

**BANDERA ELECTRIC COOPERATIVE, INC.**

**POLICY NO. C05-4**

**ORIGINAL Sheet No. 1  
Replacing Revision of May 28, 2014**

**SUBJECT: Code of Ethics**

**EFFECTIVE: October 29, 2014**

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**I. OBJECTIVE**

1. It is the expectation at BEC to have a work environment that reflects a high level of integrity and operates with transparency on all business activities that could potentially involve a conflict of interest. Ethical business practices means more than merely obeying laws and following policies. Business ethics also means “doing the right thing for the right reasons” no matter what your role is at BEC.
2. The purpose of this policy is to define the expectation for ethical behavior of the directors, executive officers and employees of Bandera Electric Cooperative, Inc. (BEC).
3. This policy is a guideline reflecting the BEC’s values and principles and not as a restatement of BEC policies and procedures. This policy cannot address every possible scenario but outlines certain behavior expectations at BEC. We must rely on the individual to exercise good judgment in all decision-making processes and to disclose any situation where a potential conflict of interest could arise. .

**II. POLICY**

All employees and directors will be treated with respect and dignity. To provide our members with value requires us to work together openly, honestly and with mutual respect. Without respect, a trusting work environment cannot exist.

1. We have access to and use confidential information but it should only be used for the purpose for which it was developed or given. We respect and will protect the confidentiality of information about BEC, its members, employees, vendors and business partners. We must protect all member information that is sensitive, private or confidential. We should never intentionally alter records or files or corrupt data for personal reasons. . Confidential information must never be used for personal benefit. We will respect and protect the intellectual property rights, including copyrights, patents, licenses and trademarks, and other proprietary information of BEC and others. Access to and use of confidential information shall be done only for the purposes of conducting official BEC business.
2. We must avoid conflicts of interests, or the appearance of conflicts of interest. We use corporate resources – time, personnel, equipment and supplies – only for official BEC business or BEC approved activities. In the interest of transparency, if there is a situation where an individual is unclear as to whether a business activity may or may not be a conflict of interest, they should disclose the details to management or the Board.
  - (a) Directors, officers and employees are obligated to disclose any situation that presents the possibility of a conflict or disparity of interest between them and the company. Disclosure of any potential conflict is key to remaining in full compliance with this policy.
  - (b) We do not take personal advantage of business opportunities that are discovered through the use of BEC property, information or position. BEC directors, officers and employees do not engage in business with, become employees of, become materially affiliated with or retain material financial interest in any competing enterprise or business selling electric energy, services or supplies to BEC.

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3. Directors, officers and employees are prohibited from receiving gifts, fees, loans or favors from suppliers, contractors, consultants, or financial institutions, which are intended to obligate them or induce them to compromise their responsibilities to negotiate, inspect, audit, or award contracts with the best interest of BEC in mind. This does not prohibit receiving gifts or favors of nominal value or casual entertainment or reimbursement for business expenses, which meet standards of ethical business conduct, and where the recipient discloses the details. This also does not prohibit receiving gifts or prizes donated by vendors if won during contests open to the general public, the BEC membership, or won as door prizes while attending business related conferences, meetings, etc.
4. We have a responsibility to protect the BEC assets entrusted to us from loss, damage, misuse or theft. BEC assets, such as cash, funds, vehicles, equipment, products, or computers, should only be used for official BEC business purposes.
5. We are prudent in our expenditures on behalf of BEC and we record all business transactions in accordance with accepted accounting principles. We maintain appropriate internal controls designed to prevent or detect fraud and ensure every accounting or financial record, and supporting data, describes the transaction accurately without omission, concealment or falsification. We maintain and retain all business records accurately and in compliance with applicable laws and BEC policy.
  - (a) We are committed to building a culture of trust, not only with our officers, directors and employees, but also our members and vendors. BEC seeks to always maintain the highest standards of integrity and objectivity in our working relationships and will not conduct business with anyone who does not operate with integrity or who compromises BEC's values and ethical standards.
  - (b) We require honest and accurate recording and reporting of information in order to make responsible business decisions. This includes such data as quality, safety, time and personnel records, as well as all financial records.
  - (c) We recognize the need for a truly independent audit. BEC's directors will select a competent independent financial auditor and create an audit committee comprised of board members to oversee the audit.
6. Our directors and employees are BEC. Any inappropriate or unethical behavior will reflect negatively on BEC, hence it is important to act ethically on BEC's behalf. Any suspected unethical or inappropriate actions should be reported promptly to management. BEC has appropriate processes to investigate any such report of impropriety and anyone making a report will be provided protection from any retaliation. All reports of unethical or improper business activity will be disclosed to the Board. Reports may be in person or in writing.
  - (a) Each of us is encouraged to discuss concerns or questions with our supervisor or BEC management. Each of us may report concerns regarding ethics, accounting practices, internal accounting controls, auditing matters or potential ethical concerns directly to your supervisor. If you feel uncomfortable about discussing the matter with your supervisor or feel it would be inappropriate to discuss the matter with your supervisor, you are encouraged to report it directly to General Manager. In those

