



Heritage Financial Corporation ("Heritage")

Sustainability Accounting Standards Board ("SASB") Disclosures for the Year Ending December 31, 2024

At Heritage Financial Corporation ("Heritage"), we place a high priority on operating in a responsible and respectful manner. We are committed to identifying and mitigating those Environmental, Social, and Governance ("ESG") exposures to our people and our customers and strengthening the communities and markets in which we operate our business. We have utilized the Sustainability Accounting Standards Board ("SASB") Commercial Bank framework version 2023-12 to identify specific areas of focus. We have also utilized industry guidance to identify risks and to further develop our ESG platform. Statistics and metrics in these disclosures include estimates and may be based on assumptions. Further, some of the figures in this report may be unaudited.

The table below presents the SASB Commercial Bank framework standard disclosures by topic and provides data as of December 31, 2024. The disclosures identify the sustainability issues most likely to impact the operations of Heritage and its subsidiary Heritage Bank ("Bank").

SASB Commercial Bank Standard Disclosures by Topic		
SASB Code	Accounting Metric	Response
Topic 1 - Data Security (The reader may find additional information in the December 31, 2024 Heritage Financial Corporation Form 10-K Item 1C, Cybersecurity.)		
FN-CB-230a.1	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	In 2024, Heritage had no identified data breaches. Should a material data breach occur, Heritage will disclose the event in accordance with relevant laws and regulations. In all cases, Heritage management evaluates potential process improvements required to prevent further incidents.
FN-CB-230a.2	Description of approach to identifying and addressing data security risks	Heritage maintains an Information Security Framework ("Framework"), inclusive of cybersecurity risk, in accordance with requirements of its primary regulators and based on a unified compliance framework that draws from several industry standard frameworks including NIST and ISO27001. Further information may be found in the 2024 Heritage Financial Corporation Report 10-K Item 1C, Cybersecurity.
Topic 2 – Financial Inclusion and Capacity Building		
FN-CB-240a.1 FN-CB-240a.2	Number and amount of loans outstanding, past due and non-accrual	Small Business and Community Development Lending See Table 1 for a breakout of the 4,040 loans by category, including past due and non-accrual loans as of December 31, 2024.

SASB Commercial Bank Standard Disclosures by Topic		
SASB Code	Accounting Metric	Response
	qualified to programs designed to promote small business and community development	<p>Heritage Bank, at its option, does not report "other small business loans and lines of credit."</p> <p>Lending Strategy The Bank's short and long-term strategy for expanding its portfolio of loans to support small business and community development currently entails four core areas of focus:</p> <p>1. Low Income Housing Finance The Bank is a regional leader in providing equity and construction financing for low-income housing projects for large capacity and high social impact affordable housing developments across its footprint which primarily covers the I-5 Corridor from Bellingham, WA to Eugene, OR, but also in Yakima, WA and Boise, ID. The Bank has dedicated lenders with expertise in this area of complex financing. The Bank's portfolio of Low-Income Housing Tax Credits ("LIHTC") and program of debt/equity financing deals is a leader among banks of similar asset size. The Bank continually tracks its success and recalibrates its strategy to maximize community impact and remain competitive with much larger banks.</p> <p>2. Small Business Lending The Bank is a leader in small business lending through programs offered by the Small Business Administration ("SBA"). The Bank has ranked highest in the Seattle/Spokane SBA region for 504 loan originations. Additionally, the Bank is competitive in the SBA 7a program and has ranked in the top ten of such lenders just behind exponentially larger banks such as JP Morgan Chase. In 2022, the Bank introduced a new specialized small business lending platform which provides a streamlined and cost-effective "quick decision" approval process for non-real estate secured loans up to \$500,000 and real estate loans up to \$1,000,000.</p> <p>3. Non-profit Lending and Banking The Bank has a niche group of bankers with experience in cultivating non-profit client relationships across our footprint. Many of these non-profit clients qualify as community development organizations under the Community Reinvestment Act ("CRA") definitions.</p> <p>4. Community Development Entity Finance The Bank continues to refine its strategy related to community development lending through its subsidiary community development entity HBCDE, LLC. HBCDE, LLC is certified by the Community Development Financial Institutions Fund of the United States Treasury as a Community Development Entity to provide loans,</p>

