We have begun to further integrate information on environmental risks and challenges by incorporating climate risks into credit analyses. Making more informed credit decisions including environmental minded analysis into our portfolio reduces risk and increases our value to investors. We have always innately incorporated environmental issues into our credit decisions — seeking loans that meet acceptable quality and underwriting standards from all communities within our geographic footprint. We generally do not originate loans to borrowers, or collateral that is held, in locations outside of our branch counties. This includes, but is not limited to, areas prone to increased risk from natural disasters that include climate change.

LED LIGHTING
IN OVER

68%

TOTAL OFFICE SPACE

LEED CERTIFICATION
FOR

60%

TOTAL OFFICE SPACE



Sustainability & Stewardship (cont.)

In 2022, our ESG 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.

We continually seek to partner with suppliers that share our core values. We believe that our focus on environmental sustainability, with the objective of reducing costs and improving sustainability of our operations, provides strategic benefit. Since 2022, we have focused on prioritizing engaging suppliers in our value chain, measuring and managing these impacts to conserve resources, reduce costs, and promote ethical practices.



OUR PEOPLE



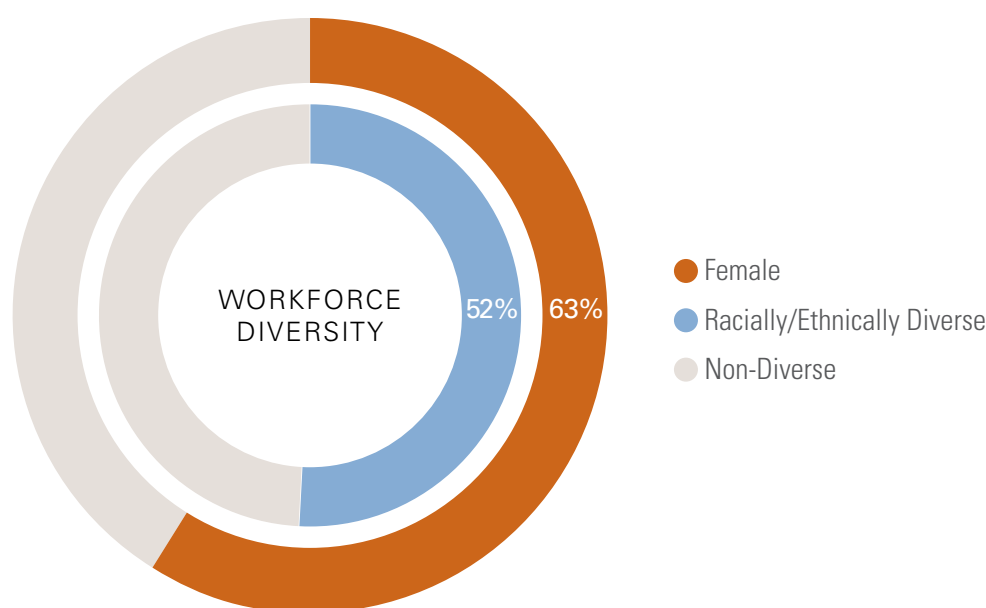


Diversity, Equity, Inclusion & Belonging

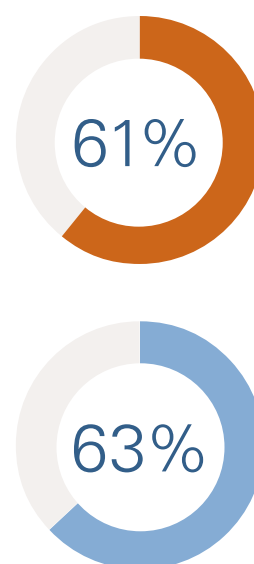
We believe our most important asset is our people and we hold ourselves accountable to provide a supportive environment where everyone has the opportunity to reach their fullest potential. We depend on a highly skilled, properly motivated, and valued workforce. Exceptional people working together enables us to create remarkable value for our clients, communities, shareholders, and each other, which fuels our success.

Diversity, Equity, Inclusion, and Belonging (DEIB) 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. The Company is committed to providing equal employment opportunities with regards to recruiting, compensation, performance, and promotion decisions based on merit, without discriminating on the basis of gender, sexual orientation, age, family status, ethnic origin, nationality, disability, religious belief, and any other characteristics that are legally protected.

In 2022, we had 340 full-time equivalent team members (inclusive of 11 part-time team members) with an average tenure of 8 years. Our turnover rate was 19%, and of those, 24% were due to retirement, health reasons, or relocation out of our service footprint. We are proud to share that females represent 63% of our workforce and self-identified racially and/or ethnically diverse individuals represent approximately 52%. Of all new hires in 2022, 61% were females and 63% were racially and/or ethnically diverse individuals.



