



DIRECTORS' CODE OF CONDUCT

Last Revised: TBD

POLICY AT A GLANCE

The PEC Board of Directors has the responsibility to govern the business and affairs of PEC. This Code of Conduct sets forth the fiduciary duties of Directors and establishes standards of conduct for which Directors will be held accountable when serving on the Board.

STANDARDS ADDRESSED IN THIS POLICY



Legal Duty of Care, Loyalty, Obedience and Confidentiality



Conduct with Respect to Fellow Directors



Director Access to PEC Information or Assistance from Staff



Good Faith and Fair Play



External Communications



1. INTRODUCTION/PURPOSE

Pursuant to Texas law, PEC's Articles of Incorporation, and Bylaws, ~~t~~The Board of Directors (~~collectively the~~ "Board," ~~individually~~ "Director") of Pedernales Electric Cooperative, Inc. ("PEC" or "Cooperative") has the responsibility ~~under Texas law and PEC's Articles of Incorporation and Bylaws~~ to govern the business and affairs of PEC, except to the extent powers are reserved to PEC's Members ~~or have been duly delegated by the Board~~. This Directors' Code of Conduct ("Code") sets forth the fiduciary duties of Directors of PEC ("Directors") and ~~to establish~~~~establishes~~ the standards of conduct for which ~~they~~~~Directors~~ will be held accountable when serving on the Board. This Code is not intended to supersede any ~~other~~ specific policies that now or hereafter may apply to Directors, but instead should be read in conjunction with those policies.

2. SCOPE

All Directors are expected to know and abide by the standards, values, and expectations that this Code expresses.

3. VALUES

The Board establishes PEC's strategic ~~V~~values ~~that which~~ serve as ~~an the ethical and operational s and compliance~~ foundation ~~for~~ guiding PEC's organizational behavior, decisions, and direction. PEC's ~~values~~ Values are generally ~~adopted~~ implemented by the Board ~~throughin~~ PEC's Strategic Plan. Directors ~~shouldall~~ periodically review these value statements ~~so to ensure that they~~ Directors shall ~~can~~ understand, follow, and comply with the standards and expectations expressed by PEC's ~~values~~ Values.

2.4. POLICY AND IMPLEMENTATION

4.1 Legal Duties. In carrying out their duties, Directors are bound by the following fiduciary duties: duty of care; duty of loyalty; ~~and duty of candor;~~ and duty of obedience.

4.1.1 Duty of Care. Under the duty of care, Directors ~~should~~ must:

- 4.1.1.1** Exercise that degree of care that an ordinarily prudent person would exercise under similar circumstances.
- 4.1.1.2** Have or acquire minimum knowledge and skills necessary to govern PEC's business and affairs. Every Director shall, within one year after first becoming a Director, take the necessary training ~~to receive their Credentialed Cooperative Director Certificate from the National Rural Electric Cooperative Association ("NRECA") as required under PEC's Bylaws.~~ In addition, Directors are encouraged to obtain continuing education throughout their tenure to keep their knowledge current and to better fulfill their obligations as a Director.
- 4.1.1.3** Exercise independent judgment.
- 4.1.1.4** Attend regular or special meetings of the Board as required by the ~~b~~Bylaws, to pay attention and avoid distractions during meetings, and to study materials ~~sent prior~~ provided before or during to each Board meeting. It is the policy of



the Board that cell phones and other ~~personal digital assistants~~ mobile devices should not be used during any Board meeting, other than ~~iPads which are devices~~ provided to the Directors to help facilitate the meetings.

4.1.1.5 Be informed and request ~~that the Board request more~~ additional information if the Director feels it necessary to make an informed decision ~~on matters before the Board.~~

4.1.1.6 Rely on competent subject matter experts, including PEC employees and external resources ~~that are reasonably believed to be reliable and competent.~~

4.1.1.7 Not represent to others that the Director is acting or speaking on behalf of the Board or PEC unless authorized in advance to do so by the Board. A Director shall disclose to the Board his or her receipt of any fees, expenses, or honoraria received by the Director in connection with any speaking engagement related to his or her capacity as a Director consistent with the duty of loyalty.

4.1.2 Duty of Loyalty. Under the duty of loyalty, Directors ~~should~~ must:

4.1.2.1 Act in good faith and in the best interests of PEC and its Members hip.

4.1.2.2 Place the interests of PEC over any personal interests and comply with the Board-approved Conflict of Interest Policy.

