

CORPORATE GOVERNANCE GUIDELINES

NATIONAL HEALTHCARE CORPORATION

The Board of Directors (the “Board”) of National Healthcare Corporation (the “Company”) has adopted corporate governance guidelines for the Company. These guidelines reflect the Board’s commitment to a system of governance which enhances corporate responsibility and accountability and the requirements of the Sarbanes-Oxley Act of 2002 and the New York Stock Exchange (“NYSE”) listing standards. These guidelines are subject to modification from time to time by the Board as the Board deems necessary and appropriate. Except to the extent the principles herein are restatements of existing laws or regulations, they are intended as guidelines within which the Board may conduct its business and are not intended to be legally binding obligations. The Board, in the exercise of its discretion, may deviate from these guidelines from time to time as it deems appropriate.

ROLES OF BOARD AND MANAGEMENT

The Board oversees management as it operates the Company’s business with the standards of responsibility, ethics and integrity. To shoulder their respective responsibilities, each of the Board and members of senior management shall set policies and guidelines that reflect the Company’s commitment to business success through maintenance of these standards of responsibility, ethics and integrity.

1. **Responsibilities of the Board.** The Board shall be responsible for overseeing the conduct of the Company’s business and ensuring that the interests of the Company’s stockholders are being served. In carrying out that oversight duty, and in addition to the other responsibilities imposed by law, regulation, stock exchange rules and the Company’s Certificate of Incorporation and Bylaws, the Board’s primary functions (which may be fulfilled by committees of the Board) shall include:

a. ***Strategic and operational planning:*** Reviewing and approving long-term strategic plans and annual operating plans and monitoring the implementation and execution of those plans;

b. ***Major corporate actions:*** Reviewing and approving significant financial and business transactions and other major corporate actions;

c. ***Financial reporting:*** Reviewing publicly disclosed financial statements and related reports, and overseeing the establishment and maintenance of controls, processes and procedures to promote the accuracy, integrity and clarity of financial and other disclosures; and

d. ***Governance and compliance management:*** Establishing and maintaining governance and compliance processes and procedures to promote the highest standards of responsibility, ethics and integrity in the management of the Company.

2. **Responsibilities of Management.** Management, at the direction of the CEO, shall be responsible for conducting the Company’s business and affairs in an effective, responsible and ethical manner consistent with the principles and direction established by the Board. In carrying out that duty, management is charged with the following:

a. ***Organizing management:*** Selecting qualified personnel and implementing an organizational structure that is efficient and appropriate for the Company’s operations and culture;

b. *Strategic and operational planning and implementation:* Developing strategic plans and annual operating plans, presenting those plans to the Board, implementing and executing approved plans and recommending and executing changes to those plans as necessary, and managing the Company's overall risk profile;

c. *Financial reporting:* Ensuring the integrity of the Company's financial statements and reports by implementing and supervising systems, controls, processes and procedures that allow the Company to record, process, summarize and report information in a timely and accurate manner, produce financial statements and other disclosures that accurately and fairly present the Company's financial condition and results of operations and permit stockholders to understand the Company's business, financial soundness and risks.

BOARD OF DIRECTORS

The Nominating and Corporate Governance Committee (the "Nominating Committee"), with input from the other directors, is responsible for reviewing with the Board the skills and characteristics required of the directors in view of sound business principles and best practices as well as by current legal and regulatory requirements. This assessment is addressed below in the "Director Qualifications" Section. The Nominating Committee is responsible for overseeing the screening and recruitment process and for making recommendations for new director candidates.

1. Size and Composition of Board. The number of directors constituting the full Board shall be not less than six (6) or more than twelve (12), with the exact numbers to be determined from time to time by the Board within the limits prescribed by the Company's certificate of incorporation and bylaws. A majority of the directors on the Board shall be directors who meet the independence requirements of the applicable NYSE rules (the "Independent Directors"). In addition to the Board's annual review, each Independent Director shall periodically evaluate the criteria set forth in these guidelines to determine if he or she continues to be "independent." Upon making a determination that he or she no longer qualifies as an Independent Director, the director shall as soon as practicable notify the Chair of the Nominating Committee of such fact so that Board review can be facilitated.