2022 NEW HIRES



At the Company, we recognize the important responsibility we have to respect human rights and we are fully committed to bringing our products and services to the markets we serve, respecting human rights and adding value to all the relationships we build. In accordance with our DEIB policies, each team member of the Company shall be afforded the utmost respect, and all will be given equal opportunity and encouragement to achieve their full potential. We believe in the principles of equality and non-discrimination, are committed to treating all individuals with respect and dignity, and work to use our influence and business relationships to promote opportunity for all people.



Diversity, Equity, Inclusion & Belonging (cont.)

We actively practice inclusion by expressing support and celebrating 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 DEIB conversation series featuring DEIB 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. The Chief People and Diversity 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 Senior Executive Operating Committee members and the 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 in working 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 as the go-to people in each market keeping abreast of team sentiments.





Diversity, Equity, Inclusion & Belonging (cont.)

In 2022, we furthered our commitment to diversity and formalized our DEIB Steering Committee. The DEIB Steering Committee is comprised of diverse company leaders who are charged with guiding our Company on the strategy and implementation of DEIB efforts in order to create an even more inclusive place to work. Notably:

- We hired an Executive Vice President, Chief People and Diversity Officer who enhanced the DEIB Steering Committee initiatives and expanded efforts across the enterprise.
- We hosted listening sessions for all team members offering group and one-on-one conversations.
- We created a self-nominated Culture Ambassador Group (akin to team member resource group for larger organizations) to help drive DEIB and engagement efforts across the Company.
- With the input of the DEIB Steering Committee & Culture Ambassador Group, we created and rolled out our inaugural Company Core Values.
- As of September 2023, 100% of active team members (excluding new hires) participated in the inaugural diversity education program.

340

TOTAL
TEAM MEMBERS*

2022 AVERAGE TEAM
MEMBER TENURE

8 YRS

OUR BOARD*



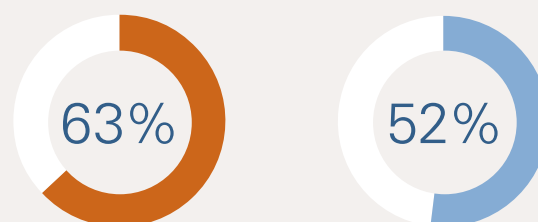
OUR EXECUTIVE VICE PRESIDENTS*



OUR SENIOR LEADERSHIP*



2022 WORKFORCE*



● Women ● Racially/Ethnically Diverse ● Non-Diverse

* Self-identified data as of December 31, 2022.



Our Culture

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.

Teamwork is not only promoted but celebrated through various recognition programs. One of our most popular programs in 2022 allowed managers to award physical tokens called "FOCUS" (friendly, outstanding, courteous, unequaled, and service) to individuals to thank them for going above and beyond their responsibilities. At year end, team members exchange their physical tokens for currency. In 2022, 119 team members received token awards. Additionally, we also celebrate anniversary milestones allowing team members to select a gift of their choosing.

