

## Harleysville Insurance CODE OF CONDUCT FOR DIRECTORS, OFFICERS & EMPLOYEES

Harleysville Insurance has long believed in the ethical conduct of business and to that end has maintained for many years a Code of Conduct for Directors, Officers, and Employees to establish standards to conduct business ethically. All Directors', Officers' and Employees' conduct shall be governed by this Code of Conduct in order to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely, and understandable disclosure in reports and documents that the company files with, or submits to, the Securities and Exchange Commission and in other public communications made by the company;
- compliance with applicable laws, and governmental rules and regulations;
- the prompt internal reporting of Code of Conduct violations to an appropriate person or persons identified in the code; and
- accountability for adherence to this Code of Conduct.

**1. Each director, officer and employee contributes to the care and maintenance of our most important asset - our reputation for integrity. Each director, officer and employee must help preserve that asset.**

Our reputation for integrity is the cornerstone of the public's faith and trust in our Company, and in that respect, is what provides us an opportunity to serve our customers. The Company has confidence in the loyalty and integrity of all its directors, officers and employees (collectively hereinafter for convenience referred to as "employee" or "employees"). A single employee's misconduct can do much to damage a hard-earned reputation. (This code supersedes the prior statement of policy regarding Business Ethics and Conflicts of Interest.) This Code should be read in conjunction with other statements of policy contained in the Employee Manual.

Directors, officers and employees should understand that this code is drafted broadly. In that respect, it is our Company's intent to exceed the minimum requirement of the law and industry practice. The following sections identify conduct which is never acceptable and will always be considered outside the scope of your employment.

The Company intends to enforce the provisions of this code vigorously. Violations could lead to sanctions, including dismissal, as well as, in some cases, civil and criminal liability.

**2. No corporate code can cover every possible question of business practice. When in doubt - ask before you act.**

Each employee is responsible to uphold the code. All officers, managers and supervisors are held accountable for code enforcement in their divisions. The Corporate Secretary is the corporate officer who will administer the Company's overall compliance program. Any failure to adhere to the standards outlined in this code may be reported directly to him without fear of retribution to the reporter.

Inevitably, the code addresses questions that escape easy definition. There will be times when you legitimately may be unsure about how the code applies. In such cases, you should feel free to contact the Corporate Secretary.

**3. Bribery, kickbacks or other improper payments have no place in the Company's business.**

All employees who come into contact with government officials - domestic and foreign - must maintain the highest professional standards. Never offer anything of value to such officials to obtain a particular result for the Company. Bribery of government officials can lead to criminal penalties.

These same standards should govern your contacts with those in the private sector. Entertainment of business prospects must be reasonable and documented carefully. Furthermore, employees may not accept anything of value, whether a gift or money, to provide a particular result for others. Any questions regarding application of this policy should be referred to the Corporate Secretary.

**4. Each employee must help maintain the integrity of the Company's financial records.**

The Company has an obligation to ensure the accuracy and reliability of all its books and records, including all accounting records. Compliance with proper record-keeping, accounting and internal control procedures is required at all times.

No code of conduct can review the extensive accounting requirements which the Company must fulfill. To meet these obligations, however, the Company must rely on employee truthfulness in accounting practices. Employees may not participate in any misstatement of any of the Company's accounts, including but not limited to expense accounts and time reporting.

**5. The Chief Executive Officer, the Chief Financial Officer, and other employees performing financial management functions shall maintain the highest standards in performing their duties.**

The Company expects that all employees who participate in the preparation of any part of the Company's financial statements should follow these guidelines:

- Act with honesty and integrity, avoiding violations of the Code, including actual or apparent conflicts of interest with the Company in personal and professional relationships.
- Disclose to the Governance Compliance Officer any material transaction or relationship that reasonably could be expected to give rise to any violations of the Code, including actual or apparent conflicts of interest with the Company.
- Provide the Company's other employees, consultants, and advisors with information that is accurate, complete, objective, relevant, timely, and understandable.
- Endeavor to ensure full, fair, timely, accurate, and understandable disclosure in the Company's periodic reports.
- Comply with rules and regulations of federal, state, and local governments, and other appropriate private and public regulatory agencies.
- Act in good faith, responsibly, and with due care, competence and diligence, without misrepresenting material facts or allowing your independent judgment to be subordinated.
- Respect the confidentiality of information acquired in the course of your work except where you have Company approval or where disclosure is otherwise legally mandated. Confidential information acquired in the course of your work will not be used for personal advantage.
- Maintain skills important and relevant to the Company's needs.
- Proactively promote ethical behavior among peers in your work environment.
- Achieve responsible use of and control over all assets and resources employed or entrusted to you.
- Record or participate in the recording of entries in the Company's books and records that are accurate to the best of your knowledge.