2. Director Qualifications.

a. *Independence:* There shall be at least a majority of Independent Directors on the Board, each of whom must meet the independence requirements of the applicable provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the rules promulgated thereunder and the applicable rules of the New York Stock Exchange (the "NYSE").

b. *Diversity:* The Nominating Committee, with input from the other directors, is responsible for reviewing with the Board the skills and characteristics required of the directors in view of sound business principles and best practices as well as by current legal and regulatory requirements. In determining whether to recommend a candidate for the Board of Directors' consideration, the Nominating Committee looks at diversity of experience and thought, race, gender, ethnicity, age, and capabilities, with greater weight given to qualifications like an understanding of the healthcare industry, public company leadership, finance and accounting. The Board may also consider reputation, integrity, judgement, skill, honesty, and strength of character. The minimum and principal qualification of a director is the ability to act successfully on the shareholders' behalf.

c. *Current Directors:* Existing Board members are automatically considered for a term renewal. When determining whether to nominate a current director to stand for reelection as a director, the Nominating Committee shall review and consider the performance of such director during the prior year

using performance criteria established by the Board. In recruiting and evaluating new director candidates, the Nominating Committee shall assess a candidate's independence, as well as the candidate's background and experience, current board skill needs and diversity. In addition, individual directors and any person nominated to serve as a director should demonstrate high ethical standards and integrity in their personal and professional dealings and be willing to act on and remain accountable for their boardroom decisions. Each director and person nominated to serve as a director shall be in a position to devote an adequate amount of time to the effective performance of director duties. Each director must also take reasonable steps to keep informed on the complex, rapidly evolving health care environment.

d. *Nominations:* The Nominating Committee will consider any candidates proposed by any senior executive officer, director or stockholder, in a manner consistent with applicable law, the Company's certificate of incorporation and bylaws and the criteria set forth herein.

3. Majority Voting on Directors. In an uncontested election of directors, any incumbent nominee for director who receives a greater number of votes "withheld" or "against" his or her election than votes "for" his or her election will promptly tender his or her resignation to the Chairman of the Board and the Chairman of the Nominating Committee as provided in the Company's bylaws. The Nominating Committee will promptly consider the resignation submitted by a director receiving a greater number of votes "withheld" or "against" his or her election than votes "for" his or her election, and the Nominating Committee will recommend to the Board whether to accept the tendered resignation or reject it. The Board of Directors shall act on the tendered resignation, taking into account the Nominating Committee's recommendation, and publicly disclose (by a press release, a filing with the Securities and Exchange Commission, or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results.

The Nominating Committee in making its recommendation, and the Board in making its decision, may each consider any factors or other information that it considers appropriate and relevant. Any Director who tenders his or her resignation shall not participate in either the Nominating Committee's or Board's consideration or other action regarding whether to accept the resignation. However, if each member of the Nominating Committee failed to receive a majority of the votes cast at the same election, then the Independent Directors who did not fail to receive a majority of the votes cast shall appoint a committee amongst themselves to consider the resignations and recommend to the Board of Directors whether to accept them.

4. Chairman and CEO Structure. On an annual basis, the Board shall evaluate the Company's leadership structure to ensure that it remains the optimal structure for the Company and its shareholders. While historically the Company has had the same person serve as the Chairman and CEO, that changed effective January 1, 2017 when Robert Adams, the retiring CEO was named non-executive Chairman. The Chairman is charged with presiding over all Board and shareholder meetings and providing advice and counsel to the CEO and our Company's other officers regarding our business and operations. The Board recognizes that different board leadership structures may be appropriate for companies with different histories and cultures, as well as companies with varying sizes and performance characteristics. The Company believes that the current structure of separating the Chairman and CEO position is the optimal structure for our Company and our shareholders at this time.

5. Retirement or Withdrawal of Directors. The Board believes that directors should serve for only so long as they add value to the Board. A director's contributions to the Board, and the director's ability to continue to productively contribute, will be considered by the Nominating Committee each time a director is considered for nomination.

The Board does not believe that it should establish term limits or a fixed retirement age for its members. The Board recognizes the value of continuity of leadership by directors who have experience with the Company and who have gained over a period of time a level of understanding of the Company and its operations that enable them to make significant contributions to the deliberations of the Board. The Board believes, as alternatives to term limits or a fixed retirement age, it can ensure that the Board continues to evolve and consider new viewpoints through the Company's Board evaluation and nomination processes.

6. Conflicting Commitments. All directors are expected to be active participants in and share collective responsibility for the Board's activities. Accordingly, the Board believes there should be a limit to the number of other public company boards on which a director may serve. Generally, without the express approval of both the Board and a majority of the Independent Directors thereof, no member of the Board may serve on more than five public company boards (including the Company).

