

A Message from Terry Miller

At SFM, good ethics and fair dealing are an essential part of our culture. We don't pursue them because they are good for business, we pursue them because they define us as people. This is not a new thing for us. Long before corporate scandals like Enron wrote their sad chapters in business history, making business ethics a common topic of discussion and even legislation, we committed to making this a place where we can be justifiably proud of what we do and the way we do it.

It's important to be vigilant. Cultures are earned and re-earned every day. We want to make good ethics and conduct an embedded part of our culture and that's why we've decided to combine policies and practices into a single Code applicable to each one of us, whether employees, officers or directors of the organization. Reminding ourselves and perhaps one another of what it means to conduct business with good ethics and fair dealing is a good way to stay vigilant.

This Code is a great deal more than a few pieces of paper. I hope you'll spend some time thinking and talking about how it should apply in everyday work life here. Sometimes we face situations where the "right" thing to do is not so easy to know. Perhaps those are the most important situations to talk about. I'm proud of what we do, how we do it and the character of the people in our organization. I always want you to be able to be proud too.



Terry Miller, CPA, CFA, President & Chief Executive Officer

P (952) 838-4210 C (651) 303-8566



SFM Mutual Insurance Company

3500 American Blvd. W, Suite 700, Bloomington, MN 55431

www.sfmic.com



SFM's Code of Business Ethics and Conduct

Introduction:

This Code of Business Ethics and Conduct (the "Code") has provisions applicable to all directors, officers and employees of SFM Mutual Insurance Company and its affiliated companies (together, the "Company"). The Company has adopted this Code to:

- Promote honest and ethical conduct, including fair dealing and the proper disclosure and handling of conflicts of interest;
- Promote full, fair, accurate and timely insurance financial and regulatory reporting;
- Promote compliance with applicable laws, rules and regulations;
- Protect the Company's legitimate business interests, including corporate opportunities, assets and confidential and proprietary information;
- Deter wrongdoing; and
- Facilitate reporting and resolving any violations of this Code.

Business Ethics and Compliance with Law

The Company's business shall be conducted with honesty and integrity and in accordance with the highest ethical and legal standards. Each director, officer and employee of the Company should ensure that these principles are applied to every aspect of the business.

All directors, officers and employees of the Company should respect and comply with all state and federal laws, rules and regulations applicable to the Company's business (including, without limitation, all insurance and workers' compensation provisions). This goes beyond strict compliance to the letter of the law to also serve the spirit and purpose behind them.

Conflicts of Interest

No employee shall directly or indirectly engage in conduct that is disloyal, disruptive, or damaging to the Company or its reputation, or that competes with the interests of the Company. It is difficult, if not impossible, to describe all of the situations that might arise involving conflicts of interest. If an employee has any questions or uncertainty regarding a possible conflict of interest, he or she should immediately seek advice from his or her leader, manager, or the Chief Legal Officer.

Nothing in this policy is intended to in any way limit team member rights of self-organization or to form, join, or assist labor organizations to bargain collectively through representations of their own choosing or to engage in other concerted activities for the purpose of collective bargaining or other mutual aid or protection, including but not limited to the right to discuss wages, hours and terms and conditions of employment.

Outside Activities

The Company prohibits employees from engaging in any activity, practice or act which conflicts with the interests of the Company or its policyholders. Several examples of conflicts of interest that should always be avoided are set forth below. Similar situations which create an actual conflict of loyalty or interest, or even the appearance of a conflict, should be avoided.

While employed by the Company, no employee may provide work for or accept full-time, part-time, or temporary employment in any organization that does business with the Company or is a competitor of the Company.

If an employee or a member of his or her immediate family has a direct or indirect connection with or interest in a policyholder, claimant, vendor or other business associate of the Company, and the interest is sufficient to affect the employee's decisions or actions on behalf of the Company, the employee must report the interest to their team leader, manager and Human Resources and must not represent the Company in such transactions.

No employee may engage in outside work that might interfere or adversely impact in any way with his or her job duties with the Company. No outside work may be performed during the employee's regular business hours, and no Company facilities, equipment, labor, or supplies may be used in pursuit of such outside activity.

Key Points to Remember

As an employee, you should be certain that:

- You do not do work for or seek prospective work with another organization during your scheduled SFM work hours or use Company information or resources for your outside employment or prospective employment or work.
- You do not receive/send calls, mail or email from customers or employees from your outside employment during your scheduled SFM work hours.
- You do not attempt to promote or sell products or services from your outside employment to your SFM co-workers or to the Company itself during your scheduled SFM work hours or using Company resources.
- You do not engage in work which may adversely affect your judgment, objectivity or conduct in your work for SFM.
- You do not engage in outside work which may suggest or imply that you represent SFM in doing so or that may compromise the view of your professionalism in your position with SFM.

