



## Corporate Governance Guidelines

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## **Hercules Capital, Inc.**

### **Corporate Governance Guidelines**

#### **A. Board of Directors' Responsibilities**

The Board of Directors (the "Board") of Hercules Capital, Inc. (the "Company") recognizes that its primary responsibility is to foster the long-term success of the Company and to build long-term value for the Company's shareholders, consistent with the Board's fiduciary duties.

##### **1. CEO Selection and Evaluation**

The Board and the Compensation Committee, has the responsibility to select and evaluate the performance of the Chief Executive Officer (the "CEO").

##### **2. Approve and Monitor Strategic and Annual Operating Plans and Budgets**

The Board is responsible for approving and monitoring the Company's strategic plans and execution. The Board also is responsible for approving the Company's annual operating plans.

##### **3. Selection of Independent Auditor**

The Board has the responsibility to approve the appointment of and compensation of the Company's independent accounting firm that audits the Company's financial statements as recommended by the Audit Committee.

##### **4. Review and Approval of Significant Company Actions and Certain Other Matters**

The Board is responsible to review and approve significant actions by the Company, including declaration of dividends and major transactions.

##### **5. Nominating Directors and Committee Members and Approving Effective Corporate Governance**

The Board and the Nominating and Corporate Governance Committee (the "Governance Committee") are responsible for (i) nominating and evaluating directors and members of Board committees, (ii) overseeing the structure and practices of the Board and the committees and (iii) approving and monitoring other corporate governance matters, as more fully set forth in these guidelines and the charter of the Governance Committee.

##### **6. Attendance**

Board members are expected to devote sufficient time and attention to prepare for, attend and participate in Board meetings and meetings of committees on which they serve, including advance review of meeting materials that may be circulated prior to each meeting.

7. **Risk Oversight**

The Board should understand the principal risks associated with the Company's business on an ongoing basis and it is the responsibility of management to assure that the Board and its committees are kept well informed of these changing risks on a timely basis. It is important that the Board oversee the key risk decisions of management, which includes comprehending the appropriate balance between risks and rewards. The Board reserves oversight of the major risks facing the Company and has delegated risk oversight responsibility to the appropriate committees. The Board's Audit Committee has oversight responsibility not only for financial reporting with respect to the Company's major financial exposures and the steps management has taken to monitor and control such exposures, but also for the effectiveness of management's enterprise risk management process that monitors and manages key business risks facing the Company. In addition to the Audit Committee, the other committees of the Board consider the risks within their areas of responsibility. For example, the Compensation Committee considers the risks that may be implicated by our executive compensation program.

B. **Composition of the Board**

1. **Size of the Board**

Consistent with the Company's bylaws and the requirements of the Investment Company Act of 1940, as amended (the "1940 Act") the size of the Board shall not be less than three or more than 12.

2. **Board Membership Criteria**

The Governance Committee is responsible for recommending criteria for Board membership to supplement the more general criteria set forth in its charter and in these guidelines regarding such matters as integrity, independence and diligence. The Governance Committee is responsible for evaluating directors and director candidates. Additionally, each director or director candidate should have the capacity and desire to represent the balanced, best interests of the shareholders as a whole and not a special interest group or constituency.

3. **Majority of Independent Directors**

The Board believes that as a matter of policy, Independent Directors (as defined below) should comprise a majority of the Company's Board. This will not, however, prevent the Board from taking valid actions if, due to a temporary vacancy or vacancies on the Board, there are fewer than the intended proportion of Independent Directors. Any such vacancies should be filled as soon as reasonably practicable.

A Board member shall be considered independent (an "Independent Director") as determined by the Board in accordance with the rules and standards established by the New York Stock Exchange ("NYSE") from time to time. Consistent with Section 303A of the NYSE's Listed Company Manual, the Company defines an Independent Director as any person who is not an "interested person" of the Company, as that term is defined in Section 2(a)(19) of the 1940 Act.

4. **Selection of Directors**

The Governance Committee shall identify and evaluate proposed candidates for addition to the Board and recommend director nominees for election by the Company's shareholders to the Board or appointment by the Board, as the case may be, which recommendations shall be consistent with the Board's criteria for selecting directors and these guidelines. The full Board shall consider the recommendations of the Governance Committee and shall annually nominate candidates for election by the Company's shareholders.

The Board, with the assistance of the Audit Committee, shall be responsible for determining the qualification of one or more individuals to serve on the Audit Committee as a designated "audit committee financial expert."

The invitation to join the Board should be extended by the Chairman of the Board (the "Chairman") and the Chairman of the Governance Committee.

5. **Outside Directorships**

The members of the Board acknowledge that significant time is required to be a fully participating and effective member of the Board. Therefore, each director should not be a member of more than three boards of public companies, including the Company, unless otherwise approved by the Board. In addition, if necessary in order to maintain compliance with this limitation on outside directorships, a member of the Board who serves on the board of a private company that subsequently becomes public should, unless otherwise agreed to by the Governance Committee, transition off of the board of one of the other companies within two years from the date of such other company's initial public offering. Private company board membership by a director will be considered at the time of a director's nomination to the Board. If a director is seeking to join the board of a private company during his or her term on the Board, membership on the private company board should be discussed with and approved by the Board.