It is the responsibility of each director to ensure that his or her other commitments do not conflict or materially interfere with the director's commitments to the Company. If a director has any concerns about whether serving as a director of another company might conflict with his or her duties to the Company, the director should consult the chairman of the Board (the "Chairman").

7. Director Orientation and Education. The Company's management shall provide new directors with materials, briefings and additional educational opportunities to permit them to become familiar with the Company and to enable them to better perform their duties. The Board of Directors has not adopted any specific requirement for director orientation and continuing education, but approves participation by directors in such programs on an ad hoc basis. The Company will reimburse directors for reasonable expenses incurred in connection with participation in approved director education programs.

CONDUCT OF BOARD MEETINGS

1. Number of Meetings and Attendance. The Board shall be responsible for determining the appropriate number of regular meetings of the Board to be held each fiscal year. Special meetings may be called at any time in a manner consistent with the bylaws. Directors are expected to use best efforts to attend scheduled or specially called Board and applicable committee meetings, and the Annual Shareholder's Meeting.

2. Meeting Agenda. The Board shall be responsible for its agenda, and each director is encouraged to suggest at any time agenda items to the Chairman.

3. Pre-Meeting Materials. Prior to each regularly scheduled Board meeting, the Chairman, with the assistance of management, shall distribute appropriate written materials relating to the substantive agenda items to be discussed at that meeting where prior review would be helpful (unless confidentiality or sensitivity concerns require that materials be distributed only at the meeting). Directors are expected to review in advance of scheduled or specially called meetings the materials supplied to the directors. Each director is encouraged to offer suggestions to the Chairman regarding the nature or extent of information or materials that are regularly distributed in advance of Board meetings.

4. Executive Sessions. The Directors may meet at regularly scheduled executive sessions, which will typically occur at regularly scheduled Board meetings, without any member of management present and must so meet at least annually. The Directors shall be entitled to retain legal counsel, accountants, health care consultants, or other experts, at the Company's expense, to advise the Directors concerning issues arising in the exercise of their functions and powers.

COMMITTEES OF THE BOARD

1. **Standing Committees.** The Board currently has the following standing committees:

- Audit Committee
- Compensation Committee
- Nominating and Corporate Governance Committee

Each of the Audit Committee, Compensation Committee and Nominating Committee shall be governed by a written charter approved by the Board. Once approved, each committee charter shall be considered an integral part of these Corporate Governance Guidelines. Each committee shall review its charter at least annually and shall report the results of such review (including any recommended changes) to the Board.

2. **Membership.** The membership of each committee (including the number and identity of directors comprising the committee and the director designated to serve as chair of the committee) shall be determined by the Board and as provided in the applicable charter. Each member of the Audit Committee, Compensation Committee and Nominating Committee must satisfy the independence requirements of the NYSE rules within the periods prescribed by those rules. Directors should promptly inform the Chairman and the Corporate Secretary of any anticipated changes in their circumstances or relationships that may impact their qualification for membership on the Nominating Committee, Audit Committee, or Compensation Committee.

3. **Audit Committee Membership Requirements.** In addition to being “Independent Directors,” Audit Committee members also must meet the requirements of Rule 10A-3 of the Securities Exchange Act of 1934 (the “Exchange Act”) (or any successor provision); specifically, such members may not:

- (i) directly or indirectly accept any consulting, advisory or other compensatory fee from the Company or its subsidiaries, other than: (1) fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company that is not contingent in any way on continued service, and (2) compensation for service as a Board or Committee member; or
- (ii) be an affiliated person (as defined in Rule 10A-3) of the Company or its subsidiaries.

If an Audit Committee member simultaneously serves on the audit committee of more than three public companies (including the Company’s Audit Committee), the Board must determine whether such simultaneous service impairs the ability of such member to effectively serve on the Company’s Audit Committee and will disclose such determination in the Company’s annual proxy statement.

4. **Compensation Committee Membership Requirements.** In affirmatively determining the independence of any director who will serve on the Compensation Committee, the Board shall consider the additional independence requirements specific to compensation committee membership set forth in Section 303A.02(a)(ii) of the NYSE Listed Company Manual and each Compensation Committee member must be a “non-employee director” within the meaning of Rule 16b-3 promulgated under the Exchange Act or any successor rule or regulation.

5. Conduct of Committee Meetings. Consistent with its purpose (as stated in its charter), each committee shall be responsible for determining the frequency and length of committee meetings and the agenda of items to be discussed. The committee chair, in consultation with appropriate members of management, shall develop the agenda for each meeting and shall cause appropriate written materials to be prepared and distributed prior to the meeting. The committee chair, generally with the assistance of the Secretary, shall be responsible for ensuring minutes of each committee meeting are properly recorded, and the Secretary shall incorporate these minutes into the official Board minute book. The committee chair shall be responsible for regularly apprising the Board of all committee proceedings, determinations and recommendations.