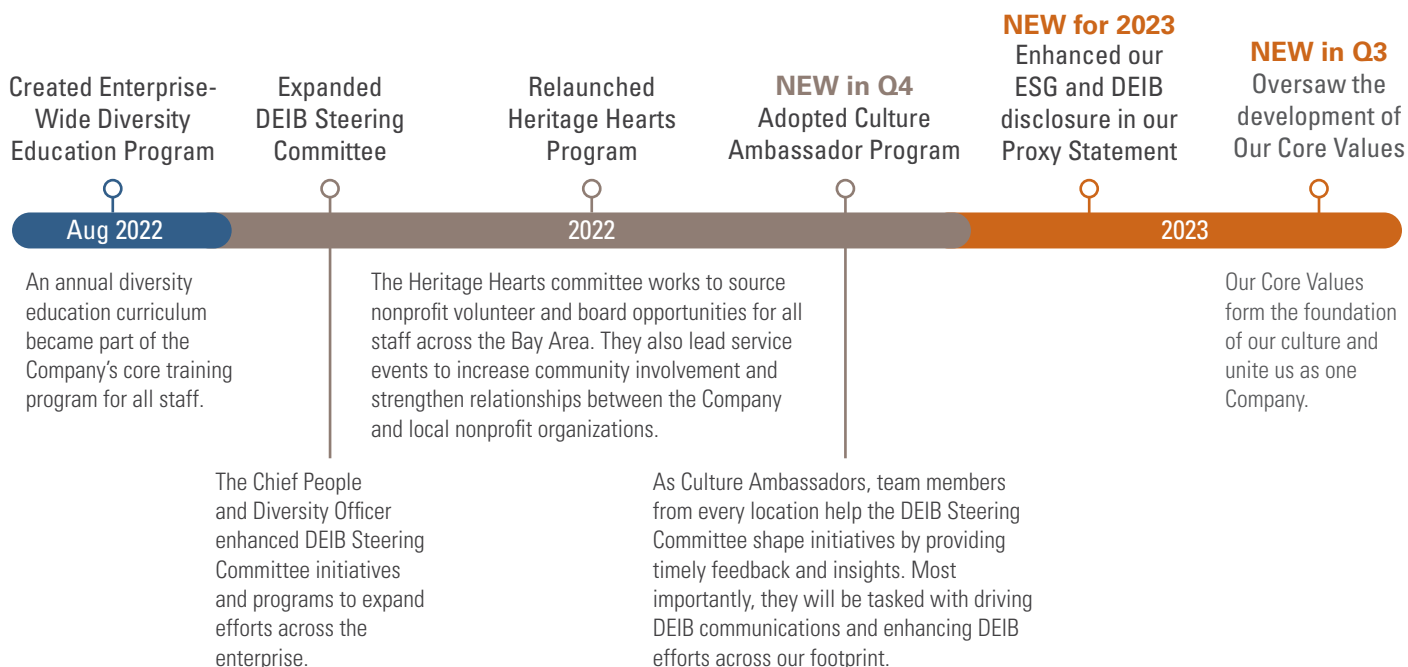
ROLLED OUT INAUGURAL **CORE VALUES** IN 2023:

- ✓ **We act with integrity and transparency.**
We strive to do the right thing, embodying the highest level of integrity and committing to always doing what's best for our clients, our colleagues, and our company.
- ✓ **Client, shareholder, and community success is our success.**
We measure our success by the service we provide to our clients, the value we bring to our shareholders, and the support we deliver to the communities we serve.
- ✓ **We help each other thrive.**
We are each other's biggest advocates extending support and encouragement, expressing appreciation, and collaborating as a team.
- ✓ **We serve with purpose and passion.**
We cultivate an environment where we strive for excellence in everything we do and we bring our best selves to work each and every day.
- ✓ **We continually adapt, learn, and grow.**
We learn from each other, grow through experiences, and pivot as needed to ensure our continued success.
- ✓ **We have fun with a healthy sense of humor!**
We foster a culture of belonging and an environment that is fulfilling, energizing, and fun!



Our Culture (cont.)

DEIB AND HUMAN RESOURCES MILESTONES





Human Capital Management

The Company continues to be recognized by the business community as the business bank of choice in our markets. For our team members, we aim to be the best place to work where everyone has the opportunity to thrive. We strive to hire, develop, and promote a workforce that shares our mission and values and cultivates a culture of teamwork, diversity, and inclusion that will meet the expectations of our clients, markets, and communities. To foster these goals and to attract and retain quality team members, we aim to ensure an inclusive, safe, and healthy workplace, and to provide our team members with competitive and comprehensive compensation, professional development opportunities, and robust health and welfare programs.

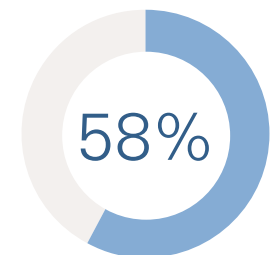
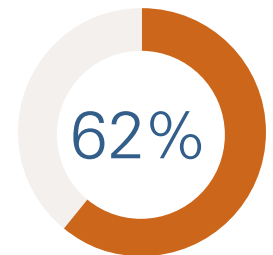
We have begun to transform and modernize our culture and talent management function by implementing a Human Capital Management (HCM) technology platform to enable leaders to better attract, develop, and manage talent. We are committed to pay equity and regularly review our compensation model to ensure fair pay practices across our business.

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 2022, 62% of promotions were females and 58% were racially or ethnically diverse individuals. Additionally, females accounted for 71% of internal transfers and racially or ethnically diverse individuals accounted for 47%.

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

2022 PROMOTIONS



- Women
- Racially/
Ethnically Diverse
- Non-Diverse

Various Benefits Include:

Medical, dental, and vision benefits for team member, spouse, and dependents

Monthly fitness stipend raised from \$25 to \$50 per month

Paid volunteer hours

Generous tuition reimbursement program

Flexible spending accounts for both healthcare and dependent care

Life insurance and short- and long-term disability insurance

401(k) retirement savings program with matching contributions

Health savings accounts and health reimbursement accounts

Access to wellness programs and counseling sessions through our Team Member Assistance Program, including an increase from 3 to 5 counseling sessions in 2022

OUR COMMUNITY





Community Outreach

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 underserved individuals.

