



Valley Electric Association, Inc.

A Touchstone Energy® Cooperative 

BOARD POLICY NO. 106

ACTIVITIES AND CONDUCT OF DIRECTORS

PURPOSE OF POLICY:

All of the powers of the cooperative are conferred upon the board of directors except as reserved to the members by law, articles of incorporation or bylaws. Supplementing Board Policy 102, Authority and Responsibility of the Board of Directors, it is the purpose of this policy to establish activity and conduct standards of the board of directors so such power will be exercised in the best interests of the cooperative.

POLICY CONTENT:

1. General Conduct of Directors

A Director acts as part of a board. As a body, the board of directors has very substantial power as described in Board Policy 102 to govern the activities of the cooperative. In contrast, an individual director, acting alone or with several others, has virtually no cooperative power. Instead, each director exercises power and authority only as a participant in making board decisions.

Directors direct, but do not perform, the cooperative's activities. The cooperative bylaws provide that cooperative actions, as determined by the board of directors as a whole, will be carried out by officers, employees and agents. Neither the board itself nor any individual director, acting solely as a director, carries out the activities of the cooperative.

Directors act on behalf of the cooperative as a whole. Directors act on behalf of the cooperative as a whole in the furtherance of its mission as set forth in the articles of incorporation and bylaws. Although a director may be elected by virtue of his or her position to serve in another organization, he or she must act in the best interests of Valley Electric as a whole.

Directors have fiduciary duties. Directors have a duty of care, which requires acting in good faith and a duty of loyalty not to use their position for personal gain.

2. Loyalty to the Cooperative

It is a fundamental of corporate law that a director owes a duty to the corporation. The director should, therefore, abide by the decisions made by the board as a whole. The director should not oppose the implementation of or cast doubt upon those decisions by reporting and criticizing them to others outside the boardroom.



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Directors should conduct themselves personally and professionally in accordance with the highest moral and ethical standards and avoid the appearance of any conduct inconsistent with such standards. Directors must refrain from using their position for personal gain and to always act in the best interests of the cooperative.

3. Good Faith and Fair Play

It is also a fundamental of corporate law that every director shall deal in good faith and fair play with every other director and the CEO. Good faith and fair play require that

- Directors reveal all information or interest, which they may have, that may bear upon action being considered by the board or the CEO. Directors should excuse themselves from board discussions relating to their personal financial dealings with the cooperative (e.g. delinquent balances owed to the cooperative, line extension fees, rebates and the like);
- Each director allows ample opportunity for every other director to be heard on any matter being considered by the board, and listen carefully to the judgment, views, and factual observations of other directors;
- Directors should not pursue a position, inquiry, recommendation or motion to unduly harass or annoy other directors, the CEO, the employees or independent contractors.

4. Harassment

All Valley Electric personnel are responsible for assuring that the work place is free from discrimination and harassment. The cooperative has a strict policy prohibiting unlawful harassment, including harassment based on race, color, religion, sex, pregnancy status, sexual orientation, gender identity or expression, national origin, ancestry, age, disability, genetic information, marital status, veteran or military status, or any other characteristic protected by law. This policy prohibits harassment in any form, including verbal, physical, visual harassment and retaliation for having reported harassment or being a witness.

Sexual harassment includes, but is not limited to, unwelcome sexual advances, unwelcome physical contact of any kind, requests for sexual favors or other unwelcome verbal or physical conduct of a sexual nature where either (1) submission to such conduct is made as an explicit or implicit term or condition of employment; (2) submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting the individual; or (3) such conduct has the purpose or effect of interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment.