BOARD COMPENSATION

The Board, through the Compensation Committee, will periodically review, or request management or outside consultants to review, appropriate compensation policies with respect to the directors serving on the Board and the committees thereof. The Compensation Committee will consider each director's contributions to Board functions, service as a committee chair, and such other factors as it may deem appropriate. Changes in Board compensation, if any, should be suggested by the Compensation Committee, with subsequent discussion and concurrence by the Board and a majority of the Independent Directors thereof.

The Company believes that the directors, as the policy makers for the Company, should be compensated primarily by the quality and financial performance of the Company and only secondarily by cash compensation. In accordance with these principles, director compensation is divided into two components, comprised of cash compensation and equity-based compensation. When reviewing the total compensation packages provided to directors, the Board will compare the compensation packages provided to its directors to compensation packages provided to directors of comparable health care companies.

PERFORMANCE EVALUATION; SUCCESSION PLANNING

1. Annual Board Self-Evaluation. The Board (led by the Nominating Committee) will conduct an annual self-evaluation to determine whether the Board and each of the committees thereof are functioning effectively. These evaluations will be reviewed and discussed with the Board.

2. Annual CEO Evaluation. The Compensation Committee will review and approve corporate goals and objectives relevant to the CEO's compensation, conduct an annual evaluation of the CEO's performance in light of those goals and objectives, and determine the compensation of the CEO based on this evaluation.

3. Succession Planning. The Compensation Committee will regularly report to the Board with respect to executive succession planning and address, as needed, succession plans for the CEO and other senior executives. Succession planning may address policies and principles related to the selection of successor executives, including policies regarding succession in the ordinary course of business, such as by retirement, and succession in the case of an emergency or unexpected event.

ACCESS TO MANAGEMENT, ADVISORS AND DIRECTORS

1. Shareholder Access to Directors. The Board of Directors has adopted a third party "NHC Valuesline" program in order to enable employees and shareholders to communicate (on a non-identifiable

basis if so desired) with the Company's Compliance Officer, executive officers and directors. The Valuesline toll free number is 888-568-8578 and is answered by an independent contractor who will transmit the communication to the Compliance Officer and establish a date by which the caller can obtain a response to the communication, if so requested. The Compliance Officer will forward any inquiries to or about executive officers or directors to the Office of General Counsel, who will coordinate any necessary communication and response.

2. Director Access to Management. It is the policy of the Board to encourage the Chief Executive Officer, from time to time, to bring managers into Board meetings who can provide additional insight into items being discussed or into significant segments of the Company's business as well as those managers with future senior management potential that senior management believes should be given exposure to the Board.

3. Director Access to Independent Advisors. The Board and the committees thereof, as well as the non-management directors holding executive sessions, may retain at the Company's expense independent outside financial, legal or other advisors as they deem necessary or appropriate, in their sole discretion.

CONDUCT AND ETHICS STANDARDS FOR DIRECTORS

Directors are subject to applicable provisions of the Company's Code of Ethics and Business Conduct, which provides that, among other things, directors shall conduct themselves in a manner that ensures they remain free of conflicts of interest in the performance of their responsibilities to the Company and that protects the Company's business reputation. Company loans to, or guarantees of obligations of, directors and their family members are expressly prohibited. Directors must seek determinations and prior authorizations or approvals of potential conflicts of interest exclusively from the Audit Committee.

Directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises. Accordingly, directors are prohibited from taking for themselves personally (or for the benefit of friends or family members) business opportunities that are discovered through the use of Company assets, property, information or position for personal gain. In addition, no director may compete with the Company.

Directors, in the course of their Company duties, shall comply fully, both in letter and spirit, with all federal and state laws applicable to the Company's businesses, and with applicable Company policies (including policies relating to use of confidential information and insider trading).

Directors shall maintain the confidentiality of information entrusted to them by the Company or its customers, suppliers or partners, except when disclosure is expressly authorized or legally required. Confidential Information includes all non-public information (regardless of its source) that might be of use to the Company's competitors or harmful to the Company or its customers, suppliers or partners if disclosed.

AMENDMENT

These Corporate Governance Guidelines may be periodically reviewed and amended by the Board.

APPROVAL AND ADOPTION

Reviewed and adopted by the Board effective August 15, 2020.