6. **Age Limits**

Outside directors will cease to hold the office of director at the conclusion of the term during which they attain the age of seventy-five (75).

7. **Company Stock Ownership by Directors**

Since an ownership stake leads to a stronger alignment of interests between directors and shareholders, each director is required to beneficially own at least two times the director's annual retainer fee in Company stock, based on market value, within four years of joining the Board. The Board may make exceptions to this requirement based on particular circumstances.

C. **Board Leadership**

1. **Selection of Chairman and Chief Executive Officer**

The Board is responsible for electing a Chairman and appointing a CEO. The Board is also responsible for overseeing plans of management succession that include, among

other things, an assessment of the experience, performance and skills of possible successors to the Chairman and CEO and policies regarding succession in the event of an emergency or the retirement of the CEO. The role of the Chairman and the CEO may be combined at the Board's discretion.

2. **Lead Independent Director**

The Independent Directors shall appoint a Lead Independent Director who shall preside at separate meetings of the "Non-Management Directors" held pursuant to Section G.3 of these guidelines. The Lead Independent Director shall be identified as such in the Company's annual proxy statement.

D. **Board Compensation and Performance**

1. **Board Compensation Review**

It is appropriate that once a year the Compensation Committee review the form and amount of the Company's Board compensation.

As part of a director's total compensation and to create a link to corporate performance, the Board believes that a portion of a director's compensation should be provided from the Company's common stock. Any grants of restricted stock awards or option awards must be made pursuant to the terms of the Company's exemptive relief from the Securities and Exchange Commission (the "SEC") and pursuant to the limitations imposed by the 1940 Act.

Changes in Board compensation, if any, should come at the recommendation of the Compensation Committee, with full discussion and approval by the Board.

2. **Assessing the Performance of the Board**

Annually, the Board will conduct an assessment of its performance in order to increase the effectiveness of the Board as a whole. This assessment should review areas in which the Board believes a better contribution could be made and should include consideration of individuals' contributions to the Board.

E. **Management's Responsibilities**

Management is responsible for operating the Company in an effective, ethical and legal manner designed to produce increased shareholder value. Management is responsible for understanding the Company's income-producing activities. Management is responsible for enforcing provisions of the Company's policies and standards, and is also responsible for avoiding conflicts of interest with the Company and its shareholders.

1. **Financial Statements and Disclosures**

Management is responsible for producing, with the review of the Board and the Audit Committee, financial statements that fairly present the Company's financial condition, results of operations, cash flows and related risks in a clear and understandable way.

2. **Strategic Planning**

The CEO and senior management are responsible for developing and presenting to the Board the Company's strategic plans and for implementing those plans as approved by the Board.

3. **Annual Operating Plans and Budgets**

The CEO and senior management are responsible for developing and presenting to the Board the Company's annual operating plans and annual budgets and for implementing those plans and budgets as approved by the Board.

4. **Effective Management and Organizational Structure**

The CEO and senior management are responsible for selecting qualified members of management and for implementing and working within an effective organizational structure appropriate for the Company's circumstances.

5. **Setting a Strong Ethical "Tone at the Top"**

The CEO and senior management are responsible for setting a "tone at the top" of integrity, ethics and compliance with applicable legal requirements and with the Company's policies and standards.

At the direction of the Governance Committee, the Company will maintain, and management will oversee and ensure compliance with, a code of business conduct and ethics. In connection with its role in overseeing and ensuring compliance with the code of business conduct and ethics, the Chief Compliance Officer will complete and submit to the Board an annual written statement representing that all employees have signed the code of business conduct and ethics and are in compliance with the code of business conduct and ethics. Such code may be modified and replaced from time to time with the approval of the Board.

6. **Internal Controls and Procedures**

Senior management is responsible for developing, implementing and monitoring an effective system of internal controls and procedures to provide reasonable assurance that the Company's transactions are properly authorized; the Company's assets are safeguarded against unauthorized or improper use; and the Company's transactions are properly recorded and reported. Such internal controls and procedures shall be designed in such a manner as to permit preparation of financial statements for the Company in conformity with generally accepted accounting principles or any other criteria applicable to such statements.

7. **Disclosure Controls and Procedures**

Senior management is also responsible for establishing, maintaining and evaluating the Company's "disclosure controls and procedures" as such term is defined in under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Company is committed to a policy of fair, accurate, timely, and clear disclosure to shareholders and to the public of material information regarding its business as required by Regulation FD promulgated under the Exchange Act. These guidelines extend to the Company's filings with the SEC and to our other public communications.

8. **Outside Directorships**

A Company employee should not be a member of the board of (i) a public company unless approved by the CEO and the Board, or (ii) a portfolio company of the Company (whether public or private), a private company or a not for profit organization unless approved by the CEO. In addition, the CEO should not be a member of the board of a public company that is not a portfolio company of the Company or otherwise affiliated with the Company without the prior approval of the Board.