SASB Commercial Bank Standard Disclosures by Topic		
SASB Code	Accounting Metric	Response
		<p>investments and services to low-income communities. Net loans at December 31, 2024 totaled \$42.7 million and capital totaled \$93.9 million from bank contributions and retained earnings. HBCDE was created to encourage business expansion in economically stressed communities by providing an attractive loan program with better rates and terms and more flexibility than a traditional loan. The Bank's investments are intended to help revitalize economically distressed communities by creating jobs and increasing the availability of goods and services. This loan program provides payments that are about half of what a company would typically pay giving them the ability to preserve cash and focus on growing their business.</p> <p>HBCDE is managed by the Bank with oversight from an independent advisory board made up of seven community leaders located across the Bank's footprint. During 2024, HBCDE originated six loans with total commitments of \$23.3 million. In 2024, the Bank furthered the reach of the CDE into Idaho with its expansion into the state and a community stakeholder to fill a role on the advisory board.</p> <p>In 2024, HBCDE was one of five recipients selected to administer the State Small Business Credit Initiative ("SSBCI") funding from the U.S Treasury on the behalf of the Washington State Department of Commerce. HBCDE was awarded approximately \$26 million in SSBCI (Treasury) Funds to deploy as a subsidy towards a new \$280 million dollar loan program focused on commercial real estate. The program gives priority to projects in underserved communities and/or businesses with 10 employees or less to receive a subsidy to build or acquire real estate for use by their business. Lending commenced in May 2024 and by year-end had funded three loans totaling \$245,533 in U.S. Treasury program subsidies and \$2.25 million in Heritage Bank funded companion loans.</p> <p>Community Reinvestment Act Ratings The Bank received an overall rating of "Satisfactory" on its most recent CRA Performance Evaluation Report dated July 5, 2023. The ratings for the three individual tests are as follows:</p> <p>Lending Test: High Satisfactory Investment Test: High Satisfactory Services Test: Low Satisfactory</p> <p>The Bank's focused approach to CRA compliance was discussed in the 2023 Performance Evaluation in the form of the positive qualifiers such as "complex/ innovative" and "leadership position." The Bank is scheduled for its next CRA examination in 2026.</p>

SASB Commercial Bank Standard Disclosures by Topic											
SASB Code	Accounting Metric	Response									
FN-CB-240a.3	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	<p>Heritage offers two checking accounts that place a suitably low burden on low-and-moderate-income customers. The Bank's Base checking account provides a low balance option for which no fee is charged if the minimum \$100 balance is maintained. The FreshStart checking account is an affordable option designed for customers who are working to establish a clean account management history. Electronic statements are free for both options. The number and balances as of December 2024 are as follows:</p> <table border="1"> <thead> <tr> <th>Product</th><th>#</th><th>Balance (\$000s)</th></tr> </thead> <tbody> <tr> <td>Base</td><td>19,142</td><td>\$165,080</td></tr> <tr> <td>FreshStart</td><td>310</td><td>\$313</td></tr> </tbody> </table>	Product	#	Balance (\$000s)	Base	19,142	\$165,080	FreshStart	310	\$313
Product	#	Balance (\$000s)									
Base	19,142	\$165,080									
FreshStart	310	\$313									
FN-CB-240a.4	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	<p>Financial Literacy Training</p> <p>Heritage partners with community and financial literacy organizations to provide financial literacy training in low-moderate census tracts and underserved communities. In 2024, Heritage Bank employees participated in financial literacy training. The following are the organizations our employees partnered with:</p> <ul style="list-style-type: none"> • Black United Fund of Oregon Inc. • P:ear • Portland State University Foundation • United Negro College Fund, Inc. • Neighborhood House • Social Venure Partners Portland • Looking Glass Community Services • Birch Community Services • All Hands Raised <p>In accordance with CRA regulations, the Bank provides financial literacy outreach to low-and moderate-income individuals; the Bank historically has not tracked whether participants are unbanked or underbanked as that is not a CRA requirement. The Bank's CRA Compliance Program focus on low-and-moderate-income is a measurable standard that does not require that the participant reveals their banking status. CRA permits factors such as the use of geocoding of the organizations or the location of the financial literacy training to help in determining low-and-moderate-income status for CRA credit.</p>									

