

## **CORPORATE GOVERNANCE AND DIRECTOR STANDARDS**

The business of Chemical Financial Corporation (the “Company”) is managed under the direction of its Board of Directors. The Board of Directors delegates the conduct of business to the Company’s officers, managers and employees under the direction of the Chief Executive Officer. The corporate governance guidelines established by the Board of Directors provide the framework for the governance of the Company and are reviewed annually.

### Director Qualifications

The Corporate Governance and Nominating Committee (the “Governance Committee”) identifies or evaluates and recommends candidates for Board election or appointment to the Board. The Board has approved the following minimum qualifications for first-time nominees for director: (i) a demonstrated breadth and depth of management and/or leadership experience, preferably in a senior leadership role (e.g. chief executive officer, managing partner, president); (ii) financial literacy or other professional or business experience relevant to an understanding of the Company and its business; and (iii) a demonstrated ability to think and act independently as well as the ability to work constructively in a collegial environment. In identifying candidates, or evaluating individuals recommended by shareholders, the Governance Committee shall determine, in its sole discretion, whether an individual meets the minimum qualifications approved by the Board and will consider the current composition of the Board in light of the diverse communities and geographies served by the Company and the interplay of the candidate’s experience with the experience of the other Board members, as well as such other factors as the Governance Committee deems appropriate. The Governance Committee will periodically review and update its director assessment factors based upon relative priorities at the time of review. The invitation to join the Board is extended by the Chair of the Governance Committee and the Chair of the Board, acting together, after discussion with and approval by the Governance Committee and the full Board of Directors.

### Director Terms

Under the Bylaws of the Company, members of the Board of Directors are elected for one year terms annually; the Bylaws do not provide for a limit on the number of one year terms that may be served. The Board nevertheless believes it is beneficial to have periodic changes in the Board’s membership. For this reason, beginning with the annual meeting in 2013 and prospectively, it is the policy of the Board to limit service of members of the Board of Directors to a maximum of twelve years. By way of clarity, all members of the Board of Directors may serve on the Board of Directors for up to an additional twelve years, from and after the 2013 annual meeting, regardless of the number of years served prior to 2013 (but subject to the Director Retirement Policy). The twelve year service limitation may be modified in the discretion of the Board in individual cases, if the particular expertise of a director and the needs of the Company make it desirable to grant such an extension.

## Director Retirement Policy

Directors shall establish a retirement schedule for board members calling for mandatory retirement effective the date of the next Annual Meeting of the Company (3rd Monday of April each year) following the 72nd birthday of a director. A director must submit a resignation in the event of any significant change in personal or professional circumstances that should reasonably cause a reexamination of the director's continued membership on the board, including a change in principal job responsibilities, a permanent residence relocation to a community different than that at the time of election, or other significant situation that could bring negative attention that could hurt the image or reputation of the company. In addition, a director must submit a resignation if the director has retired from his or her principal employment regardless of when the retirement occurs. These resignations should be submitted annually to the Governance Committee and a final decision made by a majority vote of the full board. The Governance Committee may recommend and the Board may approve nomination of a director following the director's retirement or other significant change in personal or professional circumstances if the director continues to be involved in activities, positions or relationships that are compatible with continued service on the Board.

## Director Independence

The Board will maintain at least a majority of its members who meet the criteria for independence required by the Securities and Exchange Commission ("SEC") and The NASDAQ Stock Market ("NASDAQ") and these guidelines. The Board, with the assistance of the Governance Committee, will make independence determinations on an annual basis at the time the Board approves director nominees for inclusion in the proxy statement and, if a director joins the Board between annual meetings, at such time based on the applicable SEC and NASDAQ requirements and an evaluation of all of the relevant facts and circumstances.

## Ethics

Members of the Board shall act at all times in accordance with the requirements of the Company's Code of Ethics. The Company's Code of Ethics appears at the Company's website, [www.chemicalbankmi.com](http://www.chemicalbankmi.com). All directors will recuse themselves from any discussion or decision affecting their business or personal interests.

## Stock Ownership

In January 2008, the Board revised the Company's stock ownership guidelines. Directors are required to retain ownership pursuant to the Company's Stock Ownership Guidelines - Directors. Officers are required to retain ownership pursuant to the Stock Ownership Guidelines - Executives.

## Anti-Hedging Policy

Our anti-hedging policy aligns the interest of our directors and officers with our shareholders. The policy prohibits our directors and officers from engaging in any transaction which could hedge or offset decreases in the market value of our common stock, including short-selling, put or call options, forward sale or purchase contracts, equity swaps, and exchange funds.

