

SAWNEE ELECTRIC MEMBERSHIP CORPORATION

POLICY NO. 633

SUBJECT: ETHICS AND CONFLICT OF INTEREST - EMPLOYEES

I. OBJECTIVE

To establish a procedure governing ethics and conflict of interest as they affect Cooperative employees.

II. CONTENT

A. General

1. The Cooperative is founded upon the integrity of its employees. Working for the Cooperative is a highly visible job, and since the Cooperative is judged to a great extent on the actions of its employees, the Cooperative expects that each employee's conduct should at all times reflect favorably on the organization.
2. Each employee is expected to base all decisions on the best interest of the Cooperative. So that all decisions may be viewed as being arrived at objectively, employees should avoid all situations where a conflict of interest or even an appearance of conflict of interest exists. Generally, a conflict of interest may be said to exist when an employee may personally benefit from a corporate decision he or she could make or influence. The employee must be free from actual or potential influence of personal considerations or relationships when dealing on behalf of the Cooperative with others.
3. The policy does not purport to cover every situation that may create a conflict of interest. It is expected that good business judgment and common sense will guide each employee's actions.
4. The Cooperative's policy is to comply with all laws and regulations applicable to its business. Where the laws and regulations are ambiguous, management will seek a legal interpretation to ensure proper compliance.
5. Any employee who violates the Cooperative's code of ethics is subject to appropriate disciplinary action, up to and including possible discharge.

B. Disclosure

1. An employee must disclose to his/her supervisor any situation or transaction in which the employee is involved which violates, may violate, or could appear to violate either the letter or intent of this policy.
2. The supervisor, in coordination with management, shall determine what action should be taken and will so advise the affected employee as soon as possible. In most cases, employees with 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.

C. Financial Interests in Outside Organizations

1. An employee in a position to influence decisions who has (or who has a close relative or household member who has) an interest, direct or indirect, in any business transaction or proposed business transaction in which the Cooperative is or may be a party, must disclose the interest to his or her supervisor as soon as the employee has knowledge of such interest. The supervisor should then follow the above procedure on disclosure.
2. "Direct or indirect interest" is defined as any firm, corporation, or other entity in which the employee holds an equity interest or serves as an officer, director, or agent. An equity interest of less than 1 percent in publicly-held companies need not be considered.
3. A "position of influence" is construed to include not only those situations where the employee purchases equipment or materials or assets for the Cooperative, but also includes any employee who establishes specifications for, recommends, evaluates, tests, or approves a supplier's product or contractor's service, or who participates in the selection of, or arrangements with a supplier or contractor or who is exposed to information which may be of value to a potential contractor, bidder or supplier.

D. Other Interests or Employment in Outside Organizations

1. Apart from financial interests, other relationships must be avoided which can cause an employee to be interested in the success of another organization and thereby compromise his/her loyalty to the Cooperative.

2. An employee shall not be employed by, or perform any services for, any competitor or supplier of the Cooperative, whether or not he/she receives any compensation, nor shall the employee be otherwise employed or render services if the relationship might jeopardize the interests of the Cooperative or adversely affect the reputation of the Cooperative or might interfere with the employee's work schedule or productivity.

E. Confidential and Proprietary Information

1. Information obtained in the course of employment is to be kept confidential unless and until the information is or becomes available publicly through other channels.
2. An employee having access to Cooperative information on procurement including, but not limited to bids, awarding of contracts, or other information of a competitive nature, real estate transactions, personnel records, salary information or any other matter is prohibited from using that information for personal benefit, to adversely affect the best interests of the Cooperative or in any other inappropriate manner.
3. An employee who gains advance information concerning contract bid prices may not use this information to assist a contractor in preparing a contract bid. This action would be considered unethical since it would result in allowing a contractor a competitive advantage.

F. Compensation from Suppliers, Contractors and Consultants

1. No employee is to solicit any personal gratuities, discounts or other forms of compensation from any supplier or potential supplier or consultant that would directly or indirectly benefit the individual. Soliciting these types of items, regardless of value, is considered unethical and unacceptable behavior.
2. No employee is to accept improper gratuities, improper discounts or other improper forms of compensation from any supplier or potential supplier or consultant. Acceptance of these types of items tends to compromise or give the appearance of compromising the employee's objectivity when acting on behalf of the Cooperative and should be avoided.

G. Records, Reports, and Company Funds

1. Payroll records, invoices, and many other Cooperative records are just as important as Cooperative funds. Each employee who is involved in the handling of Cooperative money or records should know and follow procedures for the protection of funds and for assuring that they are credited or charged to proper accounts.
2. Removing without proper approval and authorization, destroying outside of approved company policy, falsifying in any way, or failing to prepare proper records is considered to be misappropriation of Cooperative funds or property and considered unethical and a violation of this policy.
3. An employee required to approve invoices or expend Cooperative funds is responsible for ensuring that the invoices are valid and that they relate to services or merchandise for the Cooperative.

H. Use of Cooperative Property

1. Tools, supplies, vehicles and all other equipment are for Cooperative use only, unless specifically authorized by Board approved corporate policy.
2. Cooperative staff and equipment are not to be used except as authorized by Board approved corporate policy.
3. Protection of company equipment against loss, theft, damage, and vandalism is the responsibility of all Cooperative employees.
4. Cooperative property and equipment are not to be sold, loaned, given away or otherwise disposed of, regardless of condition or value, except as authorized by Board approved corporate policy.

I. Application of This Procedure

1. This procedure is not meant to infringe upon an individual's rights established and protected by law.
2. All employees may participate in outside financial, business or other activities so long as such outside activities do not impair the performance of their duties and do not improperly make use of the Cooperative's assets or the Cooperative's position in the community or adversely affect the Cooperative's competitive interests and transactions.

3. Each situation must be considered and resolved on its own facts and questions may arise on the application of this procedure to individual situations.
4. An employee who believes that the application of this procedure would be inappropriate or detrimental to the Cooperative in a particular circumstance can request that an exception be made.

III. RESPONSIBILITY FOR ENFORCEMENT

A. Employee Responsibility

Each employee is responsible for ensuring that the employee's actions and behavior are in accordance with this policy and for disclosing any possible conflict of interest. Any violation may result in disciplinary action, up to and including discharge and reimbursement to the Cooperative of any loss attributable to such action. Employees must affirm their receipt of this policy by signing the attached acknowledgement (see Appendix "A").

B. Supervisor Responsibility

Each supervisor is responsible for making every effort possible to see that this policy is understood and followed by those reporting to that supervisor. No less than annually, each supervisor will review with his / her employees the information contained herein.

C. President and Chief Executive Officer and Board of Directors Responsibility

It shall be the responsibility of the President and Chief Executive Officer to administer this policy, to develop appropriate controls for its overall enforcement and to report his findings to the Board of Directors. The Board of Directors shall be responsible for periodic review of this policy and modifications to it.

APPROVED: February 17, 2000
March 18, 2004
January 20, 2005
October 18, 2007

EFFECTIVE: February 17, 2000
May 1, 2004
January 21, 2005
October 18, 2007

APPENDIX "A"

ACKNOWLEDGEMENT

I hereby acknowledge that I have read and understood the Sawnee Electric Membership Ethics and Conflicts of Interest Policy. I also acknowledge that I have been given an opportunity to ask my supervisor or other management officials any questions which I might have about this Policy.

Employee

Date

Company Representative

Date