

WELLS RURAL ELECTRIC COMPANY

Adopted: March 1976

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POLICY NO. 1-4

DIRECTOR DUTIES AND STANDARDS OF CONDUCT

I. PREAMBLE

All of the powers of the company are conferred upon and may be exercised by the board of directors, except as reserved to or conferred upon the members by law, the articles of incorporation, or the bylaws. It is the purpose of this policy to identify or establish standards whereby such power may be exercised in the best interests of the system.

II. OBJECTIVE

To explain the legal and fiduciary duties of directors and to clarify the standards of conduct for which they will be held accountable when serving on the board.

III. POLICY

A. Duties and Responsibilities

Directors are subject to legal duties and standards of fiduciary responsibility. These include the duties of loyalty, obedience and care.

1. Under the duty of loyalty, directors are required to:

- (a) Act only in the best long-term interest of the cooperative and its members.
- (b) Place the interests of the cooperative over any personal interests.
- (c) Not have any financial interest in a directly competing business.
- (d) Avoid the appearance of any conflict of interest.
- (e) Avoid any future conflict of interest by refusing to receive any remuneration from any entity proposing to purchase all or substantially all of the assets of the cooperative.
- (f) Represent and support the interests of the cooperative to elected and public officials.

- (g) Publicly support decisions of the board except in extraordinary circumstances where the director believes that there is a clear and present threat to the cooperative.
- 2. Under the duty of obedience, directors are required to:
 - (a) Obey all Federal and State laws, rules and regulations.
 - (b) Obey all requirements imposed by the Articles of Incorporation and Bylaws.
 - (c) Obey board approved policies and resolutions.
 - 3. Under the duty of care, directors are required to:
 - (a) Exercise that degree of care that an ordinarily prudent person would exercise under similar circumstances.
 - (b) Continue to acquire and develop knowledge and skills necessary to direct the affairs of the cooperative.
 - (c) Make every effort to attend all meetings of the board and to study materials sent prior to each board meeting.

B. Conduct with Respect to Fellow Directors

- 1. Regardless of any personal differences, directors should:
 - (a) Demonstrate mutual respect.
 - (b) Allow opportunity for every other director to be heard on any matter being considered by the board.
 - (c) Abstain from revealing to persons other than directors, the chief executive officer or the company's attorney any differences of positions among directors on matters considered and acted upon by the board. This standard does not preclude fair and accurate publication of such differences to the system's members in relation to contests for director elections or other matters to be voted upon by the members.

C. Director Access to Company Information

- 1. Any director is entitled to have access to company data or information, at reasonable times during the business hours for a proper purpose that is germane as described in the company's policies to his or her standing as a member or director. This principle

is subject to the following:

- (a) All requests for information shall be made to and through the chief executive officer. In no case shall such information be sought through other employees, agents or independent contractors, unless after consultation with and being advised by the company's attorney because an actual or potential criminal activity of the chief executive officer is involved.
- (b) In any instance in which a director has sought access to information not generally made available or reported to the board, the chief executive officer shall report on this at the next meeting of the board.
- (c) Information received by a director pursuant to this policy shall not be revealed by him or her to any persons other than the remaining directors, chief executive officer and company attorney, unless he or she is sincerely convinced that he or she is compelled to do so by legal considerations.

D. Good Faith and Fair Play

1. Every director shall deal in good faith and fair play with every other director and the chief executive officer in expressing his/her views, questions and concerns relating to cooperative policies, rates and programs. Good faith and fair play require:
 - (a) All directors should reveal all information or interests which they may have that may bear upon action being considered by the cooperative.
 - (b) That directors will not so pursue a position, inquiry or motion as to unduly harass or annoy other directors, the chief executive officer, employees or independent contractors.
 - (c) That director communications with employees other than the chief executive officer shall be casual and conducted on a courteous basis, but not for the purpose of influencing an employee's position or attitude concerning his cooperative-related activities.

IV. POLICY IMPLEMENTATION AND RESPONSIBILITY

1. All candidates, nominees or appointees to the board shall receive a copy of this policy.
2. Upon request of the board of directors, company attorney shall inform all candidates, nominees or appointees to the board regarding the terms and conditions of this policy and the personal liability implications resulting from policy violations.

3. Upon request of the board of directors, company attorney shall review this policy with the board on an annual basis and discuss any personal liability implications resulting from violations.
4. The president shall ensure that this policy is followed.