Examples of prohibited conduct include lewd or sexually suggestive comments; sexually suggestive language or jokes of a sexual nature; slurs and other unwelcome or inappropriate verbal, graphic or physical conduct relating to a person's race, color, religion, sex, pregnancy status, sexual orientation, gender identity or expression, national origin, ancestry, age,



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disability, genetic information, marital status, veteran or military status, or any other characteristic protected by law; or any display of sexually explicit pictures, articles, books, magazines, photos or cartoons, or any form of prohibited conduct directed at a person's gender, race, color, religion, sex, pregnancy status, sexual orientation, gender identity or expression, national origin, ancestry, age, disability, genetic information, marital status, veteran or military status, or any other characteristic protected by law.

Any director who believes he or she has been harassed in violation of this policy by a fellow director, employee, supervisor, client or vendor should promptly report the incident to the Chief Executive Officer or Board President immediately.

The cooperative will investigate all complaints. There will be no retaliation for making a good faith complaint and/or participating in an investigation of a complaint made by any Valley Electric employee. The cooperative will retain documentation of all allegations and investigations and will take appropriate corrective action to remedy violations of this policy. Any director who violates this policy may subject to removal from the board pursuant to the provisions of the bylaws and applicable law.

The cooperative shall offer harassment training and educational materials to all directors no less than annually.

5. Relationship with CEO, Employees and Members

One of the key relationships in a cooperative is between the board of directors and the CEO. As the governing body of a nonprofit cooperative, the board of directors provides oversight to ensure that the organization meets its mission and is operated in a way that is consistent with the goals of the cooperative. The board of directors is responsible for adopting or approving, or on some matters recommending to the members for approval, the significant policies and bylaws governing the cooperative's authority, the operating and capital budgets, major corporate transactions, and like matters. The directors also hire the CEO and assesses his or her performance. The CEO, on the other hand, is responsible for the day-to-day management of the affairs of the cooperative and the implementation of board policies. Except when specifically authorized by the board itself, directors should not deal directly with employees on matters relating to the conduct of their duties but instead should communicate through the CEO.

Director's communications with employees, other than the CEO, shall be casual and conducted on a friendly and courteous basis. Communications should not be for the purposes of influencing an employee's position or attitude concerning cooperative related activities, or concerning management, operational and employee relations or personnel issues, or seeking system information or data which should be available to the whole board. If employees come to individual board members with problems, the employees should be requested to discuss their concerns with the appropriate manager or supervisor.



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As members of the board, directors may at times be asked questions or advice outside of regular board functions by members, employees and the public. Oftentimes, many of these questions relate to the day-to-day business of the cooperative and are to be forwarded on to the CEO. Each director is responsible to maintain a level of professionalism while offering a sympathetic ear without offering solutions outside of their scope of business which may result in the possibility of relaying incorrect information.

6. Nepotism

The cooperative permits the employment of qualified relatives and close friends of directors as long as such employment does not, in the opinion of the Chief Executive Officer, create actual or perceived conflicts of interest.

7. Drugs and Alcohol

The unlawful manufacture, distribution, dispensation, possession or use of narcotics, drugs, alcohol or controlled substances while performing the duties as director of the cooperative is strictly prohibited, and may subject the director to removal from the board pursuant to the provisions of the cooperative's bylaws and applicable law.

8. Potential Director Liability

The board of directors are indemnified by the cooperative against both the costs of defense and judgements - provided that the director was acting in good faith and did not improperly receive personal benefits. Officers and directors are indemnified from personal liability for decisions made if they exercise reasonable business judgment, even if a decision turns out to be in error. Decisions must be reasonably informed and made in good faith in order to qualify for protection. Conversely, a director may be liable personally for damages arising out of breach of the director's duties as a director such as dishonest, fraudulent, or criminal acts or omissions. The nonprofit cooperative itself, or someone acting on the cooperative's behalf, may sue a director for a breach of the duty of care or duty of loyalty where the breach injures the cooperative itself.

RESPONSIBILITY FOR IMPLEMENTATION:

Implementation of this policy shall be the responsibility of the board president working jointly with the CEO and the board of directors.

POLICY APPROVAL DATE 8/22/2019

POLICY EFFECTIVE DATE 8/22/2019

Dave Hall, President
Board of Directors