



CORPORATE GOVERNANCE AND NOMINATING COMMITTEE CHARTER

Last Review – May 17, 2017

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I. Purpose

The Corporate Governance and Nominating Committee (the “Committee”) is appointed by the Board of Directors (“Board of Directors” or the “Board”) of Harleysville Financial Corporation (the “Company”) to assist the Board in fulfilling its oversight responsibility. The primary duties and responsibilities of the Committee are to:

- identify and recommend to the full Board the selection of qualified individuals to serve as Board members and recommend to the full Board director nominees for each Annual Meeting of Shareholders;
- review existing corporate governance documents and establish corporate governance principles applicable to the Company and to govern the conduct of the Board and its members;
- review nominations for director submitted by shareholders pursuant to Section 3.12 of the Company’s Bylaws; and
- identify and recommend to the full Board the selection of qualified individuals to serve as officers of the Company annually.

The Committee has the authority to access any consultant of the Company to aid it in its responsibilities. The Committee has the authority and ability to retain, compensate and terminate, at the Company’s expense, any search firm used to identify director candidates, as it is necessary to undertake its responsibilities.

II. Organization and Meetings

The members of the Committee are appointed annually by the Board of Directors of the Company. The members of the Committee shall serve until their successors are duly appointed and qualified by the Board. The Board shall appoint one of the members of the Committee to serve as Committee Chair and the Committee may also appoint a Secretary, who need not be a director.

Each member shall be an independent director as such term is defined in the Marketplace Rules of The Nasdaq Stock Market, as determined by the Board. The Committee shall have three or more directors as determined by the Board, each of whom must be an independent director, free from any relationship that would interfere with the exercise of its members’ equitable judgment. Non-independent directors may attend Committee meetings and assist the Committee in establishing its meeting agendas. Compensation for service on the Committee will be established by the full Board.

The Committee shall establish its own schedule for meetings throughout the year. If the Chair is not present, the members of the Committee may designate an acting Chair by a majority vote of those present. The Committee shall meet in executive session at least annually to review the performance of the Board and/or to discuss any other matters that it believes should be discussed without management present and will present a report to the Board with respect to such executive sessions.

The Committee shall report to the Board of Directors. The Committee shall have authority to delegate any of its responsibilities to subcommittees as it may deem appropriate in its sole discretion and to retain, terminate and obtain advice, reports or opinions from search firms or other internal or outside advisors and legal counsel in the performance of its responsibilities, and shall have the sole authority to approve related fees and retention terms.

III. Goals, Responsibilities and Duties

The Committee shall establish criteria for the selection of new directors to serve on the Board of Directors.

A. Recommend Qualified Individuals for Board Membership

The Committee shall be responsible for:

- Reviewing individual qualifications for service of individuals on the full Board;
- Recommending to the Board individuals for Board membership;
- Reviewing shareholder submitted nominees for election as directors at the Annual Meeting of Shareholders; and
- Recommending to the Board nominees for election as directors at the Annual Meeting of Shareholders.

In identifying candidates for membership to the Board of Directors, the Committee shall take into account all factors it considers appropriate, which may include (a) ensuring that the Board of Directors, as a whole, is diverse and consists of

individuals with various and relevant career experience, relevant technical skills, industry knowledge and experience, financial expertise, including expertise that may qualify a director as a “financial expert” as that term is defined by the rules of the U.S. Securities and Exchange Commission, local or community ties and (b) minimum individual qualifications, including strength of character, mature judgment, familiarity with the Company’s business and industry, independence of thought and an ability to work collegially. The Committee also may consider the extent to which the candidate would fill a present need on the Board of Directors.

Election to the Board of Directors of a financial institution and its holding company is considered a high honor with great responsibility. Responsibility runs to the stockholders of the Company, team members, the welfare of the community, and the customers of the financial institution. A director should have:

- a solid understanding of general management best practices and their application;
- a history of making good business decisions;
- the ability to read a balance sheet, income statement, cash flow statement and understand the use of financial ratios and other indicators for evaluating Company performance;
- the ability and the time to perform during periods of both short-term and prolonged crises;
- an understanding of what it takes to attract, motivate and energize a high-performance leadership team;
- an understanding of the importance of the strategic planning process in creating a competitive advantage through strategy;
- a good reputation for high ethical standards and integrity in their personal and professional dealings;
- mature confidence and values board and team performance over individual performance; respects others; is open to the opinions of others; has good listening skills; is confident enough to ask tough questions; and can communicate persuasively;
- a history of high performance standards as reflected in the person’s history of achievements;
- high intelligence, exhibits wisdom and will be expected to exercise prudence and care in carrying out the responsibilities of the position; and
- no existing or potential conflicts of interest.

