

HEALTHCARE SERVICES GROUP, INC.

*CODE OF ETHICS  
AND  
BUSINESS CONDUCT*

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# CODE OF ETHICS AND BUSINESS CONDUCT

## INTRODUCTION

Healthcare Services Group, Inc. (the “Company” or “Healthcare”) long has embraced the concept of corporate responsibility - financial, social, and ethical. Everywhere in our Company, people are doing more than just a job. We are actively engaged in creating successful relationships: relationships with clients, suppliers, shareholders and each other. Our Code of Ethics and Business Conduct is based not just upon strict compliance with all laws and regulations - federal, state and local - affecting our business of providing quality services to our clients but on abiding by principles of integrity, honor and concern for others.

The purpose of this manual is to continue this tradition, while every principle set forth herein is part of our long-standing policy and practice, the manual represents the Company’s heightened efforts to see that these policies and procedures permeate every facet of the Company’s operations. It is distributed to you as a reminder of Healthcare’s tradition of high ethical standards.

The Code of Ethics and Business Conduct reaffirms our basic policies for our employees. The foundation of our Code consists of basic standards of business compliance as well as personal conduct: (a) honesty, fairness, trustworthiness, and candor in our activities, observing the spirit as well as the letter of the law and regulations, (b) avoidance of conflicts between personal interests and the interests of the Company, or even the appearance of such conflicts, (c) maintenance of our reputation and avoidance of activities which might reflect adversely on the Company, (d) integrity in dealing with the Company’s assets, (e) striving to create a safe workplace and to protect the environment, (f) fostering an atmosphere in which equal opportunity extends to every member of the Company’s diverse community and (g) through leadership at all levels, sustain a culture where ethical conduct is recognized, respected and promoted by all employees.

It is every management employee’s responsibility, including the Board of Directors to be familiar with this Code and to be sensitive to any situations that may violate it. Claims of ignorance, good intentions and bad advice may not be acceptable as excuses for noncompliance. Managers of the Company have the additional responsibility to verify that management employees whom they supervise understand and comply with the standards of business conduct set forth in this Code and attend the mandatory program familiarizing them with this Code.

## CONFLICT OF INTEREST

Your judgment is one of your most valuable assets. You should avoid any activity or association which conflicts with or appears to conflict with the independent exercise of your judgment in Healthcare's best interests.

Conflicts can arise in many situations. It is impossible to cover them all here, and it will not always be easy to distinguish between proper and improper activity. In doubtful cases, consult the person you report to before taking any action.

The following guidelines apply to the most common conflict situations:

- 1) do not accept gifts, loans or preferential treatment from anyone doing business with Healthcare
- 2) do not make investments which might affect your business decisions.
- 3) get clearance from the Compliance Officer before doing business on Healthcare's behalf with any company in which you or a close family member may benefit from your actions.
- 4) do not work for a supplier, customer or competitor while working for Healthcare or do any work for a third party that may adversely affect your performance or judgment on the job.
- 5) do not become involved in non-Company related interests which require time during regular day. Even charitable activities during business hours requires prior approval of your supervisor.
- 6) do not misuse Company information to which you have access as an employee, whether or not confidential or proprietary.

## RELATIONSHIP WITH FELLOW EMPLOYEES

Our dealings with each other should be based on mutual trust and dedication to one another. We are responsible to treat each other with respect and dignity.

Healthcare's commitment to caring for people is manifested in the workplace through a variety of programs designed to promote and reward individual achievement. You are encouraged to advance as far as you can and make a meaningful contribution to the success of the Company. In the end, it is the efforts of our talented and skilled employees that make the success of our business possible.

Specifically, in matters of employment it is our policy:

- 1) to select and place employees on the basis of qualifications for the work to be performed and without discrimination on the basis of race, religion, national origin, color, sex, pregnancy, sexual orientation, age, veteran status, marital status or handicap unrelated to the task at hand or any other bias prohibited by federal, state or local law.
- 2) to achieve excellence by increasing diversity in our work force through affirmative action programs.
- 3) to provide training, education and promotional opportunities that permit development and career advancement for our employees.
- 4) to prohibit sexual or any other kind of conduct that can be considered harassing, coercive or disruptive in the workplace and in the course of work-related activities by any person.

If an employee believes that he or she has been subject to discrimination or harassment of any kind, the employee should promptly notify his/her supervisor. The Company will investigate all reports of discrimination, harassment or retaliation promptly.

