



## **CORPORATE GOVERNANCE GUIDELINES**

### **PURPOSE**

The following Corporate Governance Guidelines (“Guidelines”) have been adopted by the Heartland Financial USA, Inc. Board of Directors (“Board”, “Directors”, or “Board of Directors”) to assist the Board in exercising its responsibilities. These Guidelines assure that the Board will have the necessary authority and policies in place to review and evaluate the Company’s business operations as needed and to make decisions that are independent of the Company’s management. These Guidelines are also intended to align the interests of Directors with those of the Company’s shareholders. Together with the Company’s Articles of Incorporation, Bylaws, Code of Conduct, and Committee Charters, they provide the framework for the Company’s governance. These Guidelines shall be available to the public on the Company’s website.

### **BOARD OF DIRECTORS**

**Role of Directors:** The primary responsibility of the Board is to oversee the overall business and affairs of the Company for the benefit of the shareholders. In all actions taken by the Board, Directors should exercise their business judgment and act in good faith and in a manner they reasonably believe is in the best interest of the Company and its shareholders. Directors may rely on the direction of the Executive Officers of the Company, the Company’s subsidiaries, auditors and outside advisors in exercising business judgment.

**Board Meetings:** Directors are expected to attend Board meetings and meetings of committees and subcommittees on which they serve, and to spend the time needed and meet as frequently as necessary to carry out their responsibilities. The Board meets quarterly during the months of January, April, July, and October. Special meetings are called as needed. Directors are expected to attend the Annual Shareholders’ Meeting in May and attend at least 75% of the meetings of the Board or of a Committee on which they serve.

The Chairman of the Board, taking into account suggestions from other Directors and Executive Officers of the Company, will set the Agenda for each Board meeting. Materials for the Board meetings will be distributed to Directors in advance so they will have adequate time to review such information.

The independent members of the Board of Directors will hold at least 2 executive sessions without management present each year. In addition, an independent director may request executive sessions of the Board be scheduled as needed.

**Board Committees:** The Board of Directors currently has the following standing committees: Audit and Corporate Governance Committee and Compensation and Nominating Committee. These committees consist of independent directors under the criteria established by Nasdaq. Each Committee shall have its own written charter which shall comply with Nasdaq. Committee charters can be found on the

[www.htlf.com](http://www.htlf.com) website under “Corporate Governance.” The Committees carry out the responsibilities specified in the charter as well as other responsibilities that may be assigned by the Board of Directors.

**Director Orientation and Education:** The Company shall provide an orientation program for new Directors and encourage Directors to participate in continuing education programs in order to maintain the necessary level of expertise to perform their responsibilities as Directors. Director training will also take place during quarterly meetings.

**Director Compensation:** Directors who are employees of the Company or a subsidiary of the Company shall not receive separate compensation for their service as a Director. Nonemployee Directors shall be compensated with an annual retainer in the form of Heartland stock issued under the Company’s 2012 Long Term Incentive Plan. This will allow the Directors to have a greater stake in the Company’s success and more closely align their interests with the shareholders. Nonemployee Directors shall also receive compensation for service on the Company’s standing committees. The Compensation and Nominating Committee shall conduct periodic reviews of Director compensation and make recommendations to the Board regarding changes, if any.

#### **DIRECTOR SELECTION AND QUALIFICATIONS**

**Director Independence:** A majority of the Board of Directors must satisfy the independence requirements established by Nasdaq and any other applicable laws, rules and regulations regarding independence. In addition, the Board is also responsible to affirmatively determine that each independent Director has no other material relationship with the Company or its affiliates or any executive officer to the Company of his or her affiliates. A relationship will be considered “material” if the Board determines it might interfere with the Director’s independent judgment. All Directors serving on the Audit and Corporate Governance Committee and Compensation and Nominating Committee shall meet the criteria for independence.

**Qualifications of Directors:** The Directors are elected by the shareholders of the Company. The Compensation and Nominating Committee shall be responsible for nominating individuals to serve as Directors, subject to the Board’s approval, in accordance with Bylaws and qualification standards set forth in the Guidelines. The Board seeks a diverse group of candidates who possess the background, skills and expertise to make significant contributions to the Board. The Compensation and Nominating Committee believes that at a minimum, potential Directors should have the following attributes:

- highest personal and professional ethics, integrity and values;
- a sufficient educational and professional background that enables them to understand Heartland’s business;
- exemplary management and communication skills;
- demonstrated leadership skills;
- sound judgment in his or her professional and personal life;
- a strong sense of service to the communities which we serve; and
- ability to meet the standards and duties set forth in the Company’s Code of Conduct.

The Directors should also have personal and/or business relationships with Heartland or its subsidiary banks and share the Company's philosophy, including the same sense of mission, vision and values. Additionally, the Board would prefer Directors to have experience with publicly held companies, growth businesses or sales.