**6. Delegate authority in a proper manner.**

Each employee, including the Company's officers, must exercise due care to make sure that any delegation of authority is reasonable and appropriate in scope and includes appropriate, ongoing monitoring.

**7. Avoid any situation in which your personal interests conflict with those of the Company.**

Each employee owes a duty of loyalty to the Company. For that reason, all employees must exercise great care any time their personal interests conflict with those of the Company. A conflict of interest exists when the activities of the employee may permit him or her or a third party to obtain an improper gain or advantage adversely affecting the

Company's interests. The following sections review several common problems. The list is not exhaustive. The general principle, however, is simple: exercise great care any time there might be even the appearance that you acted for reasons other than to benefit the Company.

- a. Employees purchasing goods or services on behalf of the Company must exercise great care to preserve their independence.**  
Employees who deal with the Company's suppliers are placed in a special position of trust. This position requires you to exercise caution in dealing with suppliers. As a general rule, no employee or member of the employee's family should ever receive a payment or anything of value (gift, discount, gratuity or entertainment) in exchange for a purchasing decision. The Company recognizes an exception for gifts of nominal value that are within the range of accepted business courtesies, tokens of friendship, normal hospitality, or entertainment within normal business practice. If you are in doubt about the policy's application, the Corporate Secretary should be consulted. However, a gift of cash or stock is never acceptable.
- b. Your first obligation rests with the Company.**  
The Company requires the full attention of its employees. In general, this level of attention makes it impractical for employees to pursue extensive employment outside the Company. No officer or employee shall hold a position as a director, officer, employee or partner, or any other position in a business or professional enterprise which materially interferes with the performance of his or her company duties or which involves obligations which may conflict with the interests of the Company.
- c. Any employee invited to join a corporate board of directors must notify the Corporate Secretary.**  
The director of a corporation has access to sensitive information and charts the course of the corporation. When a Company employee is invited to be a director for an outside organization, the Company must take safeguards to shield both the organization and the employee from even the appearance of impropriety. To that end, an employee should notify the Company's Secretary to determine if acceptance of such invitation creates a problem for the Company. This shall not be construed as a prohibition against participation in activities in the insurance industry and in religious, civic, charitable, educational or recreational or other affairs as long as the time devoted to those activities does not unreasonably interfere with the ability of such person to perform his or her company duties. There is no need to notify the Secretary in advance of such activities.
- d. Do not divert for personal gain any business opportunity from which the Company may profit unless the Company validly decides to forego the opportunity.**  
Each employee owes the Company a duty of loyalty. That duty is violated if the employee personally profits from a business opportunity which rightfully belongs to the Company. This problem arises when an employee has an interest in an entity which offers a product or service which could be offered by the Company, or when an employee directly offers such a product or service.
- e. No Employee may have a financial interest in a transaction with the Company without notifying the Governance Compliance Officer.**  
Each director, officer and employee should avoid having any financial interest in any transaction between the Company and a third party which might adversely affect the exercise of his or her independent judgment on behalf of the Company. If the Company is engaged in a business transaction with a third party with whom an officer or an employee, or a member of his or her immediate family, is affiliated or in which he or she has an interest, he or she should make the position known to both organizations, and he or she should refrain from participation in negotiations or decisions with respect to that transaction. In the case of a director who may have diversified business interests, the director should disqualify himself or herself in any voting by the Board of Directors with respect to such a transaction.

This policy is intended to prohibit rebates, kickbacks, profit sharing arrangements and compensation in any form from a third party who is dealing with the Company. It is not intended to prevent the sale of insurance and the payment of a commission as long as there is a validly authorized agency agreement in existence with the Company authorizing such payment.