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instances where the General Manager is implicated in the allegation of an ethical violation, direct reporting to the Board of Directors is permitted.

- (b) All reports of known or suspected violations of the law or this policy will be handled sensitively and with discretion. BEC will protect your confidentiality to the extent possible, consistent with law and BEC's need to investigate your concern. BEC prohibits retaliation against any director or employee who, in good faith, seeks help or reports known or suspected violations.
  - (c) BEC will accept and investigate anonymous reports to the extent possible; however, it should be recognized that the depth of any investigation may be limited by the amount of information provided.
7. Each year, BEC will ask all directors, officers and management employees to certify that they have complied with the Code and are not aware of any unreported violations of the policy that may have occurred – see Sheet 6 for Certificate of Compliance.
  8. This policy does not supersede, change or alter the BEC policies and procedures already in place and/or communicated to BEC employees, including without limitation, the policies and procedures in BEC's Policy Handbook, as amended from time to time. Employees are instructed to refer to the Policy Handbook for the policies and procedures contained therein.
    - (a) No company policy can provide definitive answers to all questions. If employees have questions regarding any of the goals, standards of ethics or BEC policies, the employee should refer all questions or requests to BEC's General Manager. Employees should also consider the questions listed in Exhibit A attached hereto when deciding a course of action.
  9. There may be instances where, following a due diligence process, it is determined that it is in the best interest of BEC to conduct some type of business that in general would be in conflict with this policy (e.g. – purchasing a piece of land from an employee or director at a reasonable price). In such instances, the employee or director should disclose the details and allow the Board to address whether or not a conflict exists.

**III. PROVISIONS FOR ENFORCEMENT**

1. The General Manager is generally responsible for overall enforcement of this policy, except in instances where the General Manager or a board member is alleged to have violated the Code. In such instances, the Board of Directors shall be responsible for the overall enforcement of this policy.

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***EXHIBIT A***

**SUMMARY OF QUESTIONS TO CONSIDER**

1. Is it against BEC policies and procedures?
2. Does it feel right?
3. Is it legal?
4. If legal, is it also ethical?
5. Will it reflect negatively on you or BEC?
6. Who else could be affected by this (others in BEC, members, vendors, you, etc.)?
7. Would you be embarrassed if others knew you took this course of action?
8. Is there an alternative action that does not pose an ethical conflict?
9. Is anyone's life, health or safety endangered by this action?
10. What would a reasonable person think?
11. Can you defend this action with a clear conscience before your supervisor, fellow employees, and our members?

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**Certificate of Compliance**

I have read and understand the Bandera Electric Cooperative, Inc. (the "Company") Ethics policy. I am confirming that I will adhere in all respects to the principles and rules contained in this policy. If this is a question or I am in doubt as to whether any given proposed conduct will be in compliance with such principles and rules, I will disclose the details to either the General Manager or the Board and obtain their guidance. I further understand that any failure to comply with these principles and rules may subject me to disciplinary action, up to and including dismissal from employment with the Company, or if a Director, removal of office.

I, affirm and certify that I am not in violation of the Ethics policy.

\_\_\_\_\_  
Signature

Name: \_\_\_\_\_  
(Please Print)

Position \_\_\_\_\_

Date \_\_\_\_\_

\_\_\_\_ A Statement of Exceptions is attached.

\_\_\_\_ No Statement of Exceptions is attached.