## **COMPANY RECORDS MUST BE RELIABLE**

The results of operations and the financial position of our Company must be recorded in accordance with the requirements of law and generally accepted accounting principles. Every Healthcare employee records information of some kind which is used for business purposes. The maintenance of accurate records is critical. You must record and report all information accurately and honestly.

All employees involved in creating, processing and recording financial information, including but not limited to accounting records, expense reports, and time records, are responsible for its integrity. Every accounting or financial entry should reflect exactly what is described by the supporting information. There must be no concealment, omission, falsification or inaccuracy of accounting information from (or by) management, or from the Company's internal or independent auditors.

No payment on behalf of the Company shall be approved or made with the intention or understanding that any such payment is to be used for any purpose other than that described by documents supporting the payment.

In addition, managers should ensure that Healthcare's corporate financial policies, including record retention policies, are followed. Revenue and expenses shall be properly recognized and reported on a timely basis.

If you become aware of possible omission, falsification or inaccuracy of accounting and financial entries, or basic data supporting such entries, you must report promptly such information to the Compliance Officer.

## DEALINGS WITH SUPPLIERS

Our aim in conducting our purchasing operations is to assure continuing, reliable sources of supply. Thus, we view our suppliers as partners and expect them to make a reasonable profit. We give all potential suppliers fair and uniform consideration. Factors of race, religion, national origin, sex or friendship play no part in purchasing decisions, which are based on objective criteria such as price and quality or a vendor's reliability and integrity. Needless to say, the offer or giving of money, services or other things of value with the expectation of influencing the judgment or decision-making process of any supplier is absolutely prohibited.

Similarly, we never offer payments or similar inducements to clients to make a sale other than published promotional or other incentive offers. Only gifts without significant value may be given to clients or purchasing agents on traditional gift-giving occasions. We extend no favors to clients on prices; we treat all clients the same fair way.

## GIFTS AND ENTERTAINMENT GUIDELINES

Company policy prohibits employees from offering or accepting extraordinary business courtesies. In general, a business courtesy is extraordinary if:

- 1) it can be construed as intended to corrupt or influence the judgment of the recipient so as to secure unfair preferential treatment; or,
- 2) public disclosure of the gift would be embarrassing to Healthcare or to the other party.

It is Company policy to conduct its business affairs fairly and impartially in an ethical and proper manner. Integral to this policy is the avoidance of any appearance that employees' decisions are influenced by business courtesies they may be offered from those with whom the Company maintains business relations. Business decisions made by Corporate employees should be made on the basis of quality, service, price, and similar competitive factors. Business decisions should not be based on the business courtesies offered by those who are affected by an employee's decisions, nor should the acceptance of business courtesies create the appearance that those business decisions are being influenced.

Company employees in a position to deal with persons or firms with whom Healthcare maintains business relationships must be familiar with Company policy and procedures regarding the acceptance of business courtesies, and must be sensitive to those circumstances where their offer or acceptance of business courtesies would be improper under this Policy.

Company employees may not accept or retain business courtesies offered to them or to their immediate families if doing so would cause or create the appearance of favoritism in the allocation of Company business, or adversely affect the reputation of the Company or its employees for impartiality or fair dealing.

Business courtesies should never be accepted under circumstances where it might appear that the attempt is being made to induce Healthcare employees to grant an unfair competitive advantage or motivate them to do anything that is prohibited by law, regulation or Healthcare policy.

Acceptable business courtesies include the following when they do not violate any applicable law:

- 1) accepting items of small monetary value
- 2) meals may be accepted where it serves a demonstrable business purpose, such as marketing, educational or other ordinary business activity
- 3) occasional tickets to entertainment such as theatre or sporting events may be accepted.

## **RESPONSIBILITY TO SHAREHOLDERS**

We strive to serve the best interests of our shareholders - to provide consistent growth and a fair rate of return on their investment, to maintain a position and reputation as a leading service company, to protect shareholder investments and to provide full and timely information. Achievement of these goals depends upon the successful development of the relationships discussed previously in this manual. By conducting our business in accordance with the principles of fairness, decency and integrity set forth herein, we help to build shareholder value.

## USE OF COMPANY AND CLIENT PROPERTY

Healthcare employees may not use Company property or property of the Company's clients for personal purposes. The assets of the Company and its clients, such as equipment, linens, and cleaning and office supplies must not be taken out of the business locations of Healthcare and its clients except for the specific purpose of performing one's job. If property is removed for fulfilling job responsibilities for the Company or its clients, it must be returned to the facility promptly after it is no longer needed off site. Any suspected incident of fraud or theft should be immediately reported to your supervisor.

