

# ENVIRONMENTAL | SOCIAL | GOVERNANCE

Heritage Commerce Corp | 2021

Operating  
with Integrity  
and Impact

**HERITAGE**  
COMMERCE CORP

**Heritage Commerce Corp (HCC) was established in 1997 as the parent company of Heritage Bank of Commerce (HBC), which was founded as a community business bank in 1994.** Now with 17 full-service branches across the San Francisco Bay Area, we strive to be a positive force in the communities we serve. Our management team leads a focused effort to integrate sustainability and corporate social responsibility into day-to-day operations. By incorporating environmental, social and governance (ESG) principles into how we do business, we can address the issues that matter most to our clients, our employees and shareholders.

## ENVIRONMENTAL

Heritage Bank of Commerce supports a suite of financial products and services that promotes sustainability, while continually working to reduce our environmental footprint.

-  Online Banking
-  Mobile Banking
-  eStatements
-  Debit Cards
-  Electronic Payments/Bill Pay
-  Remote Deposit Capture

- Almost 25% of online banking accounts utilized electronic statements, substantially reducing paper usage.
- Almost threefold increase in monthly Business Mobile banking enrollment in the final five months of 2021, reducing the need for branch visits.
- 4,700 clients used debit cards, reducing the need for paper checks.
- 73% of loan clients used auto-pay, reducing the need for paper checks or branch visits.
- 80% of loan files and 100% of signature cards were digitized, reducing the need to use and store paper, thereby saving space and reducing expenses.
- 58% reduction in company paper use between 2019 and 2021.
- 55% (or 67,000 square feet) of total company office space is lit with energy-efficient LED lighting.

# SOCIAL

A commitment to doing better is what drives our corporate social responsibility effort. With a comprehensive approach to financial stewardship, philanthropic giving, and employee empowerment, we help our communities grow and prosper.

## 2021 Community Engagement

### CORPORATE DONATIONS & SPONSORSHIPS

- In excess of 1% of pretax income was directed to donations and sponsorships supporting 170+ nonprofit organizations across the San Francisco Bay Area.

### TEAM COMMUNITY SERVICE

- Staff volunteered over 1,300 hours to 75 nonprofit organizations while serving on 54 nonprofit boards of directors.

### HIGHLIGHTED PROGRAMS

- Rudsdale High School: HBC adopted this public high school through the Oakland Public Education Fund's "Adopt an Oakland School" Program. HBC supports their primarily Hispanic and African American student body by providing financial literacy classes, career resources, staff support and other annual donations.
- Catholic Charities of Santa Clara County: For more than two decades, HBC has supported Catholic Charities in their mission to alleviate the conditions of chronic poverty, reduce the effects of situational poverty, and prevent the cycle of generational poverty.

## Community Reinvestment Highlights

- Affordable Housing Investments:
  - Mortgage backed securities totaling \$89 million secured by mortgages extended to low and moderate income borrowers located in the San Francisco Bay Area.
  - \$2.5 million committed to an affordable housing loan pool benefitting the San Francisco Bay Area.
  - \$3.9 million invested in affordable housing funds benefitting the San Francisco Bay Area.
- Almost \$85 million in community development loans funded.
- Funded nearly 1,800 Paycheck Protection Program loans totaling more than \$530 million in 2020-2021.

## Diversity, Equity and Inclusion

- Formalized affirmative action plan.
- Our DEI Council is comprised of diverse company leaders charged with review and implementation of our policies, procedures, DEI training and behavior, in order to create an even more inclusive place to work.
  - Contracted with an independent expert to provide the DEI Council guidance in determining a baseline for the Bank's demographics and employee perceptions of DEI efforts and results, in order to develop a meaningful communications and learning plan.

## Employee Health and Safety

- We took the following steps to protect our employees and customers during the COVID-19 Pandemic:
  - In March 2020, 70% of our workforce were set up to work remotely.
  - All 17 branches remained open throughout the Pandemic, following strict Federal OSHA, California OSHA, and Bay Area County Health Department guidelines and protocols to maintain a safe workplace.
  - We continue to follow the latest Federal OSHA, California OSHA, and Bay Area County Health Department guidelines and protocols to ensure a safe workplace.

# GOVERNANCE

HCC's Board of Directors 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.

## Board of Directors

- Board of Directors and Board Committee Structure:
  - 10 of 11 directors are independent.
  - Broad range of skills and experience.
  - Diverse Board representation: 36% of directors are women/persons of underrepresented communities.
  - Women chair the Audit, Personnel and Compensation, and Strategic Finance and Investment Committees.
- Annual Board and committee assessments.
- Separation of Board Chair and President roles.
- Four local advisory boards.
- Governance practices (oversight of CEO and management performance, as well as Board and management succession planning).
- Use of an independent executive compensation consultant.
- Charters of the Board's Audit, Personnel and Compensation, and Corporate Governance and Nominating Committees are publicly available.

## Risk Management

- Strong risk management program utilizing the 'Three Lines of Defense' model.
- Strong corporate culture.
- Comprehensive company-wide training program for all staff.
- Code of ethics and conflict of interest policy.
- Established company-wide policies and procedures.
- Customer complaint program.
- Cybersecurity/information security programs.
- Established hiring/onboarding practices.

## Audit

- The Director of Audit oversees the internal audit function and reports to the Audit Committee of the Board of Directors.
- Independent Audit Program is designed to evaluate and improve the effectiveness of risk management, internal controls and compliance with applicable banking regulations and corporate governance policies.
- Monitored by an independent third party, anonymous complaint/whistleblower policies and program are designed to receive complaints of financial irregularities, breaches of internal controls, conflicts of interest and fraud.

REV 3/2022

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[www.heritagecommercecorp.com](http://www.heritagecommercecorp.com)

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