SASB Commercial Bank Standard Disclosures by Topic		
SASB Code	Accounting Metric	Response
Topic 3 – Incorporation of ESG Factors in Credit Analysis		
FN-CB-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	<p>Portfolio Risks</p> <p>As of December 31, 2024, the Bank's Loans Receivable were comprised of 17.5% C&I, 60.8% commercial real estate ("CRE"), including owner (20.9%) and non-owner occupied (39.9%), and 8.2% commercial construction and development. CRE loans are required to have insurance for common hazards, including flood where required by law.</p> <p>As of December 31, 2024, Heritage reported a Commercial and Industrial ("C&I") loan exposure totaling \$1,031.2 million. See <i>Table 2 – Commercial and industrial credit exposure by industry</i> for the total C&I exposure further broken down by North American Industry Classification System ("NAICS") three-digit subsector code to show all industry exposures that represent greater than 2% of the total C&I exposure. As the table shows, the Bank's exposure to any one industry is low and actively managed through its concentration management program.</p> <p>Identification and Mitigation of Hazards</p> <p>Absent negative news regarding social or governance factors of a specific borrower or applicant, the Bank's primary focus is on environmental factors that could represent a credit risk, mostly within the CRE portfolios. In general, Heritage does not knowingly extend credit secured by real estate contaminated by hazardous substances unless the risk of doing so can be reduced to acceptable levels. The Bank has established lending practices which management has determined are appropriate to the current ESG exposure.</p> <p>Additionally, the Bank's allowance for credit losses model takes into consideration the direction of the general macroeconomic and business environment and its likely impact on historical loss rates over a reasonable and supportable time frame. If warranted, individual loans are separately assessed, and a reserve assigned based on the collectability of the loan as well as any known environmental factors.</p>
Topic 4 – Financed Emissions		
FN-CB-410b.1	Absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2 and (3) Scope 3	Heritage is tracking climate related disclosures requirements closely and will provide these disclosures if and when required.

SASB Commercial Bank Standard Disclosures by Topic		
SASB Code	Accounting Metric	Response
FN-CB-410b.2	FN-CB-410b.2. Gross exposure for each industry by asset class	
FN-CB-410b.3	FN-CB-410b.3. Percentage of gross exposure included in the financed emissions calculation	
FN-CB-410b.4	FN-CB-410b.4. Description of the methodology used to calculate financed emissions	
Topic 5 – Business Ethics		
FN-CB-510a.1	Monetary losses resulting from legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	Heritage incurred no monetary losses resulting from legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations in the 2024 reporting period.
FN-CB-510a.2	Description of whistleblower policies and procedures	<p>The Heritage Chief Risk Officer independently administers a comprehensive whistleblower policy in accordance with all relevant regulations. An independent third-party whistleblower vendor receives all matters and assigns them to the appropriate party for review and resolution, including the chairpersons of the Board of Director’s Audit and Finance and Risk and Technology committees.</p> <p>Access to the third-party system is through both telephone and internet. The phone number and link are contained in the Company’s Code of Conduct and are prominently displayed on the home page of the Company’s intranet system for easy employee access. Informational posters are also prominently displayed in each branch and facility. Each year the Chief Executive Officer circulates an email to all employees reminding them of the policy and how to submit matters.</p> <p>Heritage takes all complaints seriously, whether registered through its own mechanism or through a government agency, including the U.S. Department of Labor or Securities and Exchange Commission. Heritage has a strict no retaliation</p>