Employees are prohibited from copying for their own use, documents or computer programs in violation of copyright laws or licensing agreements. Computers, telephones, voicemail, fax and related electronic data and the information contained therein are property of the Company. Improper unauthorized or illegal use of the Company's property will constitute grounds for disciplinary or legal action, including dismissal, as the Company seems appropriate. Questions regarding the appropriate use of computer software or copyrighted materials should be directed to the Compliance Officer.

## **POLITICAL CONTRIBUTIONS AND GIFTS TO GOVERNMENTAL OFFICIALS**

Federal law prohibits a corporation from making any contribution to any candidate for federal office or to a political party. This prohibition includes direct and indirect payments, regardless of whether a candidate or political party is given cash, goods, services or by allowing a candidate to use Healthcare's facilities and equipment.

It is Company policy that no funds or assets of the Company may be used for contributions to any political party, committee, organization or candidate, whether federal, state, or local. This prohibition covers not only direct contributions but also indirect assistance or support through buying tickets to fund-raising events or furnishing goods, services or equipment.

You must not seek to influence any government employee's judgment by promising or giving money, gifts or loans, or by any other unlawful inducement. The Company's dealings with government agencies and officials are conducted legally and morally.

Healthcare's policy on political contributions applies solely to the use of Company assets and is not intended to discourage or prevent individuals from engaging in political activities voluntarily and on their own time and at their own expense. No personal contributions are subject to reimbursement by the Company, and you must take care, in all cases, to avoid giving the appearance that you are acting or speaking on Healthcare's behalf. Since an employee's work time can be considered a contribution, you may not work for any political party or candidate during hours for which you are being paid by the Company.

## HEALTH AND SAFETY

At Healthcare, the health and safety of our employees is our first concern and responsibility. As discussed in the Policy and Procedures Manual, the Company is committed to making every reasonable effort to provide our employees with a safe and healthy working environment. All employees are responsible for compliance with these policies and must perform their jobs in compliance with federal, state and local laws affecting health and safety conditions of the workplace, including the rules and regulations of the Occupational Safety and Health Administration.

Using good common sense and following Company safety regulations can keep accidents, to you and others, to a minimum. Employees who improperly or carelessly endanger themselves, other employees or clients of Healthcare or their properties will be disciplined.

If you are aware of any instance in which Healthcare may not be complying with health and safety laws or policies, contact your immediate supervisor or the Company Compliance Officer.

## **ENVIRONMENTAL RESPONSIBILITY**

Healthcare recognizes that air, land and water are finite resources and must be protected and used wisely in order to assure their survival for future generations. To that end, the Company is committed to observing sound environmental practices. Healthcare employees must fully comply with all federal, state, and local environmental laws.

## COMPLIANCE WITH SECURITIES LAWS

On occasion you may have information about Healthcare that is not known to the investing public (commonly known as “inside information”), such as interim earnings, possible acquisitions or divestments, or marketing plans. “Insider information” may be “material” or “non-material.” “Material” information affects an investor’s decision to purchase, sell or hold the Company’s stock or significantly affect the market for such stock. “Non-material” information is any information which is not available to the investing public. Under the securities laws of the United States and Company policy:

- 1) You must not use such information as an opportunity for personal gain.
- 2) You must not disclose such information to persons outside of Healthcare.
- 3) You must not needlessly discuss such information with persons inside Healthcare.

Employees with such knowledge should exercise extreme diligence to maintain it in confidence and must not trade in Healthcare stock before such information is announced to the public and for a reasonable period of time thereafter.

Failure to observe these policies could lead to legal problems and financial loss for you, as well as for the Company. If you have any questions as to the application of these policies to a particular case, contact the Compliance Officer.

## **BRIBES AND KICKBACKS**

Healthcare employees may not under any circumstances accept or pay bribes, kickbacks or other similar remuneration or consideration. Accepting or paying bribes or kickbacks is a crime punishable by imprisonment and could subject the Company to criminal proceedings. To avoid even the appearance of impropriety, you should not engage in personal transactions with or give gifts to customers or suppliers with whom you have direct authority and decision-making power to transact Healthcare business. (See “Gifts and Entertainment Guidelines.”)