**Classification of Board:** The Board of Directors is divided into three classes of directors having staggered terms of three years. Each year one class of directors will stand for re-election. Classification of the Board provides stability and continuity because not all Board members are subject to re-election each year. This results in, at any given time, directors having experience and familiarity with the Company.

**Number of Directors:** The number of Directors shall be no less than three (3) and no more than nine (9) as fixed from time-to-time and in accordance with the Bylaws and Articles of Incorporation.

**Term Limits and Age Limits:** The Board does not believe it should limit the number of terms for which an individual may serve as a Director. Directors who have served on the Board for an extended period of time are able to provide insight into the operations of the Company based on their experience with and understanding of the Company's history, policies and objectives. As an alternative to term limits, the Board evaluates all Directors on an annual basis to evaluate contributions by Directors. No Director may be nominated to a new term if he or she would be age 70 or older at the time of election.

**Service on Other Boards:** The Board of Directors has not adopted any policy limiting the service of Directors on Boards or Committees of other for-profit or non-profit entities; however, before accepting an additional board position, a director should consider whether accepting such position will compromise the ability to focus on current responsibilities. The Compensation and Nominating Committee will consider the nature and the time commitment of a Director's service on other Board or committees when making recommendations regarding Director candidates. Directors should provide notice to the Chairman of the Compensation and Nominating Committee of any service or proposed service on the Board of Directors of a public or private company.

**Change in Principal Occupation:** Non-management Directors who have a change in their principal occupation should notify the Chair of the Compensation and Nominating Committee of such change. The Committee will consider this fact when evaluating the composition of the Board and making its recommendations regarding Director candidates.

#### **STOCK OWNERSHIP AND HEDGING POLICY**

**Stock Ownership:** Effective March 2012, the Board approved the addition of the Heartland stock ownership standard for its Directors. Directors are expected to continue to increase their Heartland ownership through acquiring common stock or restricted stock units (RSUs) until total ownership reaches between 30,000 and 100,000 shares, depending on their tenure with the Company.

**Hedging Policy:** Hedging or monetization transactions can be accomplished through a number of possible mechanism, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds. Such hedging transactions may permit a Director or Executive Officer

to continue to own securities of the Company, but without the full risks and rewards of ownership. When this situation occurs, the Director or Executive Officer may no longer have the same objectives as the Company's other shareholders. Therefore, Directors and Executive Officers are prohibited by this Policy from engaging in any such hedging transaction.

### **BOARD LEADERSHIP**

**Chairman of the Board:** Heartland has no fixed policy with respect to the separation of the offices of Chairman of the Board and the Chief Executive Officer. Heartland believes it is in the best interest of the Company and its shareholders to make this determination from time-to-time based on current circumstances.

**Lead Director:** Heartland does not designate a Lead Director.

**CEO Performance:** The Compensation and Nominating Committee will conduct an annual review of the Company's CEO. The Board of Directors shall review the Compensation and Nominating Committee's report in order to ensure that the CEO is providing the best leadership for the Company in the short and long term.

**Board Self-Assessment:** The Board will conduct an annual self-evaluation to determine whether the Board and its committees are functioning in an effective manner. The Compensation and Nominating Committee will receive comments from all directors and report to the Board with an assessment of the Board's performance. The Board will discuss the assessment at a Board meeting following the end of the year.

### **COMMUNICATION- BOARD AND PUBLIC ACCESS**

**Director Access to Senior Management:** Directors shall have full and free access to senior management and other employees of the Company so that Directors can ask questions and obtain information necessary to fulfill the responsibilities to the Company. Any meetings or contacts that a Director wishes to initiate may be arranged through the CEO or directly by the Director. The Board of Directors may invite members of management who are not Directors to attend portions of Board and Committee meetings.

**Shareholder Communication with the Board:** To contact any Board members or Committee chairs, please mail correspondence to:

Heartland Financial USA, Inc.

Attention: Michael Coyle, EVP, Senior General Counsel and Corporate Secretary

1398 Central Avenue

Dubuque, IA 52001

**Board Interaction with Institutional Investors:** The Board of Directors believes management generally should speak for the Company. It is suggested that each Director shall refer all inquiries from institutional investors and analysts to the Chief Financial Officer or his designee.

## **REVIEW OF GUIDELINES**

The Audit and Corporate Governance Committee will review and suggest changes to these policies to the Board of Directors as it deems appropriate. In addition to these Guidelines, the Board of Directors or any of its Committees may establish other guidelines, policies and procedures relating to their respective functions or the Company's operations. Such other guidelines, policies and procedures will be maintained by the Secretary of the Company.

*Approved October 15, 2013*

*Revised March 11, 2014*

*Reviewed October 20, 2015 MJC*

*Revised October 18, 2016 AWK*

*Revised October 17, 2017 AWK*