9. **Ownership by Management**

Since an ownership stake leads to a stronger alignment of interests between members of senior management and shareholders, each member of senior management is required to beneficially own at least two times the individual's annual salary in company stock, based on market value, within three years of joining the Company. The Board may make exceptions to this requirement based on particular circumstances.

F. **Board Relationship to Senior Management**

1. **Board Access to Senior Management and Attendance by Management**

The Board (meeting as a whole, as well as the Non-Management Directors meeting separately) and each Board member will have complete access to the Company's management. Directors provide direction to members of management only as part of Board or committee responsibility and accountability.

Members of management may attend meetings of the Board at the invitation of the Chairman.

G. **Meeting Procedures**

1. **Selection of Agenda Items for Board Meetings**

Each Board member may include item(s) on the agenda or raise issues for discussion at any Board meeting. The Chairman and the CEO (if the Chairman is not the CEO) and the Lead Independent Director will establish the agenda for each Board meeting.

2. **Board Materials Distributed in Advance**

Management shall be responsible for ensuring that information important to the Board's understanding of the Company's business is distributed to the Board sufficiently in advance of each Board meeting. Management will provide information to permit the Board to be appropriately informed of material matters to be considered at each Board meeting or other Board action. On those occasions in which the subject matter is too sensitive to distribute in written form, there will be an opportunity for full discussion of the matter at the meeting.



It is recognized that circumstances will arise when it is not feasible to provide information relating to certain agenda items in advance (or at least not very much in advance) of a Board meeting or an action to be taken by written consent. In such event, reasonable steps shall be taken (which may include: (i) extending the length of the Board meeting to allow more discussion, (ii) adjourning the meeting for a brief period to allow directors time to review such information, (iii) deferring a vote until a follow-up telephonic meeting, or (iv) other measures as appropriate) to permit the directors to become reasonably informed as to the matter before voting on it.

3. **Separate “Executive Session” Meetings of Independent Directors**

The Independent Directors (as defined in Section B.3 herein) shall meet separately from the other directors in regularly scheduled executive sessions, without the presence of management directors or executive officers of the Company (except to the extent the Independent Directors request the attendance of any management director or executive officer). Such executive sessions shall be held at the close of each regularly scheduled meeting of the Board unless deemed unnecessary by the Lead Independent Director.

H. **Committee Matters**

1. **Number and Structure of Committees**

The Board shall have an Audit Committee, a Compensation Committee, and a Governance Committee, which shall have the respective responsibilities described in each respective committee’s charter, which shall be approved by the Board, and shall consist solely of Independent Directors. In addition, the Board shall from time to time, if appropriate, establish additional committees.

2. **Assignment of Committee Members and Committee Chairs**

The Governance Committee is responsible, after consultation with the CEO and with consideration of the desires of individual Board members, to make recommendations for the nomination of Board members to various committees. The Board is responsible for appointing committee members.

The Governance Committee will annually review committee assignments and will rotate the committee chairs of the Governance Committee and the Compensation Committee at least every three years and the Audit Committee at least every five years with a view toward balancing the benefits derived from continuity against the benefits derived from the diversity of experience and viewpoints of the various directors. The committee chair term limits shall apply to all those directors elected to the Board following the Company’s 2014 annual meeting of shareholders.

3. **Frequency and Length of Committee Meetings**

Subject to the requirements in the applicable committee charter regarding the frequency of committee meetings, each committee chairman, in consultation with committee members, will determine the frequency and length of the meetings of the committee.

4. **Committee Agenda and Background Materials**

The Chairman of each Board committee, in consultation with the CEO and appropriate members of management, will develop the committee's agenda. Management will be responsible for assuring that information important to the committee's understanding of the matters within the committee's authority are distributed to each member of such committee sufficiently in advance of each such meeting.

I. **Miscellaneous**

1. **Resources**

The Board (and Board committees to the extent so provided in the applicable committee charters or otherwise authorized by the Board) may use reasonable amounts of time of the Company's internal and independent accountants, internal and outside lawyers and other internal staff and also shall have the authority to hire independent accounting experts, lawyers and other consultants to assist and advise the Board (and any of its committees that are authorized to seek such advice and assistance) in connection with its responsibilities.

2. **New Directors and Continuing Education**

Each new director shall be given a thorough orientation with respect to his or her duties as a director, including: (i) background material with respect to the Company, its business and issues of particular significance to the Company and meetings with the senior management; (ii) copies of these guidelines or other appropriate materials; and (iii) meetings with the Company's general counsel and Governance Committee, as appropriate. Each new director and each new member of any Board committee also shall cooperate in fulfilling any guidelines that may be recommended generally or on an ad hoc basis by the Governance Committee to help assure that such director has the necessary skills to perform his/her responsibilities as a director and/or new member of any Board committee.

Each director is also encouraged to participate in continuing director education programs.

3. **Disclosure of these Guidelines**

These guidelines will be posted on the Company's website and also will be available in print to any shareholder requesting it. Such availability on the Company's website and in print will be noted in the Company's annual report to shareholders.

*Amended and restated on October 12, 2016 and November 14, 2018*