The Company continues its participation as a Corporate Partner in the Cristo Rey Corporate Work Study Program (CWSP). Cristo Rey is a high school located in a low income census tract in downtown San Jose whose mission is to empower students from underserved communities to develop their minds and hearts to become lifelong contributors to society. Every student takes a full course load of college prep coursework as they participate one day each week in a four year CWSP to fund the majority of their tuition. The CWSP operates as a team member leasing agent with students as team members of the program. Corporate partners are charged a fee and students assign their earnings from the program to their school to cover most of their education cost. During the 2022–2023 school year, the Company had one student who worked approximately 115 hours for 2022 and 145 hours from January to June 2023. There are no student interns during the summer months.



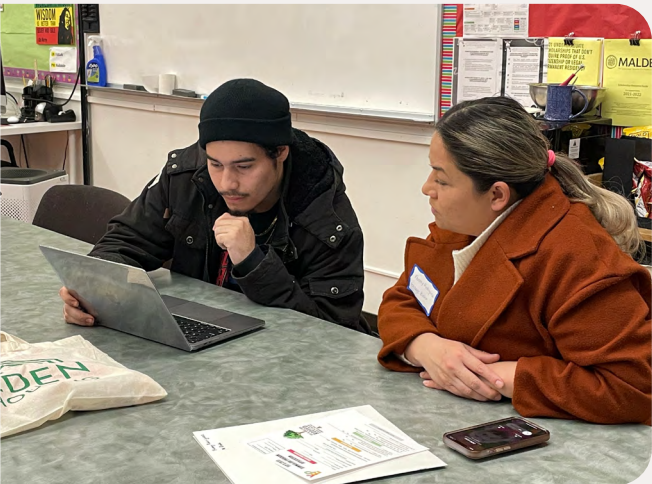
The Company participated in another year of the Adopt an Oakland School program for the 2022–23 school year at Rudsdale High School. Volunteers participated in the following events:

- Fall Career Symposium
- Entrepreneurship Series
- Spring Career Symposium
- Spring Exhibition

11 of our team members spent approximately 73 hours with approximately 100 students collectively over various days.



Community Outreach (cont.)



Offered financial literacy classes, career resources, staff support, and other annual donations to local students including underserved and racially and ethnically diverse students

Sponsored and supported nonprofits



Community Engagement Highlights

Hosted a Small Business Toolbox Event/Seminar Series that focused on minority-owned small businesses in Oakland



Relaunched the Company's Heritage Hearts Program to source nonprofit volunteer and board opportunities for staff across the Bay Area, with a goal of increasing volunteer hours by 20% and number of staff participating in volunteer events by 20%

Maintained 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



Community Investment

The Company measures success not only in financial terms, but also in community impact. First and foremost, we are a community bank committed to investing in the financial health and well-being of all of our local communities. We believe that the success of our local communities is a shared responsibility and we strive to use our capabilities, reach, and resources to make a lasting difference. We promote the growth and development of small businesses, including those located in underserved communities, by offering streamlined small business loan products.

During 2022, we sponsored events and/or donated \$770,000 to over 280+ organizations while our team members served on 45 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. We also invested in our local communities through the unwavering commitment of our team members as they volunteered over 2,000 hours. In addition, we made affordable housing investments totaling \$99 million secured by mortgages extended to underserved borrowers located in the San Francisco Bay Area.



Our communities thrive thanks in large part to the many dedicated organizations that work tirelessly creating opportunities for Bay Area residents and businesses. We are proud of our heritage of helping these organizations assist underserved and/or minority individuals, families, and areas with community and economic development, affordable housing, asset building, financial education, and youth programs.

The Company believes strongly in empowering people and strengthening communities by expanding access to capital. Going forward, the company will continue to partner with nonprofit organizations that work to decrease the number of individuals facing economic barriers, support small businesses, and make our communities reflections of our commitments and values.

GOVERNANCE





Culture of Governance

As a publicly-traded community financial institution, it is incumbent upon us to ensure that our operations are conducted in a manner that is both consistent with our ESG initiatives, and supportive of the communities in which we operate. Our Board and senior leadership actively support and promote sound corporate governance and risk management across the Company. This culture of accountability, integrity, and transparency affirms our unwavering commitment to building sustainable value.