Gifts and Gratuities

No employee or member of his or her immediate family may present to or accept gifts from any person or firm doing or seeking to do business with the Company under circumstances from which it might be inferred that the purpose of the gift is to influence the employee in the conduct of Company business. Such gifts should be declined or returned with a note of explanation that our Code of Conduct does not allow the gift. However, employees are not prohibited from accepting advertising novelties such as pens, pencils or calendars, or other gifts of nominal (generally under \$50) value, including sports or other event tickets, given or received in the normal course of business.

Please discuss with your leader, manager, or the Chief Legal Officer any gifts or proposed gifts that could be perceived as inappropriate or excessive, including but not limited to the following factors which may impact or be impacted by the gift: vendor relationship, frequency or duration of the gift, nature of or perceived value of the gift, and/or conflicts of interest in relation to the employee's position.

Key Points to Remember

- Any offer of a gift or gratuity should be reported and discussed with your team leader or manager.

- No gift, regardless of value, should be offered or accepted if it has the intention or effect of influencing the business relationship.

Special Provisions Applicable to Directors and Officers

Each director and officer shall exercise good faith and best efforts in the performance of his or her duties on behalf of the Company. In all dealings with the Company, each director and officer shall be held to a strict rule of honesty and fair dealing, and no director or officer shall use his or her position, or knowledge gained therefrom, in such a manner as to create a conflict, or the appearance of a conflict, between the interests of the Company and his or her other interests.

No director or officer shall accept any material compensation, gift or other favor that could influence or appear to influence the director or officer's actions affecting the Company. Each director shall immediately disclose to the Chairperson of the Board of SFM Mutual Insurance Company any employment, activity, investment or other interest which competes or conflicts, or appears to compete or conflict, with the interests of the Company. Each officer shall immediately disclose to the President or Chief Legal Officer/Corporate Secretary of SFM Mutual Insurance Company any employment, activity, investment or other interest which competes or conflicts, or appears to compete or conflict, with the interests of the Company.

No director shall vote or be counted in determining the quorum for any vote, on any transaction between the Company and any other corporation, partnership, association, firm or other entity in which the director has a substantial financial interest. The director shall disclose the conflict of interest to the Board and shall not participate in deliberations regarding the transaction. For purposes of this paragraph, a director shall be deemed to have a substantial financial interest in any entity in which such director, together with his or her spouse and children, have an aggregate beneficial interest of five (5%) percent or more.

On an annual basis, the Chief Legal Officer will send each director and officer a copy of this SFM Code of Business Ethics and Conduct together with a questionnaire regarding conflicts. It is the duty of each director to inform the Chairperson of the Board or the Chief Legal Officer of any changes in the information disclosed in the questionnaire in a timely manner. When in doubt as to whether a conflict of interest exists for purposes of this Policy, a director should ask the Chairperson of the Board, President or the Chief Legal Officer for clarification.

Confidentiality

Directors, officers and employees must maintain the confidentiality of information entrusted to them by the Company and by its agents, policyholders and claimants. Confidential information includes all non-public information that might be useful to the Company's competitors or harmful to the Company or to any of its directors, officers, employees, agents, policyholders or claimants.

By way of example, confidential information includes, but is not limited to, the following types of information:

- Policy and procedure manuals
- Marketing plans, techniques and materials, including any trade secrets
- Company financial information

- Information regarding policyholders, agents, and claimants, including medical records and information
- Customer lists
- Company personnel and payroll records
- Records regarding vendors and suppliers
- Other information concerning the business affairs or operating practices of the Company

Directors, officers and employees should not release or disclose confidential information to third persons or remove confidential information from Company premises unless such release or disclosure is (i) within the scope of the employee's or director's duties and responsibilities, and (ii) is clearly in the Company's best interest. This prohibition continues even after separation from employment or directorship with the Company. If an employee has any questions regarding this policy or is uncertain about the confidentiality of any information, he or she should consult his or her leader, manager or the Chief Legal Officer. Directors should consult the President or Chief Legal Officer.

Nothing contained in this policy is intended to prohibit the disclosure to outsiders of information about the Company that is routinely made available to the public.

Key Points to Remember

- Do not disclose confidential information to anyone outside of the Company without discussing with your team leader, manager, or any other member of the management team.
- Information that is routinely made available to the public is not prohibited.
- Do not discuss personal information of the Company's customers with friends, relatives or business or personal acquaintances.