## Director Orientation and Continuing Education

When a new director joins the Board, the management of the Company will provide an orientation program for the director to become familiar with the Corporation's vision, strategic direction, core values including ethics, financial matters, corporate governance practices and other key policies and practices through a review of background material, meetings with senior management and visits to Company facilities. The Chief Executive Officer in conjunction with senior management is responsible for new-director orientation programs.

Directors are encouraged to participate in continuing director education programs. Continuing education programs for Board members may include a mix of in-house and third-party presentations and programs and outside educational opportunities. Such participation is an appropriate expense to be reimbursed by the Company.

## Board Compensation

It is the general policy of the Board that its members should receive a mix of cash and equity-based compensation. The compensation of directors will be periodically reviewed by the Compensation and Pension Committee (The "Compensation Committee"), which shall make recommendations to the full Board. The senior management of the Company, working with the Compensation Committee's independent outside compensation consultants will report from time to time to the Compensation Committee on the status of board compensation in relation to other companies and with regard to trends and developments in director compensation. Directors will be reimbursed for ordinary travel expenses incurred in connection with their duties as directors.

## Assessing the Board's Performance

The Governance Committee is responsible for coordinating the annual evaluation of the Board's performance. The Governance Committee will receive comments from all directors relative to the Board's performance and such comments will be discussed with the full Board. The purpose of the evaluation is to increase the effectiveness of the Board as a whole and not to focus on the performance of individual Board members. The Governance Committee will also utilize the results of this evaluation process when determining the characteristics and assessing critical skills required of prospective candidates for election or appointment to the Board and making recommendations to the Board with respect to assignments of Board members to the various committees.

## Lead Independent Director or Non-Executive Chairman

The Board will appoint an independent director designated as the Lead Independent Director or a Non-Executive Chairman, who among other duties, shall be responsible for chairing executive sessions of the Board and consulting with the CEO on Board agendas and other Board-related topics. The Board may annually review the Lead Independent Director or Non-Executive Chairman's formally established duties and responsibilities, which are attached to these guidelines as Appendix A. The Lead Independent Director or Non-Executive Chairman shall be elected annually with an expected tenure to be a minimum 2-year term and a maximum of 4 years. At a minimum, the Lead Independent Director or Non-Executive Chairman will be a member of the Governance Committee.

## Strategic Review

The Board will review the Company's long-term strategic plan at least once during the calendar year. During this meeting, there will be sufficient time devoted to director discussion of the subject matter.

### Access to Outside Advisors

The Board and its committees shall have the right at any time to retain independent outside advisors, and the Company shall provide appropriate funding to compensate such independent outside advisors, as well as to cover the ordinary administrative expenses incurred by the Board and its committees in carrying out their duties.

### CEO Performance Review

The Lead Independent Director or Non-Executive Chairman will coordinate and perform the annual review and appraisal of the CEO's performance. The evaluation will be based on objective criteria including performance of the Company, accomplishment of long-term strategic objectives, development of management, and other relevant measures of performance. The evaluation will be used by the Compensation Committee in the course of its deliberation when considering the compensation of the CEO.

### Management Development and Succession Planning

The CEO reviews succession planning and management development with the Board on an annual basis. There is also available, on a continuing basis, the CEO's recommendation as to a successor in the event of the CEO's unexpected disability. The Board shall approve and periodically review a succession plan for the CEO.

### Operations of the Board

#### Meetings

The board will meet periodically throughout the year but a sufficient number of times to meet regulatory requirements. A total of at least six (6) regularly scheduled meetings of the Board are scheduled in advance. In addition to these regularly scheduled meetings, special Board meetings may also be called to address specific needs of the Company. The Board ensures that meetings will be long enough to allow directors to explore key issues in depth, and will be frequent enough to follow emerging corporate trends. The Board and its committees may also take action from time to time by virtue of conference phone where all participants can hear one another or by unanimous written consent.

#### Board Meeting Agendas

Directors are urged to make suggestions for agenda items, or additional pre-meeting materials, to the CEO or the Lead Independent Director or Non-Executive Chairman. The CEO and Lead Independent Director or Non-Executive Chairman will establish the agenda for each Board meeting.

#### Board Meeting Materials and Presentations

The Board believes that information and data that is important to the Board's understanding of the business be distributed in writing to the Board members sufficiently in advance of the meeting to allow Board members to review and deliberate on the subjects being presented. Management should make every attempt to see that these materials are as succinct as possible while still providing the appropriate information. Sensitive subject matters may be discussed at the meeting without written materials being distributed in advance or at the meeting.

## Regular Attendance

Directors are expected to attend Board meetings and meetings of committees on which they serve and to spend the time needed to prepare for such meetings. Directors are expected to attend the Annual Meeting of Shareholders each year.