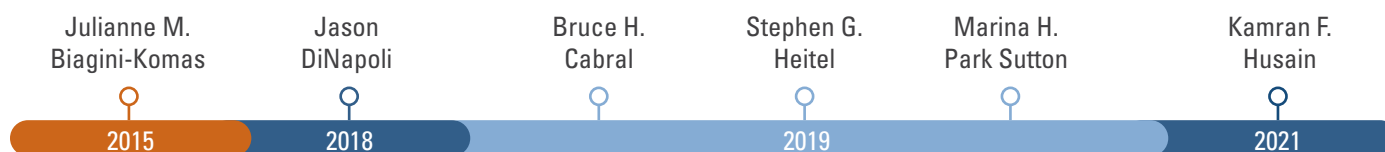
We conduct our business in a manner that is fair, ethical, and responsible to earn and maintain the trust of our stakeholders. Our corporate governance policies and practices include self-evaluations of the Board and its committees, as well as continuing director education. Our [Principal Officers/Senior Management Code of Ethics](#) is publicly available and, in conjunction with other internal Company and Board policies, communicates our values and expectations for our directors, officers, and colleagues. 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 Corporate Governance and Nominating Charter and Guidelines. Our Board maintains fully independent Audit, Personnel and Compensation, and Corporate Governance and Nominating committees. Our Corporate Governance and Nominating Committee oversees annual Board and committee self-evaluation programs. The Company believes that ongoing Board refreshment allows for a blend of perspectives that add value to Board oversight and decision-making. Accordingly, over the prior seven years, new directors have joined our Board as independent directors as others have retired or not stood for reelection.

OVER
90%
DIRECTOR NOMINEE
INDEPENDENCE

DIRECTOR
NOMINEES ARE
40%
DIVERSE

Board Refreshment



In considering diversity of the Board, the Corporate Governance and Nominating Committee takes into account various factors and perspectives, including differences of viewpoint, high-quality business and professional experience, education, skills, and other individual qualities and attributes that contribute to Board diversity, as well as race, gender, and national origin. The Corporate Governance and Nominating Committee believes that this expansive conceptualization of diversity is the most effective means to implement Board diversity. Of the ten nominees for election to our Board at the 2023 Annual Meeting, 30% were women and 40% were women and underrepresented minorities.

It has further been the practice for many years 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 that 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.



Culture of Governance (cont.)

WE PARTICIPATED IN THE FOLLOWING ENGAGEMENT SINCE MAY 2022:*

- ✓ Participated in 52 one-on-one meetings with institutional investors at conferences
- ✓ Conducted 20 meetings and conference calls 8 other times with institutional investors
- ✓ Took part in 9 investor conferences
- ✓ Held 31 quarterly conference calls with investment analysts and 4 other meetings or calls with investment analysts

* Figures are from May 25, 2022 to July 31, 2023.

In 2023, in addition to our participation in investment conferences and in-person, individual investor meetings, we specifically reached out to 20 institutional shareholders, representing 58.5% of our shares. We held meetings directly or by telephone or video conference with each investor who accepted our invitation resulting in 8 meetings as of March 15, 2023. Shareholder views are communicated to the Board throughout the year at monthly Board meetings and are instrumental in the development of our governance, compensation, and environmental and social policies, and inform our business strategy.

The following section summarizes the specific skills, professional experience, and background information of each director that led the Board to conclude that each such person should serve on the Board.

	Biagini-Komas	Cabral	Conner	DiNapoli	Heitel	Husain	Jones	Kaczmarek*	Moles*	Park Sutton	Roden	Webster
Director Skills and Experience**												
Key Client Industries		•		•			•	•	•			
Banking/Financial Services	•	•	•	•	•	•	•	•	•		•	•
Accounting/Auditing/Financial Reporting	•	•	•	•	•	•	•	•			•	•
Marketing/Sales			•	•			•	•	•		•	•
Human Capital Management/DEIB	•		•			•	•	•	•	•		
Leadership as President and/or CEO, EVP, or SVP	•		•	•	•	•	•	•	•	•	•	•
Cybersecurity/Technology												•
Legal/Regulatory	•	•	•	•		•		•	•	•		
Public Company Governance	•		•	•		•	•	•	•			•
Risk Management	•	•	•		•	•	•	•	•			•
Strategic Planning/Mergers & Acquisitions	•	•	•	•	•	•	•	•	•		•	•
Community Affairs/Engagement			•		•		•	•	•	•	•	•
Digital Innovation									•			•
Environmental/Sustainability							•		•			

* Mr. Kaczmarek and Mr. Moles did not stand for reelection to the Board at the 2023 Annual Meeting.

** As of 12/31/22



Culture of Governance (cont.)