Corporate Opportunities

Directors, officers and employees owe a duty to the Company to advance the Company's business interests when the opportunity arises and may not (i) use Company property, information or (their) position for personal gain, or (ii) compete with the Company. Directors, officers and employees are prohibited from taking (or directing others to take) a business opportunity that is discovered through the use of Company property, information or position, unless the Company has already been offered the opportunity and turned it down.

Any director, officer or employee who intends to make use of Company property or services in a manner not primarily for the benefit of the Company should consult with the President or Chief Legal Officer in advance of such action or activity.

Key Points to Remember

- If an idea for an opportunity related to our business emerges from your work here, you should give the company an opportunity to consider pursuing it before passing it along to a friend or pursuing it yourself.
- Using Company property or facilities to conduct an outside business is inappropriate, even outside regular business hours.

Personal Use of Company Assets

Directors, officers and employees must protect the Company's assets and resources and ensure their efficient and appropriate business use. Theft, carelessness and waste can have a direct impact on the Company's business and profitability. Personal use of Company equipment and supplies is generally prohibited. However, managers or team leaders may grant permission for very limited personal use of Company equipment and supplies. For example, employees may be permitted to make occasional photocopies on a Company photocopy machine for personal business.

Key Points to Remember

- Do not use the Company's letterhead when writing letters regarding personal or non-business matters.
- Occasional use of the copier for personal use is permitted.
- Safeguard company vehicles, equipment, furniture or supplies assigned to you.
- Report the theft of company assets immediately to your team leader or manager.

Insurance Regulatory Reporting Process

To the extent relevant and appropriate to his or her position and area of responsibility, any director, officer, or employee involved in the Company's insurance regulatory reporting process, including, without limitation, the President, Treasurer, Chief Legal Officer, and Controller, should be familiar with the Company's insurance regulatory and reporting processes, procedures and internal controls over financial reporting, so that the Company's reports and documents filed with insurance regulatory agencies comply in all material respects with the applicable laws and rules.

Each director, officer and employee involved in the Company's insurance regulatory and insurance reporting process should:

- Familiarize himself or herself with the insurance regulatory requirements applicable to his or her position and duties with the Company.
- Not knowingly misrepresent, or cause others to misrepresent, facts about the Company to others, whether within or outside the Company, including to the Company's independent accountants and government regulators.
- Properly review any proposed insurance regulatory filings and reports for which he or she has the primary responsibility to prepare and file for accuracy and completeness.

Reporting Violations

Any violation of this Code or other observed illegal or unethical conduct by employees, officers or directors of the Company should be reported promptly to the employee's team leader or manager or to one of the board-designated Code Compliance Officers, the Chief Legal Officer (Kathy Bray) or the Internal Auditor (Lori Thompson).

If the reporting employee, officer or director believes in good faith that bringing the information to one these parties would be futile, the reporting person is encouraged to report the information to the President and CEO (Terry Miller), the Chair of the Company's Audit Committee (MaryAnn Blade), or the Chair of the Board of Directors (Kent D. Dixon).

While this Code addresses many ethical issues, it cannot address every issue that employees may encounter. Employees are encouraged to talk to team leaders, managers or other compliance personnel about observed illegal or unethical behavior when in doubt about the best course of action in a particular situation.

Any team leader, manager or other officer of the Company who receives or obtains information that illegal or unethical conduct or a violation of this Code has occurred should immediately report the information to one of the Code Compliance Officers.

The Company also has partnered with NAVEX EthicsPoint to provide the SFM Code of Conduct Hotline, a confidential or anonymous web- and telephone-based ethics reporting system. Any violations of this Code or other observed illegal or unethical conduct may be reported through the [EthicsPoint](https://www.sfm.ethicspoint.com) system at www.sfm.ethicspoint.com, rather than one of the above-described Company personnel.

Consequences for Code Violations

Upon receiving a report of illegal or unethical conduct or of a violation of the policies under this Code, a Compliance Officer or his or her designee will investigate the allegations, giving the alleged violator an opportunity to be heard. Any employee or officer found to have violated a provision of this Code may be subject to disciplinary action, up to and including termination.

The Compliance Officer, or his or her designee, will also report any suspected criminal activity to the appropriate prosecuting or investigative authorities. Employees who violate the Code also may have violated the law. Accordingly, such employees may be subject to prosecution, imprisonment or fines, and may have an obligation to reimburse the Company, the government or any other person or entity for any losses or damages resulting from such violations.

No Retaliation

The Company will not permit retaliation of any kind against any individual who in good faith reports illegal or unethical conduct or any other violation of this Code.