

CHARITON VALLEY ELECTRIC COOPERATIVE, INC.  
GENERAL BOARD  
POLICY 05-A

SUBJECT: Code of Conduct for Directors  
DATE: June 2008, March 2011, January 2014, October 2015, March 16, 2017,  
January 24, 2019

POLICY: Directors will conduct themselves in accordance with high moral and ethical standards.

PROCEDURE: The Cooperative will establish standards and procedures to guide directors in performing their functions.

- A. General Conduct of Directors. Directors should conduct themselves, personally and professionally, as well as in their capacity as representatives of the Cooperative, in accordance with the highest moral and ethical standards, and should avoid even the appearance of any conduct inconsistent with such standards.
- B. Conduct with Respect to Fellow Directors. Regardless of the personal relationships and differences between directors, they should respect one another.
  1. Each director should allow ample opportunity for every other director to be heard on any matter being considered by the Board and listen carefully to the judgment and views as well as the factual observations of the other directors.
  2. Directors should not reveal the differences of positions among directors on matters considered and acted upon by the whole Board outside the Board Room. This standard should apply to informal as well as formal communications. This standard, however, does not preclude fair and accurate publication of such differences to the Cooperative's members in relation to contests for director elections or other matters to be voted upon by the members at a membership meeting.
- C. Director Access to Cooperative Data and Information. Any director is entitled to have access to data or information about the Cooperative, at reasonable times during business hours and for a proper purpose that is relevant to his/her standing as a director. This principle is subject to and will be honored in accordance with the following:
  1. All requests for such information or data shall be made to and through the General Manager (unless an actual or potential criminal activity of the General Manager is involved, in which case the requesting director shall first consult with the Cooperative's attorney for advice and guidance as to how best to proceed). In no case whatsoever shall information or data be sought by a director through other employees, agents or independent contractors (unless after consultation with and being advised by the

Cooperative's attorney because an actual or potential criminal activity of the General Manager is involved.)

2. In any instance in which a director has sought access to information or data not generally or ordinarily made available or reported to the Board of Directors, the General Manager shall report in detail on this at the next meeting of the Board.
3. Information or data received by a director pursuant to this policy shall not be revealed by the director to any other persons (the remaining directors, General Manager and the Cooperative's attorney excepted). However, this standard does not prohibit communication of such information or data to public authorities if a crime is involved. Legal advice should be sought in such instances if the director is in doubt as to whether such disclosure should be made.
4. In no case should a director reveal to others information and data the director receives because of his or her inside position in the Cooperative if the actual or potential effect of such revelation is to damage the Cooperative, including its image, or to enable himself or herself, and/or others, to personally profit therefrom.

D. Loyalty to the Cooperative. It is fundamental of corporate law that a director owes his or her duty to the cooperative; that he or she should, therefore, except in the most unusual circumstances, abide, both actually and in spirit, by the decisions made by the Board of Directors; and that the director should not, in fact or in attitude, oppose the implementation of or cast doubt upon those decisions by reporting and criticizing them to others outside the Board room. "Unusual circumstances" means the actions of the Board of Directors are so harmful to the best interests of the Cooperative that he or she must do one or both of the following:

1. Report the same to other Cooperative members and launch a formal membership resistance to such action; or,
2. Institute an action in court to restrain the implementation of Board proposed or approved action.

E. Good Faith and Fair Play. It is also a fundamental of corporate law, and this Policy hereby requires, that every director shall deal in good faith and fair play with every other director and the General Manager, in expressing his or her views, questions, concerns, positions and activities relating to Cooperative policies, rates, charges, and programs in the conduct of its business. Good faith and fair play require:

1. That directors reveal all information or interests which they may have that may bear upon action being considered by the Board or the General Manager.
2. That directors shall not, either in Board meetings or Board Committee meetings, or at other times, pursue a position, inquiry, recommendation or motion for the purpose of unduly

harassing or annoying other directors, the General Manager or the Cooperative employees or independent contractors.

3. That director communications with employees other than the General Manager, if made at all, shall be casual and conducted on a friendly and courteous basis, but not for the purpose of influencing an employee's position or attitude concerning the director's cooperative related activities, or concerning management, operational and employee relations or personal issues, or seeking Cooperative information or data which should be available to the whole Board. Directors shall refrain from special, amorous, or affectionate relations with employees.