- f. All employees shall disclose to the Governance Compliance Officer any material transaction or relationship that reasonably could be expected to give rise to any violation of the Code of Conduct, including actual or apparent conflicts of interest with the Company.**
  - g. Requests for a waiver of a provision of the Code of Conduct must be submitted in writing to the Governance Compliance Officer for appropriate review. The Governance Compliance Officer shall forward a request to the Corporate Secretary for action by the appropriate board or board committee.**
  - h. Any waivers of this Code for directors, or executive officers must be approved by the Board and will be disclosed in the Company's public filings.**
- 8. One of the Company's most important assets is its confidential corporate information. The Company's legal obligations and its competitive position often mandate that this information remain confidential.**
- Confidential corporate information generally falls into two categories. The first category encompasses information intended for internal use only. This information typically relates to the Company's operations – customer lists, pricing policies, or “trade secrets” (confidential information used in the course of business to give the company a competitive advantage). The company endeavors to keep this information confidential indefinitely.
- The second category, by contrast, involves confidential corporate information which the Company routinely discloses to the investing public. This information often gauges the Company's financial performance (e.g., quarterly financial results of the Company's operations) or identifies events which have a significant (or “material”) impact on the value of the Company's securities. As outlined below, premature disclosure of such information may expose the individual involved to onerous civil and criminal penalties.
- Confidential corporate information must not be disclosed by employees to anyone outside the Company, except for a legitimate business purpose (such as contacts with the Company's accountants or its outside lawyers). Even within the Company, confidential corporate information should be discussed only with those who have a need to know the information. An employee's obligation to safeguard confidential corporate information continues even after the employee leaves the Company.
- 9. Company communications.**
- All communications on behalf of the Company with those outside the Company should be in accordance with the Company communications policy.
- 10. Never trade securities of any company on the basis of confidential information acquired at the workplace.**
- Insider trading is a serious crime. The offense may occur when, for example, a person trades stock while in possession of material, non-public information about the Company involved. Information is “material” if it would affect the average person's decision whether to buy, sell or hold the stock. It is “non-public” if it has not been released to and absorbed by the investing public. Such information includes, for example, information about significant new products, sales and earnings figures, major contracts, plans for acquisitions or mergers.
- Both the Company and all its employees share an interest in avoiding an insider trading investigation. An individual convicted of insider trading may face criminal penalties of up to ten years in prison and/or a \$1,000,000 fine. The investigation could tarnish the Company's reputation and may subject the Company to additional penalties.

Consequently, company policy forbids insider trading by all employees. Do not trade on the basis of confidential information obtained at the workplace - whether the information relates to the Company or some other entity.

Insider trading law is far from clear. An employee legitimately may be unsure how the law applies in a given instance. If there is any doubt in your mind, ask before you trade. All questions should be referred to the Corporate Secretary.

While the Company encourages its directors, officers and employees to invest in the Company's securities, or an affiliate's securities, as part of a long-range investment plan and in order to stimulate their interest in the success of the Company, trading in securities of the Company or its affiliates for quick profits or speculative purposes is discouraged since it may create pressures inconsistent with the impartial exercise of judgment on the Company's behalf. In addition, under Section 16 of the Securities Exchange Act of 1934, various securities reports may be required and short swing profits may be prohibited.

**11. Adherence to Law.**

All employees should comply at all times with applicable laws and statutes as well as governmental rules and regulations. To the extent there is any confusion regarding the proper interpretation and application of any law, statute, rule or regulation, consultation with the Companies' Law Department is appropriate.

**12. Discrimination has no place in the workplace.**

The Companies' policies concerning equal employment opportunities as stated in the Employee Manual are incorporated by reference.

**13. The Company does not tolerate sexual harassment.**

The Companies' policies prohibiting discrimination or sexual harassment as stated in the Employee Manual are incorporated by reference.

**14. Illegal drug use is prohibited.**

Improper use of narcotics and other controlled substances, commonly referred to as illegal drugs, has become a significant problem to businesses, employees, and society in general. Their sale, use, and abuse, when connected to the conduct of business and the work environment, can threaten the safety, morale, and public image of both you and the Company. Because of our strong concerns in this area, we have established the following policy regarding illegal drugs.

- a. No person will be hired who is known to be a current promoter, user, or seller of illegal drugs.
- b. Possession or use of illegal drugs on Company premises or during working hours, including break or meal periods, or working under the influence of illegal drugs, is strictly prohibited. Violation of this policy is cause for immediate disciplinary action, up to and including discharge.
- c. An employee who is found to be a seller or involved in the sale, solicitation, or dealing of illegal drugs will be subject to immediate discharge from the Company.

**15. Cooperation in Investigations**

It is essential that investigation of alleged violations of law be fair and thorough. To that end, all employees should cooperate in the investigation of alleged violations of the Code.

**16. Violations of the code may lead to serious sanctions, including termination for cause.**

The conduct of each employee vitally matters to the Company. A misstep by a single employee can cost the Company dearly; it undermines all of our reputations. For those reasons, violations of the code may lead to significant penalties, including termination for cause.

**17. Reporting of Violations**

Employees aware of violations of the Code of Conduct should report them to the appropriate persons within the Companies as set forth in attached compliance procedures beginning on the following page (which may be modified from time to time to reflect changes in personnel and duties). It is a violation of the Code of Conduct itself to not report a violation. If a person to whom an alleged violation is reported fails to take appropriate action under the circumstances regarding such alleged violation, such failure to act is also a violation of this Code of Conduct.

The Corporate Secretary and Governance Compliance Officer will maintain a record of violations of the Code that are reported and of the disposition of each violation. The Company will maintain if the employee so desires, the anonymity of the employee and the confidentiality of the information that is reported to the extent permitted by law. However, in order to conduct an effective investigation, it may not be possible to maintain confidentiality and anonymity.