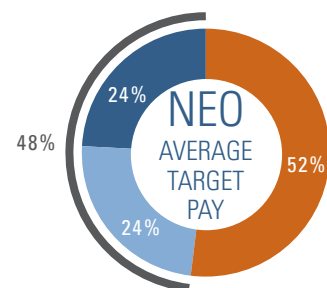
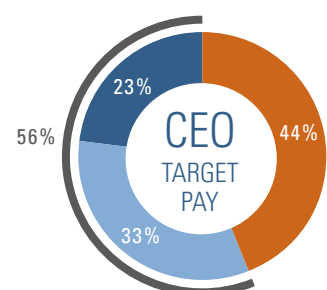
Our Company's pay for performance compensation philosophy offers all team members the opportunity to earn annual bonuses in addition to base salaries depending on individual and team performance results. We adhere to both the requirements of and the spirit behind the new Senate Bill 1162 CA Pay Transparency Regulations. We use a balanced performance evaluation approach to assess four core areas: Business Results, Internal/External Client Experience, Teamwork/Leadership, and Risk/Compliance/Controls.

Our executive compensation program is designed to align incentives with achievement of our strategic plan and both short- and long-term operating objectives. We utilize a variety of market data sources to ensure our compensation practices remain fair and competitive. Benefit trends are reviewed regularly, and plans are adjusted accordingly to remain competitive. The Personnel and Compensation Committee is firmly committed to implementing an executive compensation program that aligns management and shareholder interests, encourages executives to drive sustainable shareholder value creation, mitigates risk, attracts top talent, and helps retain team members. We have also implemented an Executive Officer Long-term Incentive Equity Program (LTIEP) for management that commences for the 2023 performance year in the form of performance-based restricted stock units that vest based on the Company's relative return on average common tangible equity over a three-year performance period relative to our peer group.

We are accountable to our shareholders and we believe shareholders should be entitled to voting rights in proportion to their economic interests. We hold annual elections of the Board (no classified Board), each shareholder is entitled to one vote per share (no dual class structure), we do not have super majority voting, and we do not have a poison pill. We recently placed more emphasis on year-round shareholder outreach and engagement. As a result, we routinely engage with our shareholders to better understand their views, carefully considering the feedback and act when appropriate. We are also transparent about the feedback we receive and the decisions we make. Stock ownership policies for directors and executive officers align director and executive and shareholder interests. We hold annual shareholder advisory votes on executive compensation. Our executive management incentive compensation is subject to our "clawback policy." Our Board and executive management are subject to our insider trading policy (as are all team members) and are prohibited from engaging in hedging and pledging transactions.

DEVELOPED
AND APPROVED
A RIGOROUS
LONG-TERM
PERFORMANCE-
BASED INCENTIVE
EQUITY PROGRAM

COMPENSATION MIX*



- Salary
- Short-term Incentive
- Long-term Incentive
- At-Risk

* As of 12/31/2022



Culture of Governance (cont.)

What We Do

- ✓ **Compensation Principles** Our compensation program is guided by our goals to align the interests of our executive officers with our long-term strategy and the interests of shareholders in a manner that appropriately considers the safety and soundness of the Company.
- ✓ **Shareholder Outreach** We conduct regular and transparent outreach to our shareholders, which we consider in the determination of pay levels, practices, and policies.
- ✓ **Formula-based Incentive Plans** Our Management Incentive Plan is comprised primarily of formula-based objective financial measures. Additional disclosure is also provided for the six key areas of the qualitative scorecard including goal attainment for each area. Starting in 2023, Named Executive Officers (NEOs) will participate in the Long-term Incentive Equity Plans (LTIEP) and receive 50% of their award value in performance-based restricted stock units (RSUs) contingent on relative Return on Average Tangible Common Equity (ROATCE) performance compared to a peer group at the end of a three-year performance period.
- ✓ **Differentiated Qualitative Goals for Individual NEOs** In 2023, Executive Officer Cash Incentive Plan includes differentiated qualitative goals based on individual roles.
- ✓ **Clawback Policy** We have a recoupment policy that provides the Board with the ability to recover compensation in the case of fraud or if the Company is required to restate its financial statements to correct a material error.
- ✓ **Share Ownership Guidelines** We require that our President and Chief Executive Officer own shares with a market value equal to three times base salary and that the other NEOs own shares equal to one times base salary.
- ✓ **Anti-Hedging/Pledging Policy** We have “anti-hedging” and “anti-pledging” policies on Company shares.
- ✓ **Independent Compensation Consultant** The Committee retains an independent compensation consultant that provides no other services to the Company.