## Executive Sessions

The directors will meet in executive session as a part of each Board meeting. Part of each executive session will be a discussion with the CEO. The remaining part of each executive session will occur without the CEO or any other members of management present. The director who presides at these meetings should be the Lead Independent Director or Non-Executive Chairman. These sessions will provide the opportunity for discussion of such other topics as the non-management directors may find appropriate and provide Board members with an opportunity to react to management proposals and actions in an environment free from formal or informal constraints. The Lead Independent Director or Non-Executive Chairman is responsible for advising the CEO of decisions reached, and suggestions made at these sessions.

## Committees of the Board

### Types of Committees

The Board as a whole is responsible for the oversight of the Company on behalf of the Company's shareholders. The Board is assisted in its oversight function by Board committees. The Board has established the following committees to assist the Board in discharging its responsibilities: (i) Audit; (ii) Compensation and Pension; (iii) Corporate Governance and Nominating; (iv) Risk Management and (v) Strategic Initiatives. The Board may from time to time establish additional committees as necessary or appropriate.

### Membership of Committees

Membership on the committees is reviewed each year by the Governance Committee. Committee membership will rotate from time to time among the Board members in order to allow more directors to become involved in the various committees. Committee assignments and chair designations are then approved by the full Board. Membership on the Audit, Governance, and Compensation Committees will consist only of independent directors as defined in these guidelines.

### Committee Charters

The Board will assure that each standing committee has a charter setting forth the purpose, authority and duties of each committee. On an annual basis or more frequently if appropriate, each committee will review its charter and will present any modifications to the full Board for approval. Committee charters are available on the Company's web site, [www.chemicalbankmi.com](http://www.chemicalbankmi.com).

### Committee Meetings and Agendas

The committee chairman, in consultation with committee members and senior management, will determine the frequency and length of the meetings of each committee and will develop the committee's agenda.

## Regular Report to the Board

Each committee will report the highlights of the committee's activities to the Board. Committee meeting minutes will generally be supplied to the full Board at the meeting following each meeting of the respective committees.

## Duties and Responsibilities of the Lead Independent Director or Non-Executive Chairman

The duties and responsibilities of the Lead Independent Director or Non-Executive Chairman shall be as follows:

- **Liaison/Directors:** Acting as a liaison and a channel for communication between the chief executive officer and independent directors.
- **Leadership:** Providing leadership to ensure that the Board works cohesively and independently.
- **Crisis:** Ensuring Board leadership in times of crisis.
- **Information:** Advising the chief executive officer as to the quality, quantity and timeliness of the flow of information from Company management that is necessary for the independent directors to effectively and responsibly perform their duties.
- **Corporate Governance:** Being available as a resource to consult with the chief executive officer and other Board members on corporate governance practices and policies and monitoring of the same.
- **Conflicts:** Together with the chief executive officer, considering questions of possible conflicts of interest of the Board members. Also considering questions of possible conflicts of interest of the chief executive officer.
- **Committees:** In consultation with the chief executive officer and chairman of the Corporate Governance and Nominating committee, coordinating the assessment of Board committee structure, organization and charters and evaluating the need for any changes; consulting with the chief executive officer and chairman of the Corporate Governance and Nominating Committee concerning recommendations to the Board for committee membership, including chairpersons.
- **Board Candidates:** Along with the chairman of the Corporate Governance and Nominating Committee, interviewing all Board candidates, and making recommendations to the Corporate Governance and Nominating Committee and the Board.
- **Chairman Incapacitation:** Serve as non-executive chairman until a permanent chairman is appointed in the event of the incapacitation of the chairman.
- **Executive Sessions:** Coordinating and developing the agenda and moderating executive sessions of the Board's independent directors, and communicating to the chief executive officer the substance of the discussions occurring at such sessions.
- **Best Practices:** Working with the chief executive officer and the Corporate Governance and Nominating Committee chairman to ensure there is a process to implement best practices that relate to the responsibilities of the Board.
- **New Directors:** Assisting in orienting and integrating new directors to the Board.

- Segregation of Duties: Ensuring that the Board understands and maintains the boundaries between Board and management responsibilities.
- Meeting Planning: Suggest possible agenda items if in the discretion of the Lead Independent Director or Non-Executive Chairman it is deemed appropriate and serve as a sounding board on the development and presentation of significant issues, plans and strategies for Board consideration.
- CEO Performance: Together with the chairman of the Compensation and Pension Committee and such other directors as they deem appropriate, meeting with the chief executive officer to discuss the Board's evaluation of the chief executive officer's performance.