The Companies' Audit Committees shall also issue procedures for the reporting to them of complaints regarding accounting, internal accounting controls or auditing matters and submission to them by employees of concerns regarding accounting or auditing matters. Such procedures shall be in addition to, and not in lieu of, any procedures established by this Code of Conduct.

**18. Governance Compliance Officer**

The Governance Compliance Officer shall be appointed by the CEO.

## COMPLIANCE PROCEDURES

These procedures have been prepared to implement and enforce the Code of Conduct for Directors, Officers and Employees, which has been reviewed and approved by the Board of Directors of all the Harleysville Insurance Companies (“Company”) in order that Harleysville can best prevent violations of federal criminal law and, if such violations nevertheless occur in spite of these procedures, to reduce the penalty assessed against the Company. These procedures are Company policy. Failure to adhere to them may result in appropriate discipline.

The Code of Conduct for Directors, Officers and Employees sets forth the general Company policy on acceptable behavior.

The Company has identified the following areas as areas where there is a possibility that violations of federal laws could occur:

1. Embezzlement and theft of Company property
2. Securities law violations including insider trading and filing of inaccurate documents with the Securities and Exchange Commission
3. Tax fraud
4. Bribes, kickbacks and improper payments
5. Employment law violations including sexual harassment, immigration, civil rights and ERISA violations
6. Copyright violations

In listing these six areas, the Company is not suggesting that violations of criminal law in other areas are acceptable; only that there is more opportunity for violations to occur in these areas.

The Code of Conduct for Directors, Officers and Employees, which is included in the Employee Manual, sets forth the general Company policy on acceptable behavior.

In general, the Vice President, Senior Vice President, or Executive Vice President in charge of a Department, Branch or Subsidiary (“Department”) will be responsible for overseeing compliance within the Department for which he or she is responsible. To assist each Department Head, other members of senior management act as an information resource for the six identified areas of opportunity for federal law violations. Currently, the senior management member who is the information resource for each area is:

1. Embezzlement and Theft of Company Property – Head of Internal Audit;
2. Securities Law – General Counsel and Chief Financial Officer;
3. Tax Fraud - Comptroller;
4. Bribes, Kickbacks, and Improper Payments – Chief Financial Officer;
5. Employment Law Violations – Executive Vice President, Human Resources;

6. Copyright Violations – General Counsel.

These management members will prepare and provide compliance education materials for dissemination within the Company as necessary.

The Department Head will see to it that the need for and importance of compliance is communicated to all employees within the Department, that the elements of improper and unacceptable actions are taught to all employees within the Department, and that appropriate monitoring systems to track compliance and investigate and resolve problems (including discipline) are implemented within the Department. In particular, these measures will include:

1. Dissemination of explanations of how the Code of Conduct for Employees applies to the activities of said Department.
2. The Department Head will, with the help of the resource persons, periodically review, revise and distribute a written policy on the potential problem areas within his or her Department or Departments. This is an ongoing effort that is never finished.
3. Training programs that address the areas of potential concern will be periodically administered. Such training may be written explanations of the problem, a seminar devoted to one particular subject, or it may be one element of a seminar covering many topics of interest, e.g., there could be a paper circulated on copyright issues, there could be one seminar dedicated to securities law issues, and the S.O.S. Program could cover a number of topics within the framework.
4. The departmental management must communicate to Employees, and indeed encourage, that all violations should be reported to the Department Head. Failure to report a violation will result in appropriate discipline. Likewise, departmental management should communicate that failure to detect a violation, where a violation should be detected with reasonable care, will also result in appropriate discipline.
5. An appropriate reporting form for problems/alleged violations is available to all employees. Completed forms reporting a violation should ideally be sent to the Department Head and the General Counsel, but may be sent to other senior officers if the sender thinks that will help resolve the problem more expediently. Any reports sent will be kept confidential, and the sender shall not fear any reprisals for reporting a problem. However, if a report is sent without foundation and with the malicious purpose of damaging someone, then appropriate discipline will be called for.
6. All reports will be investigated promptly, vigorously and fairly. Appropriate corrective measures will be taken and appropriate discipline meted out.
7. To monitor how the compliance program is going and to catch problems that have previously not been reported, an Annual Compliance Questionnaire shall be sent to managers and supervisors. If any previously unreported problems are disclosed, there will be immediate investigation of such problem as per Paragraph 6, above.
8. All violations of federal criminal law will be reported by the Company to the appropriate federal authority.
9. All employees are required to cooperate in the investigation of any alleged violations of federal criminal law. Failure to cooperate will result in appropriate discipline.
10. The Company's disciplinary process should be strictly followed in its application to insure fairness.