SASB Commercial Bank Standard Disclosures by Topic														
SASB Code	Accounting Metric	Response												
		<p>policy to ensure employees are treated respectfully and fairly in all situations.</p> <p>Heritage is unaware of any violations of whistleblower regulations or required corrective actions.</p>												
Topic 6 – Systemic Risk Management														
FN-CB-550a.1 FN-CB-550a.2	Global Systemically Important Bank (G-SIB) score, by category and 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	This section is not applicable as Heritage does not meet the criteria as a G-SIB.												
Additional Activity Metrics														
FN-CB-000.A	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	<p><i>Number and value of checking and savings accounts by segment: personal and small business as of December 31, 2024:</i></p> <table> <tr> <th></th><th>Number</th><th>Value (\$000s)</th></tr> <tr> <td>Personal</td><td>71,611</td><td>\$1,456,110</td></tr> <tr> <td>Small Business</td><td>13,559</td><td>\$1,376,954</td></tr> </table>		Number	Value (\$000s)	Personal	71,611	\$1,456,110	Small Business	13,559	\$1,376,954			
	Number	Value (\$000s)												
Personal	71,611	\$1,456,110												
Small Business	13,559	\$1,376,954												
FN-CB-000.B	(1) Number and (2) value of loans by segment: (a) personal and (b) small business, and (c) corporate	<p><i>Number and value of loans by segment: personal, small business and corporate as of December 31, 2024:</i></p> <table> <tr> <th></th><th>Number</th><th>Value (\$000s)</th></tr> <tr> <td>Personal</td><td>7,506</td><td>\$563,388</td></tr> <tr> <td>Small Business</td><td>3,811</td><td>\$792,906</td></tr> <tr> <td>Corporate</td><td>1,287</td><td>\$3,442,931</td></tr> </table>		Number	Value (\$000s)	Personal	7,506	\$563,388	Small Business	3,811	\$792,906	Corporate	1,287	\$3,442,931
	Number	Value (\$000s)												
Personal	7,506	\$563,388												
Small Business	3,811	\$792,906												
Corporate	1,287	\$3,442,931												

Table 1 - Number and amount of loans outstanding, past due and non-accrual qualified to programs designed to promote small business and community development as of December 31, 2024

Loan Category	Total Nbr	Total Dollars Outstanding (\$000s)	Total Nbr of Past Due Loans ⁽¹⁾	Total Dollars Past Due (\$000s)	Total Nbr of Non-Accrual Loans	Total Dollars Non-Accrual Loans (\$000s)
Small Business	3,657	\$764,222	3	\$236	25	\$886
Small Farm	154	\$28,684	1	\$259	5	\$389
Community Development	158	\$455,984	--	--	--	--
Consortium ⁽²⁾	71	\$22,747	--	--	--	--

¹ Consortium loans are defined as loan pools originated through partnerships with community groups.

Table 2 - Commercial and industrial credit exposure by industry representing greater than 2% of the total C&I exposure as of December 31, 2024

NAICS Code	NAICS Code Title	Exposure Balance (\$000s)	% of C&I Portfolio
238	Specialty Trade Contractors	\$119,554	11.59%
541	Professional, Scientific, and Technical Services	\$118,460	11.49%
621	Ambulatory Health Care Services	\$113,040	10.96%
423	Merchant Wholesalers, Durable Goods	\$90,266	8.75%
531	Real Estate	\$53,394	5.18%
561	Administrative Support Services	\$40,490	3.93%
321	Wood Product Manufacturing	\$35,311	3.42%
484	Truck Transportation	\$32,262	3.13%
532	Rental and Leasing Services	\$29,348	2.85%
237	Heavy and Civil Engineering Construction	\$29,003	2.81%
424	Merchant Wholesalers, Nondurable Goods	\$28,414	2.76%
481	Air Transportation	\$25,028	2.43%
332	Fabricated Metal Product Manufacturing	\$22,623	2.19%
236	Construction of Buildings	\$22,187	2.15%
722	Food Services and Drinking Places	\$20,864	2.02%
	All Others Below 2%	\$250,947	24.34%
	Total C&I Exposure	\$1,031,191	100.00%