

# **Ethics and Compliance Reporting Policy**

## **PEDERNALES ELECTRIC COOPERATIVE, INC.**

### **1. Purpose**

**1.1.** The Pedernales Electric Cooperative, Inc. (the "Cooperative" or "PEC") supports a culture of ethical behavior and adherence to conduct consistent with PEC's Code of Ethics, Conflict of Interest Policy, values, and standards of conduct. Report of suspected violations is one aspect of promoting and maintaining an ethical workplace at PEC. This policy establishes a Reporting Policy and provides for the responsibilities, use, and implementation of the reporting process. The Board of Directors ("Board") establishes this Reporting Policy to earn the credibility of Members, employees, contractors, other stakeholders through corporate attention and behavioral action.

### **2. Scope**

**2.1.** This Policy applies to all Members, employees, contractors, and PEC stakeholders.

### **3. Definitions**

**3.1.** Ethics and Compliance Hotline – an independent, third-party mechanism established by the Board of Directors to report suspected violations of PEC's Code of Ethics, Conflict of Interest Policy, values, or standards of conduct.

**3.2.** Reporting Policy – means this Policy establishing an ethics and compliance reporting process and providing the responsibilities for implementation.

### **4. Policy Statement and Implementation**

**4.1.** PEC employees and contractors are expected to adhere to PEC Policies and Procedures, as applicable. Adherence requires accountability for the Cooperative's principles, values, and standards. This Reporting Policy establishes a mechanism for reporting suspected violations of PEC's Code of Ethics, Conflict of Interest Policy, values, and standards of conduct.

#### **4.2. Individual Responsibility and Accountability**

**4.2.1.** All PEC employees and contractors, including contract or temporary workers, have an obligation to report suspected violations of PEC's Code of Ethics, Conflict of Interest Policy or PEC's values and standards of conduct.

**4.2.2.** PEC employees, contractors, and Members shall report suspected violations to PEC Management. You may report suspected violations to any PEC manager, director, officer, attorney, Human Resources department or to PEC's Ethics and Compliance Officer (ECO,) , or (collectively "Management").

**4.2.3.** Employees and contractors shall cooperate with any investigation or inquiry made pursuant to a report under this Policy, which may include personal interviews, reasonable requests for and review of documents, and requests for written statements signed by the reporting person(s) and others. Cooperation is not reasonable if Management or an authorized investigator is unable to obtain sufficient information to conduct a full and fair investigation as a result of an individual's conduct, including refusal to participate in a personal interview (including in the method requested), to

## **Ethics and Compliance Reporting Policy PEDERNALES ELECTRIC COOPERATIVE, INC.**

comply with a reasonable request for and review of documents, or to comply with a request for a signed written statement.

### **4.3. Integrity of Reporting**

4.3.1. This Policy encourages and enables persons, other than Cooperative Board Directors, to raise ethics and compliance issues for prompt investigation and appropriate action. Persons reporting suspected violations must do so in good faith and based upon a reasonable belief in the truth of the circumstances. No persons shall make a report solely to harass, intimidate, mislead, or otherwise delay proper PEC business.

4.3.2. Reports of a suspected violation will be maintained as private to the greatest extent possible, consistent with the need to conduct an appropriate investigation and take appropriate corrective action(s). Where confidentiality is necessary to preserve the integrity of an investigation (for example, to prevent destruction or falsification of evidence, protect witnesses or potential witnesses, or maintain the attorney/client privilege), any person(s) may be instructed not to discuss the report or investigation, including any interviews or document requests.

4.3.3. Reports may be made anonymously. Anonymous reports are investigated to the extent possible using reported information. Investigation of anonymous reports may, however, be limited or impracticable based on the facts and circumstances involved. The Board, Management, or a reporting administrator will evaluate reports to determine the scope of an appropriate investigation.

### **4.4. Retaliation Prohibited**

4.4.1. No retaliation shall be taken against any employee, contractor or Member for reporting suspected violations under this Policy. Employees, contractors, and Members, who report in good faith, may do so without fear of harassment, retaliation, or retribution.

4.4.2. Any employee who retaliates against any person who has made a good faith report under this Policy is subject to disciplinary action, up to and including termination of employment.

### **4.5. Management Responsibilities**

4.5.1. The CEO is responsible for implementation of this Policy except in instances where the CEO or the person administering the Policy is the subject of a suspected violation. In such instances, the Board of Directors shall be responsible.

4.5.2. PEC Management is expected to build and maintain a culture of ethics taking into account compliance with all applicable rules, laws, and regulations, standards, policies and procedures. Management must ensure that applicable standards, values, and principles are communicated in a timely and effective manner; ensure that adequate controls are implemented in their areas of responsibility; monitor on-going compliance; investigate suspected or reported violations; and take prompt corrective action when necessary.