## **RESPONDING TO REQUESTS BY GOVERNMENTAL OR REGULATORY AUTHORITIES**

It is the policy of Healthcare to cooperate with reasonable requests from any governmental agencies concerning the Company's operations. However, it is the Company's policy that employees shall notify the Compliance Officer prior to responding to any requests for information that are outside of the ordinary scope of routine reports which are regularly made to governmental authorities.

The fact that a law enforcement agent or other governmental authority requests information does not mean that any act of wrongdoing or crime has been committed or that the governmental agent has concluded that any act of wrongdoing or crime has taken place. If a law enforcement agent or other governmental authority seeks to contact a Company employee directly about Healthcare matters, be advised of the following:

- 1) You have the right to request credentials of the agent for identification purposes.
- 2) You have the right to speak or decline to speak, as all such conversation is voluntary.
- 3) You have the right to consult with an attorney before deciding to be interviewed.
- 4) If you agree to be interviewed, you can insist that an attorney be present.

Again, an employee shall contact the Compliance Officer prior to responding to any requests that are outside of the ordinary scope of routine reports which are regularly made to governmental authorities.

## ANTITRUST LAWS

Under the antitrust laws of the United States and some states, certain agreements, whether explicit or implicit, with competitors, clients, suppliers or others may produce an unreasonable restraint of trade or a substantial lessening of competition. Violations of such antitrust laws may constitute punishable crimes and result in severe personal and corporate civil damages. Examples of misconduct that may be anti-competitive in nature include price fixing agreements, exclusive selling or buying agreements, certain mergers and acquisitions, and agreements to divide up markets.

Legal counsel is required to determine whether the facts of a particular case involve prohibited conduct. While routine exchange of information with competitors may be appropriate and reasonable in many cases, some communications with competitors may be perceived to have the effect of lessening competition. It is the Company's policy that employees shall notify the Compliance Officer prior to providing information or engaging in any conduct or transactions that may be deemed to be anti-competitive.

General business information about Healthcare's competitors and markets is important to allow the Company to maintain and improve its competitive position. However, only legal and ethical means should be used to gather information about existing and potential competitors. Agreements to exchange information with competitors are improper and the following information shall not be provided to or requested of competitors:

- 1) information on prices, wages, marketing activity, acquisition or development plans, or any other potentially competitive information.
- 2) scale wages, salary ranges or compensation formulas.

Again, it is the Company's policy that employees shall notify the Compliance Officer prior to providing information or engaging in any conduct or transactions that may be deemed to be anti-competitive.

## LEGAL OBLIGATIONS

Employees must conform to all laws that apply to the business of Healthcare, wherever it is conducted. If an employee has questions whether any action is legal, or has difficulty in interpreting or understanding a law or regulation, consult the Compliance Officer.

## COMPLIANCE OFFICER

Healthcare strives to comply with all laws and regulations that are applicable to its business. Although laws and regulations may sometimes be ambiguous and difficult to interpret, the Company emphasizes good faith efforts to follow the spirit and intent of the law.

To assist you in reporting suspected violations of law or Company policy, or in requesting advice when you are in doubt about the priority of some action, please contact Healthcare's Chief Financial Officer who serves as the Company's Compliance Officer at the Company's corporate office. Remember that, except as may otherwise be required by applicable law or where such information is relevant to judicial or administrative proceedings involving the Company, your communications with the Compliance Officer will be treated on a confidential or anonymous basis if you wish.

## REPORTING VIOLATIONS

Violations of the Code of Ethics and Business Conduct or any of the Company's rules of conduct are a serious matter. Employees are expected to act fairly and honestly in all transactions with the Company and with others and to maintain the high ethical standards of the Company in accordance with this Code. If a situation arises which presents in your mind a potential violation of this Code, you should contact your immediate supervisor or the Compliance Officer.

Discovery of events of a questionable, fraudulent or illegal nature or which appear whether accidental or deliberate to be in violation of the Code of Ethics and Business Conduct must be promptly reported to the Compliance Officer. Healthcare will not take adverse action or retaliate against anyone for making such a report. A knowing failure to report a violation is itself a violation of the Company's Code of Ethics and Business Conduct.

## CONFIDENTIALITY

All Healthcare employees shall maintain the confidentiality of the Company's business information and of information relating to the Company's suppliers, customers, vendors, and persons covered by any of the Company's services. Employees are not to use any such confidential or proprietary information except as is appropriate for business.

Employees are not to seek to improperly obtain or misuse confidential information of the Company's competitors.

Employees are to protect the confidentiality and security of clients' protected health information and electronic protected health information consistent with Healthcare's obligations as a Business Associate.