4.1.2.3 ~~Act as a steward and prevent~~ the waste ~~ing~~ of PEC assets including money, equipment, and employee resources, and not use such information for personal purposes.

4.1.2.3

4.1.2.4 Keep confidential all PEC information that is otherwise exempt from disclosure under relevant Board PEC's Open Records Policy ~~policies, and not use such information for personal benefit. Directors should not share confidential information with anyone outside of PEC who is not authorized to have the information, nor PEC employees who have not been explicitly identified as allowed to have the information.~~ Each Director recognizes that information that is covered by the attorney/client privilege is confidential information and waiver of the attorney/client privilege can only be done by Board action and not by individual Directors.

4.1.2.5 Support the interests of PEC to elected officials in accordance with PEC's Legislative Policy.

~~**4.1.2.6** **4.1.1.1** Not represent to others that the Director is acting or speaking on behalf of the Board or PEC unless authorized in advance to do so by the Board. A Director shall disclose to the Board his or her receipt of any fees, expenses, or honoraria received by the Director in connection with any speaking engagement related to his or her capacity as a Director.~~



4.1.2.6 Not use or exploit his or her position as a ~~Board member~~Director, or information they have gained as a Director, to achieve any special benefit or privilege that is not otherwise available to any other PEC Member or Director.

~~4.1.2.7 The duty of candor requires all~~Use candor in all communications related to PEC's business. Directors must to reveal all information regarding their interests that they may have and that may bear upon could influence their position on actions or decisions being considered by the Board. This duty of candor requires Directors must also to reveal relevant information requested in an investigation as required by the Ethics and Compliance Reporting Policy.

4.1.3 Duty of Obedience. Under the duty of obedience, Directors ~~should~~must:

4.1.3.1 Study and adhere to all obligations imposed by federal and state laws, rules, and regulations, and PEC's Articles of Incorporation, Bylaws, policies, and contracts.

4.1.3.2 Assist in ensuring that PEC as an organization complies with applicable laws, rules, and regulations.

~~4.1.3.24.1.3.3~~ Consult with legal counsel to the extent necessary to ensure PEC is operating consistently with its governing documents and the law.

~~**Duty of Candor.** The duty of candor requires all Directors to reveal all information or interests that they may have and that may bear upon action being considered by the Board. This duty of candor requires Directors to reveal relevant information requested in an investigation as required by the Ethics and Compliance Reporting Policy.~~

4.2 Conduct with Respect to Fellow Directors. Regardless of any personal differences, Directors should:

4.2.1 Demonstrate mutual respect.

4.2.2 Allow opportunity for every other Director to be heard on any matter being considered by the Board.

4.2.3 Abstain from revealing to persons outside of PEC any differences of positions among Directors on matters considered by the Board in executive session. This standard does not preclude Directors from revealing their own positions on matters.

4.2.4 Recognize that the Board has the responsibility and authority to enforce these standards of conduct, ~~through reminders of this Code of Conduct~~ and, if warranted, ~~issuing~~ a reprimand or censure ~~approved by the Board~~ or seeking legal or equitable relief against a Director.

4.3 Access to PEC Information or Assistance from Staff. Directors shall contact the Chief Executive Officer ("CEO") or their designee with any requests for information or assistance from PEC staff. Directors may also directly contact the General Counsel, as needed, for



information or assistance. The CEO or General Counsel will direct ~~the a~~ request the receive under this Section to the appropriate staff and ensure any response or information is disseminated to the full Board and documented. Every Director is entitled to have access to PEC data or information for a proper purpose that is germane to his or her duties as a Director to govern the business and affairs of the Cooperative, subject to the following:

4.3.1 A Director may place a request for information before the remainder of the Board at any time by requesting inclusion of the matter on an upcoming agenda for review and consideration by the full Board.

4.3.2 When a Director makes a specific request directly to the CEO or ~~PEG Executives~~General Counsel, the remaining Directors shall be timely notified of the request including the specific nature of the request and the Director making the request.

4.3.2.1 Staff shall include in the notice to all Directors an estimate of the staff time required to respond to the request, any unusual or expected complications in obtaining the information, and an estimate of the actual costs of providing the information requested.

4.3.2.2 If the estimated cost of any request or of any series of requests of similar nature is less than \$500.00 or requires less than four staff hours to respond, the CEO or staff shall proceed to provide the requested information to the requesting Director, with copies to all Directors.

4.3.2.3 If the costs or time to respond to any request or of any series of requests of similar nature exceeds \$500.00 and/or requires more than four staff hours to respond, CEO or staff shall place the request on the Board's next agenda.