F. Conduct During Board Meetings. Every director will always:

1. Review the agenda, background materials, and reports before attending the meeting.
2. Arrive promptly, be attentive, and cooperate with the chairperson to follow the agenda.
3. Give sufficient and proper notice to the cooperative or a member of the Board if unable to attend the meeting.
4. Organize comments and opinions on each topic or issue to be brief and concise.
5. Ask meaningful and discerning questions about the topics and problems.
6. Question whether proposals are in accord with all federal, state, and local laws and regulations and Cooperative bylaws and policies.
7. Vote for what will be best for the membership as a whole.
8. Provide full personal disclosure in situations in which your Board vote could be construed as a conflict of interest.
9. Ask to have your vote recorded if you believe the majority's actions might be inadvisable, improper, or illegal.
10. Remember that directors acting together as a Board have absolute power to determine all Cooperative business, but that individually directors have no more authority than any other member of the Cooperative.
11. Be willing to see the General Manager's point of view and consider his or her suggestions seriously.
12. Disclose details of any disagreements with the Manager in the Board meeting.
13. Discussion of weather, crops, community events, and other irrelevant topics during the meeting is discouraged.

14. Remember that knowledgeable Board decisions should not be made on unsupported rationale, intuitions, rumors, suspicions, feelings, or guesses.

No Director will ever:

1. Conspire to "railroad" a Board meeting with decisions made in prior private meetings where the full Board and General Manager were not present.
2. Hesitate to say that you lack sufficient information to make a sound decision. (Request additional information when needed before voting.)
3. Permit interpersonal conflicts or individual experiences to dominate meetings.
4. Engage in personal attacks, ridicule, or buffoonery that offends and creates lasting tensions.
5. Assign individual directors to convey "executive session" decisions to the General Manager; this is a function of the whole Board.

G. Conduct Outside of Board Meetings. Every Director will always:

1. Be familiar with the Cooperative's Articles of Incorporation and Bylaws, laws and regulations governing the Cooperative's operations, the Cooperative's financial condition, and the Cooperative's business relationships.
2. Avoid personal business dealings with the Cooperative to prevent any appearances of conflict of interest.
3. Be ready to explain and defend the Cooperative and its actions to the public, social groups, or educational and civic agencies.
4. Understand that the Board's function is to direct the Cooperative's business -- approve its mission, policies, objectives, goals, plans, programs, and budgets. The Board should never manage or direct the day-to-day operations of the Cooperative.
5. Remember that a director's most common error is infringing on management's prerogatives and authorities previously delegated to managers by the Board.
6. Be aware that the Board (not individual directors) has a general oversight function of the Cooperative's operations to be exercised in consultation with the General Manager, and only in Board meetings.
7. Participate in strengthening member and public relations and in member and community meetings to achieve understanding and acceptance of the Cooperative's objectives and programs.

8. Support Board efforts to get reports on key performance areas, set standards of performance for directors, and appraise Board performance once a year. "How are we doing?" "How effective is our Board?"
9. Discourage members from consenting to a nomination for a Board position if they are only "lukewarm" about serving.
10. Contribute support for and encourage participation in director orientation and certification programs.

No director will ever:

1. Use the director position for personal gain of any kind.
2. Accept gifts, fees, loans, favors, or anything of value if it gives any appearance of inducing the director to compromise Board responsibility.
3. Attempt to privately use the General Manager and employees to gain detailed, special, or in-depth information for the purpose of dominating Board meeting discussions. In-depth and special information should only be made available to individual directors with the knowledge of the full Board.
4. Disclose details of Board meetings to those who have no need to know the inner workings of the cooperative, financials or any pertinent confidential information given to board members.
5. Appeal a decision made by the majority of the Board directly to the membership when an individual director supports a minority view.
6. Ask for special treatment, favors, or concessions from the General Manager or employees for an individual director or his or her constituents.
7. Give instructions, directions, or orders on conducting the daily affairs of the Cooperative to the General Manager or other employees.
8. Question employees, other than the General Manager, about internal situations or company problems.
9. Deal with employees, except through or with the General Manager.
10. Make commitments as an individual director in the name of the Cooperative.
11. Embark on a personal investigation or audit of the Cooperative's operations without Board approval.

12. Fail to adopt a meaningful executive compensation plan, and other compensation plans which ensure internal equity and enable the Cooperative to recruit and retain the best personnel available.

*Kenneth Vanden Bay*  
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Secretary

January 24, 2019  
Date