# **Ethics and Compliance Reporting Policy**

## **PEDERNALES ELECTRIC COOPERATIVE, INC.**

### **4.6. Reporting System Required**

4.6.1. The CEO must establish an objective and credible process to receive reports and to timely and effectively review, investigate, and take action on any suspected or reported violations. Management shall also maintain and publicize the availability of an independent, third-party mechanism for reporting suspected violations, the Ethics and Compliance Hotline.

### **4.7. Third Party Investigation**

4.7.1. The Board of Directors or Management may, at any time, refer a report to an outside third-party for an independent investigation and recommendation.

### **4.8. Investigation Results**

4.8.1. Management shall provide a follow-up statement to all persons who report a suspected violation upon conclusion of the investigation or actions taken. Upon conclusion and when appropriate, Management shall also provide a follow-up statement to an employee or contractor who is the subject of a report investigation.

### **4.9. Ethics and Compliance Hotline**

4.9.1. The Board of Directors has also implemented an Ethics and Compliance Hotline for any person, other than members of the PEC Board of Directors, to report suspected violations of PEC's Code of Ethics, Conflict of Interest Policy, values, or standards of conduct. The Ethics and Compliance Hotline is administered by an independent, third-party Hotline Administrator. The Ethics and Compliance Hotline may be used to report suspected violations when a person is not comfortable reporting compliance or ethical violations directly to PEC Management.

### **4.10. Report of Suspected Violations**

4.10.1. Suspected violations may be reported to appropriate management. Suspected violations may be reported anonymously to the Ethics and Compliance Hotline by phone or on-line. Anonymous reports are investigated to the extent possible using reported information. Investigation of anonymous reports may, however, be limited or impracticable based on the facts and circumstances involved. The Board, Management, or a reporting administrator will evaluate reports to determine the scope of an appropriate investigation.

4.10.2. Reports to the Ethics and Compliance Hotline are not traced or tracked to any location or identity. Ethics and Compliance Hotline reports are forwarded to PEC Management not involved in the subject of the report. A response is made available on-line to the individual filing a report.

### **4.11. Confidentiality**

4.11.1. All materials created pursuant to this Policy and in response to a report of suspected violation, including any investigation materials, working papers, recommendations or reports, are confidential under the Cooperative's Open Records Policy. All materials shall be maintained as private and confidential to the degree possible and used for the purpose of implementing this Policy. Discussion of material covered by

# **Ethics and Compliance Reporting Policy**

## **PEDERNALES ELECTRIC COOPERATIVE, INC.**

this Policy is an exception to open deliberation under the Board Meetings Policy.

- 4.11.2. The Board of Directors may, by majority vote, release the conclusions, recommendations, actions, or account of reports investigated under this Policy.
- 4.11.3. This section on Confidentiality does not apply when providing notice to law enforcement.

### **5. Procedure Responsibilities**

**5.1.** The CEO is responsible for implementation and administration of this Policy.

**5.2.** Report to the PEC Board of Directors

5.2.1. The CEO shall regularly provide a written account to the PEC Board of Directors of all ethics and compliance reports. The accounting must provide an explanation of the processes and procedures carried out by Management to implement this Policy. The account must summarize all reports, how all reports were handled or investigated, and what corrective or remedial action, if any, was taken. Management shall also recommend to the Board of Directors any improvements or actions that are necessary in response to any report made under this Policy. Reporting to the Board under this Policy is an exception to open session deliberation under the Open Meetings Policy.

**5.3.** Review of Policy

5.3.1. Management shall recommend to the Board of Directors any improvement or necessary actions that may enhance the purposes of this Policy.

### **6. Enforcement**

**6.1.** The Board and Management shall enforce this Policy. Violations of this Policy may result in disciplinary or corrective action, up to and including, termination.

**6.2. Report of Criminal Activity**

6.2.1. If a report or investigation made under this Policy demonstrates criminal activity, any such information will be immediately reported to PEC Legal Counsel who is not an involved subject. When PEC Counsel finds that information is indicative of criminal activity, PEC Counsel shall immediately report such information to the CEO, President of the Board of Directors, and appropriate law enforcement or regulatory authority. PEC Counsel, in conjunction with law enforcement, shall determine whether the PEC investigation should continue and how communication about the investigation will occur.

### **7. Superseding Effect**

**7.1.** This Policy supersedes and replaces the Whistleblower Policy and all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this policy.

**Ethics and Compliance Reporting Policy  
PEDERNALES ELECTRIC COOPERATIVE, INC.**

**8. References and Related Documents:**

PEC Vision, Mission, and Values Statements  
Code of Ethics  
Conflict of Interest Policy  
Disciplinary Action Policy  
IRS Form 990 Part VI Section B 13

Policy Title:	Ethics and Compliance Reporting Policy
Review Date:	Every three years
Date Adopted:	August 18, 2015
Effective Date:	October 16, 2017
Amendment Dates:	September 19, 2016, October 16, 2017
Approver:	Board of Directors
Applies to:	All Members, employees, contractors, and PEC stakeholders.
Administrator:	CEO and Legal Services)
Superseding Effect	This Policy supersedes and replaces the Whistleblower Policy and all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this policy.