4.3.4 If the requesting Director designates any request as an "emergency" and provides an explanation of the emergency with the request, the CEO or staff shall notify the Officers of the Board who shall consider the request and may seek the other Directors' determination on whether to proceed with immediate fulfillment of the request.

4.3.5 ~~In any instance in which a Director has sought access to information not generally made available or reported to the Board, the CEO shall report on this to the Board and make the information available to all Directors.~~

4.3.6 A Director shall keep confidential all PEC information that is not of public record or is otherwise exempt from disclosure under ~~PEC's Open Records~~ relevant Board Policies, and shall not use that information for personal benefit.

4.4 Good Faith and Fair Play. Every Director shall deal in good faith and fair play with every other Director and ~~the CEO~~PEC staff in expressing his or her views, questions and concerns relating to PEC policies, rates, and programs. Good faith and fair play require:

4.4.1 -All Directors should reveal all information or interests that they may have and that may bear upon action being considered by the Board.



4.4.2 That Directors will not ~~so~~ pursue a position, inquiry, or motion as to unduly harass other Directors, any PEC employees, or independent contractors.

4.4.3 That Director communications with employees other than the CEO and the General Counsel shall be ~~casual and~~ conducted on a courteous basis, but not for the purpose of influencing an employee's position or attitude concerning his or her PEC-related activities.

4.5 External Communications. Generally, Directors should refer all media or other external response requests to PEC's Media Contact ~~for response~~. When a Director elects to publicly speak or write about Cooperative matters (an "External Communication"), the following provisions apply:

4.5.1 The Director must clearly state whether he or she is speaking as an individual ~~b~~Board member ~~Member~~ or on behalf of the entire Board. If a Director includes language in the remarks substantially as follows, the Director will be deemed to have made it clear they are not speaking for PEC: "The views expressed herein/today are my own personal views and do not represent the official position or policy of PEC or its Board of Directors."

4.5.2 In the event that an External Communication is made in a Director's individual capacity, no Cooperative staffing resources shall be used or costs incurred in making the External Communication without the prior approval of the CEO.

4.5.3 Upon request of a Director wishing to make an External Communication, the General Counsel shall review in advance the content of such External Communication to determine accuracy and potential liability.

~~4.5.4 These provisions do not apply to Directors in their capacity as candidates for election to the Board~~

~~4.5.5~~ An External Communication does not include any communication regarding legislative matters covered separately under the PEC Legislative Policy.

~~4.5.5 The provisions of this Section 4.5 of the Policy do not apply to Directors in their capacity as candidates for election to the Board~~

5 ~~POLICY IMPLEMENTATION AND RESPONSIBILITY~~RESPONSIBILITIES

5.1 All Directors and candidates, nominees, or appointees to the Board shall receive a copy of this Code and attest to having received and ~~understanding~~ understood it by executing the attached Affirmation and returning it to the ~~Recording Secretary of the Board~~ General Counsel.

5.2 PEC's General Counsel shall review this Code with the Board on an annual basis and discuss any personal liability implications resulting from violations.

5.3 It is the responsibility of each Director to understand their obligations under this Code and to comply with this Code.



- 5.4** The Board, acting through the President of the Board, shall ensure compliance with the Code by all Directors.
- 5.5** Any Director or employee who reports a suspected violation of the Code in good faith and based on a reasonable belief may do so without fear of harassment, retaliation, or retribution. No person reporting a good-faith concern based on a reasonable belief about compliance with this Code shall be subject to retaliation in any form for making the report.
- 5.6** Directors who violate any laws, rules, regulations, PEC governing documents, or this Code are subject to appropriate disciplinary action in accordance with PEC's governing documents and policies.

Date adopted:	May 21, 2012
Last reviewed:	October 16, 2020 TBD
Review frequency:	Every five years
Amendment dates:	March 21, 2012; July 16, 2012; August 10, 2013; February 18, 2014; December 8, 2014; August 18, 2015; September 19, 2016; October 16, 2020; TBD
Effective date:	October 16, 2020 TBD
Approver:	Board of Directors
Applies to:	Board of Directors
Administrator:	Board of Directors
Superseding effect:	This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this Policy.



Affirmation
Directors' Code of Conduct

I, the undersigned, have received, and will comply with PEC's Directors' Code of Conduct. I have had the opportunity to ask questions and understand PEC's Directors' Code of Conduct.

Signature

Printed name

Date

