

VALLEY ELECTRIC ASSOCIATION, INC.

Board Policy #114

SUBJECT: ETHICS AND CONFLICT OF INTEREST

Dated: April 25, 2019

Supersedes Date: N/A

I. PURPOSE

- A. Integrity and accountability: Valley Electric Association, Inc. and its subsidiaries (VEA) has always striven to be open and transparent in all of its actions and communications. This policy is being implemented to carry on that tradition and otherwise ensure that the Board of Directors (Trustees) will continue to make all its decisions and undertake activities with honesty and integrity and will be held accountable for its actions.
- B. Safety: Public and employee safety are paramount.
- C. Member focus and customer service: VEA recognizes that member trust is essential and seeks to continue its commitment to at all times treating members with fairness and respect.

II. POLICY

- A. This Code of Ethics is intended to be a statement of how the Board of Directors will conduct itself. It identifies the Board's values and the procedures that will be followed to ensure that these values are upheld. Trustees are expected to know and understand the standards and expectations that are contained herein. The Code of Ethics provides guidance to Trustees in how they are expected to carry out their duties. Because the Code cannot address every possible situation, Trustees are expected to use good judgment and to raise questions when in doubt. Trustees are expected to consult with the board president or VEA counsel if in doubt about the standards that apply in any situation.
- B. The VEA Board believes that ethical standards are achieved not just through the publication and dissemination of this document, but through open, objective and on-going discussion about ethical issues related to the business and activities of VEA.

III. STANDARDS OF CONDUCT

- A. Trustees are expected to uphold the values of VEA and are required to report to the CEO, Board President, or Board Secretary any situation or transaction where the Trustee knows of any activity that is in violation of the law, board policies, VEA Bylaws or could appear to violate the intent of this Code of Ethics.
- B. Trustees are expected to deal fairly and honestly with the VEA membership.
 - 1. Trustees are prohibited from accepting, receiving or soliciting any gratuities, discounts, compensation, bribes, gifts, kickbacks or payments which are improper if such payment is from a third party and is related or linked, either directly or indirectly, to a trustee's duties or responsibilities as a member of the Board of Directors of VEA. Acceptance of these types of items might tend to compromise or give the appearance of compromising the Trustee's objectivity when acting on behalf of Valley Electric Association, Inc. Trustees are expected to limit their reimbursable expenses to those that are prudent and business-related.
 - 2. Trustees are prohibited from taking unfair advantage of members, suppliers or other third parties by way of a Trustee's access to privileged or confidential information.

IV. CONFLICTS OF INTEREST

- A. Generally, a conflict of interest exists when a Board member derives personal benefit from actions or decisions made in their official capacity as a Valley Electric Association, Inc. Trustee.
- B. A conflict of interest exists when any trustee is called upon to make or is involved in any decision where the trustee (or friend, relative of the trustee, or business entity in which the trustee participates as an owner) has any interest, direct or indirect, in any business transaction or proposed business transaction in which VEA is or may be a party.. Under such circumstances a trustee should disclose the conflict to the Board President, or designee, and the trustee may not be present to discuss or vote at any portion of a board meeting at which discussion, decision or action will be taken which involves the interest which created the conflict.
- C. Trustees must not seek any personal benefit through any arrangement between VEA and existing or potential vendors, suppliers, contractors, consultants or other parties that have a business relationship with VEA.

- D. In any situation where it may reasonably be perceived that there is a conflict of interest, the trustee and key management shall report that potential conflict of interest to the Board President or VEA counsel.
- E. Trustees may not have a financial or ownership interest in any entity with which VEA does business that might create or give the appearance of a conflict of interest unless such financial interest existed prior to the trustee's election to the board and the conflict was properly disclosed.

V. CONFIDENTIALITY OF INFORMATION

- A. Trustees are frequently entrusted with confidential information. This may include technical or financial information about current or future projects, business plans, personnel matters, member lists, and other information that, if disclosed, might be of use to competitors or potentially harmful to suppliers, members or employees. This information is the property of VEA.
 - 1. Trustees shall:
 - a. Not discuss confidential information with, or in the presence of, unauthorized persons, including family members and friends.
 - b. Use confidential information only for VEA's legitimate business purposes and not for personal gain.
 - c. Not disclose confidential information to third parties unless such disclosure is necessary for business purposes, authorized by the board, or required by law.
 - d. Not use company information or other property or resources for any personal gain or for the gain of anyone else.

VI. MEMBER COMMUNICATIONS

- A. In communicating with members, VEA, to its best ability, will:
 - 1. Provide all information that is appropriate under the circumstances and not deemed confidential .
 - 2. Provide information that is accurate and understandable.
 - 3. Not knowingly make false or misleading statements.

VII. FINANCIAL REPORTING AND RECORDKEEPING

A. VEA shall:

1. Follow Federal Energy Regulatory Commission (FERC) accounting principles as defined by Rural Utility Services (RUS) for electric utility transactions.
2. Maintain a system of internal accounting controls that will provide reasonable assurances that all transactions are properly recorded and that material information is available to management when required.
3. Maintain books and records that accurately and fairly reflect VEA's financial position.
4. Maintain a system that ensures VEA's records and documents are properly retained and secured.
5. Conduct an annual financial audit in accordance with VEA's Bylaws to provide an independent, objective review of financial reports and to identify any risks associated with the system of internal controls.

VIII. LEGAL AND REGULATORY COMPLIANCE

- A. VEA will comply with all local, state and federal laws, rules and regulations applicable to the activities of VEA and its businesses. Nothing in this Policy should be read to conflict with any local, state or federal laws, rules or regulations. It will maintain a safe and healthy work environment free from unlawful harassment, retaliation or discrimination.

IX. REPORTING OF VIOLATIONS

- A. Every trustee is responsible for ensuring that violations of laws, rules, regulations or this Code of Ethics are reported and addressed promptly. Reports of suspected violations may be made in person or in writing, with appropriate confidentiality to the Chief Executive Officer, Board President or Board Secretary. All such reports will be promptly investigated and appropriate corrective action will be taken. Any trustee who makes a report in good faith may do so without fear of harassment, retaliation or retribution.

X. TRUSTEE EDUCATION

- A. All trustees will receive a copy of the Code of Ethics. The board will periodically review this Code of Ethics to ensure familiarity with its contents and

requirements.

XI. MONITORING AND ENFORCEMENT

- A. Trustees who violate any laws, rules, regulations or the Code may face appropriate disciplinary action, which may include removal from the board, unless otherwise prohibited by law.

XII. RESPONSIBILITY

- A. The Board President shall be responsible for the administration of this policy.

Trustee Notice and Statement of Code of Ethics

I, the undersigned trustee of Valley Electric Association, Inc. (VEA), have received VEA's Code of Ethics. I understand that this Code of Ethics is intended to be a constant reminder my ethical responsibility as a trustee of VEA. I understand that compliance with this Code of Ethics is a requirement of my position, and I agree to comply with it fully for as long as I am a Trustee of VEA.

Date

Trustee's signature