



**HERITAGE COMMERCE CORP**  
**PERSONNEL AND COMPENSATION COMMITTEE CHARTER**  
**Revised September 2023**

**COMPENSATION GOALS & PHILOSOPHY**

The compensation policies, programs, and plans of Heritage Commerce Corp and its subsidiary, Heritage Bank of Commerce (collectively, the “Company”), are designed to attract, motivate and retain the highly talented individuals the Company’s needs to drive high performance and business success.

The Personnel and Compensation Committee (“Committee”) is charged with the oversight and administration of the Company’s executive compensation programs, including both cash and equity-based plans and programs, as well as the approval of executive employment agreements and compensation levels. This Charter governs the roles, authority and composition of the Committee and establishes certain procedures relating to the exercise of such authority.

The Committee believes that the most effective executive compensation programs is one that is designed to reward the achievement of specific annual, long-term and strategic goals, and aligns executives’ interests with those of the shareholders by rewarding achievement of pre-established performance goals, with the ultimate objective of improving shareholder value. The Company also desires to establish policies and procedures to mitigate the incentive among executives to take unnecessary risk with the Company’s assets.

The Committee should evaluate both performance and compensation to ensure that the Company maintains its ability to attract and retain superior employees in key positions and that compensation provided to key employees remains competitive relative to the compensation paid to similarly situated executives of our peer companies. To that end, the Committee believes compensation packages provided by the Company to its executive officers should include base salary, variable performance-based cash incentives and equity-based compensation.

The Company’s compensation and benefits programs should be driven by our business environment and are designed to enable us to achieve our mission, and adhere to the Company values, and appropriately manage risk. The programs’ objectives are to:

- Reflect our position as a leading community bank in our service areas;
- Attract, engage and retain the workforce that helps ensure our future success;
- Motivate and inspire employee behavior that fosters a high-performance culture;
- Support a one-company culture;
- Support overall business objectives;
- Provide shareholders with a superior rate of return;

- Create shareholder value through the continuous provision of quality service to our customers; and
- Support our environmental, social and governance (“ESG”) and diversity, equity inclusion and belonging (“DEIB”) goals

Consequently the guiding principles of our programs are to:

- Promote and maintain a high performance banking organization;
- Remain competitive in our marketplace for talent;
- Balance our compensation costs with our desire to provide value to our shareholders;
- Integrate our ESG and DEIB objectives; and
- Avoid encouraging excessive or unnecessary risk-taking.

To this end, we will measure success of our programs by:

- Overall business performance and employee engagement;
- Ability to attract and retain key talent;
- Costs and business risks that are limited to levels that maximize return and minimize risk; and
- Employee understanding and perceptions that ensure program value equals or exceeds program cost.

## **COMMITTEE’S PURPOSE**

The members of the Committee (and its Chair) are nominated by the Governance and Nominating Committee and appointed by the Heritage Commerce Corp Board of Directors (“Board”) to discharge the Board’s responsibilities relating to Company compensation policies, programs, and plans for executive officers and other specified responsibilities related to personnel and compensation matters affecting the Company.

## **COMMITTEE MEMBERSHIP**

The members of the Committee shall be directors of Heritage Commerce Corp. The Committee shall consist of no fewer than three members, each of whom is to be free of any relationship that, in the opinion of the Board, would interfere with the member’s exercise of independent judgment and is otherwise Independent as defined by applicable laws and regulations, (including NASDAQ Rule 5605(a)(2) and the “disinterested” person rules provided by Rule 16b-3 of the Securities Exchange Act of 1934).

In determining whether a director is eligible to serve on the Committee, the Board must consider all factors specifically relevant to determining whether a director has a relationship to the Company which is material to that director’s ability to be independent from management in connection with the duties of a Committee member, including: (a) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Company to such director, and (b) whether such director or a member of the director’s immediate family is

or recently has been affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company.

No member of the Committee may accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or any subsidiary thereof. Compensatory fees do not include (a) fees received as a member of the Committee, the Board or any other board committee, or (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided that such compensation is not contingent in any way on continued service).

Committee members shall serve until resignation or replacement by the Board and appointment of a successor. Committee members may be removed by a majority vote of the full Board.

## **MEETINGS AND PROCEDURES**

The Committee shall meet at least four times a year. Additional meetings may occur as the Committee or its chair deems advisable. The Committee will cause to be kept minutes of all its proceedings, and will report its actions to the next meeting of the Board. Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent. The Committee is governed by the same rules regarding meetings (including meetings by conference telephone or similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board. The Committee is authorized to adopt its own rules of procedure not inconsistent with (a) any provision of this Charter, (b) any provision of the Bylaws of Heritage Commerce Corp, or (c) the laws of the State of California.

## **AUTHORITY**

The Committee shall have the following authority:

1. The Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel or other adviser.
2. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel and other adviser retained by the Committee.
3. The Committee may select, or receive advice from, a compensation consultant, legal counsel or other adviser to the Committee, other than in-house legal counsel, only after taking into consideration the following factors:
  - (a) the provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser;

(b) the amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;

(c) the policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;

(d) any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the Committee;

(e) any stock of the Company owned by the compensation consultant, legal counsel or other adviser; and

(f) any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Company.

