

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION  
GRAYSON, KENTUCKY

BOARD POLICY NO. 124

SUBJECT: ETHICS AND CONFLICT OF INTEREST POLICY

I. OBJECTIVE

To establish a procedure governing ethics and conflict of interest as they affect Cooperative Directors.

II. POLICY

A. General

The Cooperative is founded upon the integrity of its employees and directors. Working for the Cooperative is a highly visible job, and since the Cooperative is judged to a great extent on the actions of its employees and Directors, the Cooperative expects that each employee's and director's conduct should at all times reflect favorably on the organization.

Each director is expected to base all decisions on the best interest of the Cooperative. So that all decisions may be viewed as being arrived at objectively, directors should avoid all situations where a conflict of interest or even an appearance of conflict of interest exists. Generally, a conflict of interest may be said to exist when a director has a divided loyalty, which affects the director's performance or judgment. The director must be free from actual or potential influence of personal considerations or relationships when dealing for the Cooperative with others.

This policy does not purport to cover every situation that may create a conflict of interest. It is expected that good business judgment and common sense will guide each director's actions.

The Cooperative's policy is to comply with all laws and regulations applicable to its business. Where the laws and regulations are ambiguous, management will seek a legal interpretation to ensure proper compliance.

Any director who violates the Cooperative's code of ethics is subject to appropriate disciplinary action, up to and including possible discharge.

B. Disclosure

A director must disclose to the entire Board of Directors any situation or transaction in which the director is involved which violates, may violate, or could appear to violate the intent of this policy. The Board of Directors, in coordination with legal counsel, shall determine what action should be taken and will so advise the affected director as soon as possible.

C. Financial Interests in Outside Organizations

A director in a position to influence decisions who has (or who has a close relative or household member who has) an interest, direct or indirect, in any business transaction or proposed business transaction in which the Cooperative is or may be a party, must disclose the interest to the Board of Directors as soon as the director has knowledge of such interest. The Board should then follow the above procedure on disclosure. "Direct or indirect interest" is defined as any firm, corporation, or other entity in which the director holds an equity interest or serves as an officer, director, or agent. An equity interest of less than 1 percent in publicly-held companies need not be considered. A "position of influence" is construed to include not only those situations where the employee purchases equipment or materials or assets for the Cooperative, but also includes any director who establishes specifications for, recommends, evaluates, tests, or approves a supplier's product or contractor's service, or who participates in the selection of, or arrangements with a supplier of contractor or who is exposed to information which may be of value to a potential contractor, bidder or supplier.

D. Other Interests or Employment in Outside Organizations

Apart from financial interests, other relationships must be avoided which can cause a director to be interested in the success of another organization and thereby compromise his/her loyalty to the Cooperative.

A director shall not be employed by, or perform any services for, any competitor or supplier of the Cooperative, whether or not he/she receives any compensation, nor shall the director be otherwise employed or render services if the relationship might jeopardize the interests of the Cooperative or adversely affect the reputation of the Cooperative or might interfere with the director's work schedule or productivity.

E. Confidential and Proprietary Information

Information obtained in the course of employment is to be kept confidential unless and until the information is or becomes available publicly through other channels. A director having access to Cooperative information on procurement including, but not limited to bids, awarding of contracts, or other information of a competitive nature, real estate transactions, personnel records, salary information or any other matter is prohibited from using that information for personal benefit or to adversely affect the best interests of the Cooperative.

For example, a director who gains advance information concerning contract bid prices may not use this information to assist a contractor in preparing a contract bid. This action would be unethical since it would result in allowing a contractor a competitive advantage.

F. Gifts from Suppliers, Contractors and Consultants

No director shall solicit any gratuities, discounts, compensation or gifts from any supplier or potential supplier or consultant.

G. Records, Reports, and Company Funds

Payroll records, invoices, and many other Cooperative records are just as important as Cooperative funds. Each director who is involved in the handling of Cooperative money or records should know and follow procedures for the protection of funds and for assuring that they are credited or charged to proper accounts. Removing, destroying, falsifying, or failing to prepare such records is considered to be misappropriation of Cooperative funds or property.

An employee required to approve invoices or expend Cooperative funds is responsible for ensuring that the invoices are valid and that they relate to services or merchandise for the Cooperative.

H. Use of Cooperative Property

Tools, supplies, vehicles and all other equipment are for Cooperative use only, unless specifically authorized by management. Cooperative staff and equipment are not to be used for personal benefit.

Protection of company equipment against loss, theft, damage, and vandalism is the responsibility of all Cooperative directors. Cooperative property and equipment are not to be sold, loaned, given away or otherwise disposed of, regardless of condition or value, except with proper authorization.

I. The Application of This Procedure

This procedure is not meant to infringe upon an individual's rights established and protected by law. All directors may participate in outside financial, business or other activities so long as such outside activities do not impair the performance of their duties and do not improperly make use of the Cooperative's assets or the Cooperative's position in the community or adversely affect the Cooperative's competitive interests and transactions.

Each situation must be considered and resolved on its own facts and questions may arise on the application of this procedure to individual situations. A director who believes that the application of this procedure would be inappropriate or detrimental to the Cooperative in a particular circumstance can request that an exception be made.

III. Responsibility For Enforcement

A. Director Responsibility

Each director is responsible for ensuring that the director's actions and behavior are in accordance with this policy and of disclosing any possible conflict of interest. Any willful violation will result in disciplinary action, up to and including discharge and reimbursement to the Cooperative of any loss attributable to such action.

B. Board of Directors Responsibility

The Board of Directors is responsible for making every effort to see that this policy is understood by and followed by each director. The Board of Directors and Legal Counsel shall make decisions on the ultimate application of this policy consistently with the best interests of the Cooperative.

The Board of Directors shall be responsible for periodic review of this policy and modifications to it.

  
\_\_\_\_\_  
Roger L. Trent, Chairman

  
\_\_\_\_\_  
Bill E. (Eddie) Martin, Secretary/Treasurer

Adopted: 08/23/96  
Minute Book Page: 2743 - 2746  
Date Reviewed: 06/24/04  
Minute Book Page: 3625-3627  
Date Reaffirmed: 04/19/10  
Minute Book Page: 4313  
Date Reaffirmed: 01/21/11  
Minute Book Page: 4396