What We Don't Do

- X **No Tax Gross Ups** With the exception of one legacy arrangement, we do not provide for tax gross-ups in the event of a change of control.
- X **No Repricing or Repurchase of Underwater Equity Awards** We do not permit the repricing or repurchase of underwater stock options or stock appreciation rights without shareholder approval.
- X **No Multi-Year Guarantees** We do not provide multi-year guaranteed salary increases, equity awards, or non-performance bonus arrangements.
- X **No “Single Trigger” Cash Severance Payments on Change in Control in Executive Contracts** Our executive employment agreements do not have “single-trigger” cash severance payments resulting solely from the occurrence of a change of control.



Risk Management

The Board has ultimate authority and responsibility for overseeing risk management of the Company 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. 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 on a periodic basis monitors, 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, cybersecurity, 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 planning, reviews and approves a risk appetite statement as well as a risk tolerance matrix that identifies potential Company risks and evaluates the Board's tolerance level for each risk identified.

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.

The Company's internal Risk Management Steering Committee reports directly to the Audit Committee. Our Chief Risk Officer chairs the internal Risk Management Steering Committee. The Audit Committee receives quarterly reports from the Risk Management Steering Committee, the Company's Internal Audit department, and Information Technology (IT) department. The Audit Committee reports periodically to the Board on the effectiveness of risk management processes in place, risk trends, and overall risk assessment of the Company's activities.

We implement 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. 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 ongoing team member and director 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.





Data Security

We have a robust Information Security program. Our Information Technology (IT) team uses a combination of industry-leading tools and innovative technologies to help protect our stakeholder's data. Our team members are responsible for complying with our data security standards and complete mandatory annual training to understand the behaviors and technical requirements necessary to keep Personal Identifiable Information (PII) secure. To protect clients' personal information from unauthorized access and use, we use security measures that comply with federal law. We restrict access to personal information about clients to those team members who need to know that information to provide products or services. We do not sell any of the personal information we collect; please see our [California Consumer Privacy Policy](#) for more information.

The Audit Committee oversees risks relating to financial reporting related to internal controls and cybersecurity. Our IT team uses a combination of industry tools and in-house innovative technologies to help protect stakeholders against cybercriminals. We leverage the latest encryption configurations and cybertechnologies on our systems, devices, and third-party connections and further review vendor encryption to ensure proper information security safeguards are maintained.

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.

Some Features of our Data Security Program Include:

Our commitment to data and cybersecurity starts with oversight by the Audit Committee and the Board of Directors.

Our IT security teams partner with third-parties to perform annual penetration testing, vulnerability scanning, and monitoring of any potentially suspicious activity across our enterprise.

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 deter fraudsters.

Cross-functional, multilevel approach to IT that promotes Board and leadership engagement on strategic data initiatives and associated risk management that lends itself to our safety and soundness risk model.



APPENDIX

This appendix expands transparency through key quantitative data compiled in accordance with the SASB Standards, along with additional details on our workforce, stakeholders, locations, and certification. Report data covers all global operations unless otherwise noted. In developing our Report, we have compiled metrics organized by key ESG themes incorporated within our tables and throughout our organization. The Company member companies best classify into the Sustainability Accounting Standards Board classifications for Commercial Banks. Our reporting reflects that classification and covers the period from January 1 – December 31, 2022, unless otherwise noted.

SASB Table

TOPIC	SASB METRIC	SASB CODE	DATA AND NARRATIVE RESPONSE						
Commercial 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 the Company, our robust Information Security Program is led by internal risk 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 vendor management process, to mitigate risk of data breaches to vendors’ information systems.</p> <p>Our internal risk management 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 client 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	<table><tr><td colspan="2">2022 CRA Reportable Small Business and Community Development Loans</td></tr><tr><td>Number of loans booked:¹</td><td>468</td></tr><tr><td>Value of loans booked:¹</td><td>\$88,694,788</td></tr></table> <p>For the total number and amount of outstanding small business loans, please see page 26 of our 12/31/22 Call Reporting 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 within our Assessment Areas which consist of Alameda County, Contra Costa County, Santa Clara County, San Benito County, San Mateo County, San Francisco County, and Marin County. 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>	2022 CRA Reportable Small Business and Community Development Loans		Number of loans booked: ¹	468	Value of loans booked: ¹	\$88,694,788
	2022 CRA Reportable Small Business and Community Development Loans								
Number of loans booked: ¹	468								
Value of loans booked: ¹	\$88,694,788								
	(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	<table><tr><td colspan="2">2022 Past Due and Nonaccrual Loans for Small Business and Community Development</td></tr><tr><td>Number of loans:¹</td><td>9</td></tr><tr><td>Value of loans:¹</td><td>\$434,024</td></tr></table>	2022 Past Due and Nonaccrual Loans for Small Business and Community Development		Number of loans: ¹	9	Value of loans: ¹	\$434,024
2022 Past Due and Nonaccrual Loans for Small Business and Community Development									
Number of loans: ¹	9								
Value of loans: ¹	\$434,024								

¹ 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.