And a director must be:

- a citizen of the United States of America and shall have his or her primary residence and place of employment within the Bank’s market area;
- a person who has a reputation for being trusted with confidential information; and
- a person who will faithfully attend board meetings, committee meetings and the Annual Meeting of Shareholders and takes the time to prepare for meaningful discussion.

B. Shareholder-Proposed Nominations

Shareholders may propose nominees for election by the shareholders for consideration by the Corporate Governance and Nominating Committee upon submitting in writing the names and qualifications, including place of principal residence and place of employment, of such persons to the Committee in compliance with Article III, Section 3.12 of the Company’s Bylaws. Submissions shall be made to the Corporate Governance and Nominating Committee, Harleysville Financial Corporation, Attention: Corporate Secretary, 271 Main Street, Harleysville, PA 19438.

C. Expectations of Directors

- A director shall have a financial interest in the Company by developing a meaningful ownership position in the Company.
- A director shall not accept an invitation to serve as a director, officer or team member of another financial institution. A director should advise the Chair of the Corporate Governance and Nominating Committee in advance of accepting an invitation to serve as a director of another public company.
- A director shall disclose to the other Directors any potential conflict of interest situations and shall refrain from voting or entering into discussions on any matter being considered where a potential conflict of interest situation exists.
- A director shall preserve the confidential nature of material information given or presented to the Board of Directors.
- A director shall not serve as a director, officer, team member or consultant of any entity that is in competition with the Company and not misappropriate any opportunity or asset belonging to the Company for his or her direct or indirect benefit.
- A new director shall participate in an orientation program to familiarize the new director with the Company’s strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Corporate Ethics and Conduct Policy, and its principal officers. The Company encourages directors to periodically pursue or obtain appropriate programs, sessions or materials as to the responsibilities of directors of publicly owned

financial institutions. Management of the Company will provide ongoing training to directors to meet their responsibility as directors of a publicly-owned financial institution.

- A director is expected to attend the Annual Meeting of Shareholders, board meetings and committee meetings faithfully.

D. Reliance In Good Faith

In performing their responsibilities, Committee members are entitled to rely in good faith on information, opinions, reports or statements prepared or presented by:

- One or more officers or team members of the Company whom the Committee member reasonably believes to be reliable and competent in the matters presented;
- Contributed by counsel, independent auditors, or other persons as to matters which the Committee member reasonably believes to be within the professional or expert competence of such person; and
- Another committee of the Board as to matters within its designated authority which committee the Committee member reasonably believes to merit confidence.

E. Board Committee Membership and Qualifications

In connection with the establishment and composition of committees and subcommittees by the Board, the Committee shall:

- Recommend to the full Board the establishment of Board committees and subcommittees, as necessary, at the Annual Meeting of the Board and at other times during the year, if necessary;
- Recommend to the full Board the membership and composition of each of the Board committees and subcommittees and recommend removal of any committee member, if necessary; and
- Review qualifications of directors for committee membership.

F. Develop and Oversee Corporate Governance Principles

The Committee is responsible for the development and oversight of the Company's corporate governance principles:

- Develop and annually review corporate governance principles for the overall governance of the Board of the Company and its subsidiaries and keep abreast of developments with regard to corporate governance to enable the Committee to make recommendations to the Board in light of such developments as may be appropriate.
- Review the Company's Corporate Ethics and Conduct Policy annually to ensure that the terms are appropriate and comply with applicable laws, regulations and any applicable listing standards.
- Consider any corporate governance issues that arise from time to time including requests for waivers from the Company's Corporate Ethics and Conduct Policy and make appropriate recommendations to the Board of Directors.
- Review the Audit Committee Charter and the Compensation and Human Resource Committee Charter prior to their annual review by their respective committee and make recommendations as appropriate.

G. Other

The Committee has other duties and responsibilities as follows:

- Maintain minutes of meetings, which are circulated to the full Board and report to the full Board of Directors on a regular basis;
- Review the Charter annually and recommend to the Board any proposed changes to this Charter;
- Oversee the public disclosure of the Charter and any such amendments at the time and in the manner required by any other regulatory body having authority over the Company.
- The form and amount of director compensation will be determined by the full Board of Directors on the recommendation of the Committee. The Committee will annually consider peer data of director compensation.
- In order for the Board of Directors to conduct an annual self-evaluation to determine whether it is functioning effectively, the Committee will receive an evaluation from all directors and report annually to the Board with an assessment of the Board's performance.
- The Chair shall be responsible to lead the Executive Sessions of the Board.