The Committee is not required to implement or act consistently with the advice or recommendations of the compensation consultant, legal counsel or other adviser to the Committee. The Committee in all cases must exercise its own judgment in fulfillment of the duties of the Committee.

The Committee is required to conduct an independence assessment outlined above with respect to any compensation consultant, legal counsel or other adviser that provides advice to the Committee, other than in-house legal counsel. However, the compensation consultant, legal counsel or other compensation adviser is not required to be independent (i.e., the Committee's only duty is to consider the above enumerated independence factors before selecting, or receiving advice from, a compensation adviser). The Committee may select, or receive advice from, any compensation adviser it prefers, including ones that are not independent, after considering the six independence factors outlined above.

The Committee is not required to conduct an independence assessment for a compensation adviser that acts in a role limited to the following activities: (a) consulting on any broad-based plan that does not discriminate in scope, terms, or operation, in favor of executive officers or directors of the Company, and that is available generally to all salaried employees and/or (b) providing information that either is not customized for the Company or any subsidiary or that is customized based on parameters that are not developed by the adviser, and about which the adviser does not provide advice.

The Company must provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to a compensation consultant, legal counsel or any other adviser retained by the Committee.

Any communications between the Committee and legal counsel will be considered privileged communications of the Company.

## **COMMITTEE RESPONSIBILITIES**

This section describes some of the oversight responsibilities of the Committee. This list is not intended to be exhaustive, and the Committee may take on additional responsibilities from time to time. Some of these responsibilities are intended to be subject to annual (or more frequent) review by the Committee, while other responsibilities are intended to be subject to review as necessary, advisable, or appropriate.

1. **Compensation.** The Committee shall evaluate, review, and approve actions involving compensation levels, equity and non-equity incentive compensation, and performance based compensation plans for executives (and if requested by the Board other senior management), and shall oversee a periodic risk assessment of the Company's compensation programs to determine whether such programs are reasonably likely to have a material adverse effect on the Company.

2. **Compensation and Benefit Plans.** The Committee shall oversee and administer the Company's stock equity plans, management incentive plans, and retirement plans for executives and the Board (and if requested of the Board other senior management). The Committee shall annually review the Company's performance and determine whether Company incentive compensation targets have been reached, and if so, at what level. The Committee will act on behalf of the Board as the "Committee" established to administer equity-based and employee benefit plans and, in such capacity, shall have the authority to establish the dates, amounts and terms of both equity and cash compensation programs. The Committee shall periodically review and recommend to the Board for approval all matters pertaining to broad based benefit plans of the Company, equity plans, executive, senior management or director bonus plans and pension plans and performance based plans. The Committee shall also have the responsibility to recommend for action by the Board the appointment and removal of various plan Trustees, and appointment and removal of members of any plan administration committee, plan administrator or third party vendor. The Committee shall have the authority to interpret or rule on any claim for benefits under any benefit plan of the Company over which it has oversight and shall have the authority to rule on any plan interpretation and shall further have the authority to delegate such claim review or plan interpretation to a special committee.

3. **Competitive Compensation Position.** The Committee shall review the Company's competitive position for each component of executive compensation (including base salary, annual incentives, long-term incentives, and supplemental executive benefit programs). This review will include but not be limited to market data for appropriate peer companies and best industry practices.

4. **Human Capital.** The Committee shall assist the Board in overseeing the development, implementation, and effectiveness of the Company's strategies and policies regarding its human capital management function, including, but not limited to, talent management and diversity and inclusion practices, including periodically reviewing the Human Capital disclosure set forth in the Annual Report on Form 10-K.

5. **Chief Executive Officer.** The Committee shall review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer's performance in light of those goals and objectives and determine the Chief

Executive Officer's compensation on the basis of its evaluation. The Committee may undertake these responsibilities in coordination with other committees of the Board.

6. **Directors.** The Committee shall annually review and recommend to the Board for approval (a) the annual director's compensation, including the Chair of the Board and (b) any additional compensation for service on committees of the Board, service as a committee or Board chair, meeting fees or any other benefit payable by virtue of the director's position as a member of the Board.

7. **Officer Employment Practices.** The Committee shall have the authority to review, establish and modify, all employment policies and procedures related to officers, and to review selective broad based employment and personnel policies and procedures as requested by executive management. The Committee shall review periodic reports from management on matters relating to the Company's personnel appointments and practices as requested.

8. **Annual Proxy Statement.** The Committee shall review and discuss with the Company's management the Compensation Discussion and Analysis (CD&A) and Pay for Performance Disclosure to be included in the Company's annual proxy statement and determine whether to recommend to the Board of Directors that the CD&A and Pay for Performance Disclosure be included in the proxy statement and to provide the Compensation Committee Report for inclusion in the Company's proxy statement that complies with the rules and regulations of the Securities and Exchange Commission.

9. **Executive Session.** The Committee shall determine which officers of the Company or other visitors to invite to the Committee's meetings. At its sole discretion, the Committee may meet in executive session at any time.

10. **Charter Review.** The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

11. **Delegation/Written Consent.** The Committee may form and delegate authority to subcommittees when it determines that such action is appropriate under the circumstances; and the Committee may take action in the absence of a meeting by unanimous written consent of all members.

12. **Additional Activities.** The Committee shall perform other activities consistent with this Charter, the Company's Bylaws and applicable law, as the Committee deems appropriate to carry out its assigned duties or as requested by the Board.