SASB Table

TOPIC	SASB METRIC	SASB CODE	DATA AND NARRATIVE RESPONSE	
Commercial Banks (cont.)				
Financial Inclusion & Capacity Building (cont.)	Number of no-cost retail checking accounts provided to previously unbanked or underbanked clients	FN-CB-240a.3	We do not offer any no-cost retail checking accounts at this time.	
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved clients	FN-CB-240a.4	<p>The Company engages with community members to promote financial literacy. In 2022, 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 of Commerce employed a student intern during the 2022–2023 school year whose earnings from the program covered most of their tuition cost. The Company additionally supported student financial literacy programs through a collaboration with the Adopt an Oakland School program through the Oakland Public Education Fund. Through this partnership, 11 volunteers from the Company participated in Rudsdale 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.</p> <p>In 2022, the Company also hosted an inaugural Small Business Toolbox Event/Seminar Series that provided resources to minority-owned small businesses in Oakland.</p>	
Incorporation of ESG Factors in Credit Analysis	Commercial and industrial credit exposure, by industry	FN-CB-410a.1	Type of Loan	% of Total
			CRE - Non-owner occupied	32%
			Commercial	16%
			CRE - Owner occupied	19%
			Residential Mortgages	16%
			Multifamily	7%
			Land & Construction	5%
			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 actively seek business partners that align with our values and long-term sustainable goals so that we may deploy our capital to address sustainability challenges. In 2022, our ESG working group began to evaluate climate and other environmental considerations as part of our broader commitment to identify risks associated with climate change. After a thorough review, we determined that we would gather data on how the physical risks of drought, wildfires, flood, and rising sea levels may impact our clients and their loan collateral as well as the Bank. Identified climate risks are incorporated into lending decisions to identify and reduce risk.		
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 10-K .	

SASB Table

TOPIC	SASB METRIC	SASB CODE	DATA AND NARRATIVE RESPONSE								
Commercial Banks (cont.)											
Business Ethics (cont.)	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 team members of the company regarding questionable accounting or auditing matters. Our complaints and Whistleblower Policy provides 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> <p>Fraud or deliberate error in the preparation, evaluation, review, or audit of any financial statement of the Company;</p> <p>Fraud or deliberate error in the recording and maintaining of financial records of the Company;</p> <p>Deficiencies in or non-compliance with the Company’s internal controls;</p> <p>Misrepresentation or false statements by senior officers regarding a matter contained in the financial records, financial reports, or audit reports of the Company; or</p> <p>Deliberate deviation from full and fair reporting of the Company’s financial condition</p> <p>The Company does not engage or permit retaliation against any team member 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: http://www.lighthouse-services.com/herbank 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>								
	Global Systemically Important Bank (G-SIB) score, by category	FN-CB-550a.1	The Company is not categorized as a Global Systemically Important Bank.								
Systemic Risk Management	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>The Company 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. Financial and performance covenants are used in commercial lending to allow us to react to a borrower’s deteriorating financial condition, should that occur. We also use underwriting guidelines to assess borrowers’ historical cash flow to determine debt service.</p> <p>Although we are not required to perform stress tests, we voluntarily stress test our debt service under higher interest rate scenarios. Stress test analyses are prepared by management and reviewed by the Board’s Finance and Investment Committee. As a measure to further ensure capital adequacy, we impose a capital requirement threshold of a 10.5% year-end total risk-based capital ratio that must be met prior to releasing payouts associated with our Management Incentive Plan. In 2022 our capital and levels remained strong.</p>								
	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	FN-CB-000.A	<table><tr><th>Account Type</th><th>Number</th><th>Value</th></tr><tr><td>Personal</td><td>8,542</td><td>\$795,894,321</td></tr><tr><td>Business²</td><td>14,052</td><td>\$3,449,751,083</td></tr></table>	Account Type	Number	Value	Personal	8,542	\$795,894,321	Business ²	14,052
Account Type	Number	Value									
Personal	8,542	\$795,894,321									
Business ²	14,052	\$3,449,751,083									
Activity Metrics	(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 68 of our 2022 Annual Report , which presents the Company’s gross loans outstanding by type as of 12/31/22.								

2 Small business accounts are not separately tracked and categorized.

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