

# SAWNEE ELECTRIC MEMBERSHIP CORPORATION

## POLICY NO. 220

### SUBJECT: DIRECTOR ETHICS

#### I. OBJECTIVE

- A. To set forth the principles associated with the Cooperative's policy regarding a code of ethics for members of the Board of Directors.
- B. To develop position statements in support of a culture of ethical conduct.

#### II. CONTENT

##### A. Commitment to Ethical Behavior

It is the policy of the Board of Directors to expect the highest level of ethical behavior of its members and others associated with the Cooperative and to periodically update and restate its standards.

##### B. Guiding Principles of the Board's Code of Ethics

The Cooperative's standards of ethical behavior as it relates to the Board of Directors will be defined and communicated to promote:

1. Honest conduct, including the ethical handling of actual or apparent conflicts of interest between personal and cooperative business relationships. Under this policy, a conflict of interest exists when a director (or the director's close relative) may personally benefit from a corporate decision.
2. Full, fair, accurate, timely and understandable disclosure of the Cooperative's periodic external reports.
3. Compliance with applicable governmental rules and regulations.
4. Prompt internal reporting of code violations to persons identified in the code.
5. Accountability for adherence to the code.
6. Disclosure of interests that may have a bearing on action being considered by the Board or by employees of the Corporation.

C. Position on Matters of Ethics

The Cooperative's Board will in all actions strive to apply the following position on decisions as it relates to ethical treatment:

1. Create a business philosophy and position of respect, trust, integrity and honesty.
2. Comply with applicable laws including whistleblower protection, records retention and other applicable statutes.
3. Avoid conflicts of interest including contractual relations involving the Cooperative, gifts to Board members in consideration of business opportunities with the Cooperative, outside activities which might impair the Cooperative's business, use of Cooperative property for personal purposes or use of confidential Cooperative information.
4. Directors shall disclose to the full Board any conflict of interest, or potential conflict of interest, prior to taking action on the matter in which the conflict of interest arises. Directors deemed to have a conflict of interest will not be permitted to participate in any aspect of the Cooperative's decision-making process that relates to the matter in which the conflict of interest arises.
5. Ensure accurate, complete and understandable preparation and communication of information in the Cooperative's annual report, press releases and other public disclosures.
6. Other actions as may be defined by the Board of Directors as acceptable conduct and not specifically referenced herein.

D. Code of Ethics Implementation

1. The staff shall, at least annually, report to the Board opportunities to improve this policy.
2. Any violation of this policy shall be reported to the Audit Committee of the Board of Directors.
3. The members of the Board shall strive to comply with the provisions of this policy.

**III. RESPONSIBILITY**

- A. The President and Chief Executive Officer as well as members of the Board shall have the responsibility to make recommendations for modifications of this policy to the Audit Committee or to the full Board of Directors as they feel are needed or advisable.
  
- B. It shall be the responsibility of the Audit Committee of the Board to administer this policy, to develop appropriate controls for its overall enforcement and to report their findings to the full Board of Directors.

ADOPTED: June 16, 2005  
October 18, 2007

EFFECTIVE: June 17, 2005  
October 18, 2007