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August 19, 2020

Applicability: Board and Management

BOARD AND MANAGEMENT POLICY NO. 106 CORPORATE ETHICS AND ACCEPTABLE STANDARDS OF CONDUCT

I. PURPOSE

To ensure that all members of the Board of Directors, Officers, and employees (collectively, "Employees") adhere to proper legal and ethical standards in their business relationships.

II. GENERAL

The successful business operation and reputation of Choptank Electric Cooperative, Inc. ("Choptank" or "the Cooperative") is built upon the principles of fair dealing and ethical conduct of our Employees. Our reputation for integrity and excellence requires careful observance of the spirit and letter of all applicable laws and regulations, as well as a scrupulous regard for the highest standards of personal conduct and personal integrity.

Choptank's continued success is dependent upon its members', business associates', and the general public's trust and we are dedicated to preserving that trust. Employees have a duty to Choptank and its members to act in a way that will merit the continued trust and confidence of the members and the public at large.

This policy sets out basic principles to guide Choptank's Employees in many business circumstances. This policy does not address every ethical issue that may be encountered in employment or service for Choptank. Choptank requires that its Employees conduct themselves in an ethical manner, avoiding improper conduct at all times even if that conduct is not explicitly prohibited by this policy.

Failure to adhere to this policy may result in disciplinary action, up to and including termination of employment or removal from the Board and criminal prosecution. Employees in a situation they believe may violate or lead to a violation of this policy shall follow Board and Management Policy 109 (Whistleblower Reporting and Anti-Retaliation Policy).

A. Conflicts of Interest

A conflict of interest may arise when an Employee takes action or has personal interests that (a) make it difficult for them to perform their work for Choptank objectively, or (b) interfere with the exercise of their independent judgment or ability to act in the best interests of Choptank. Such personal interests may not technically involve the Employee but could involve relatives, business associates, or other persons or organizations with which he/she is closely associated.

Employees are prohibited from participating in any activity or association that creates or appears to create a conflict of interest unless approved by the Board after full disclosure. They shall avoid conflicts of interest whenever possible.

If at any time an Employee is being called upon to make a decision for Choptank regarding a matter in which that Employee has a conflict of interest, or the appearance of a conflict of interest, he/she should disqualify himself/herself, or before making any such decision he should notify the



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appropriate attorney (Board attorney or General Counsel) and make a full disclosure of the conflict.

B. Certificate as to Corporate Ethics

The corporate ethics certificate is attached as Appendix 1. Each of the following shall file annually a corporate ethics certificate:

1. Petitioners for nomination as a candidate for election to the Board of Directors
2. Board members
3. President & CEO
4. Officers and key employees

C. Investments

Employees shall not have any Financial Interest in any entity that could cause divided loyalty or even the appearance of divided loyalty unless approved by the Board of Directors after full disclosure.

“Financial Interest” is defined as Employees or their spouses having an ownership interest whether by stock or other means in a single entity that exceeds five percent (5%) of the combined net worth of the individual and the spouse. This disclosure applies to all forms of investments and to all Employees of Choptank and their spouses.

Loans to or guarantees of obligations of Employees or their associates may create conflicts of interest. Mortgages or loans of any type on a primary or secondary residence obtained in the normal course of business do not create a conflict of interest as contemplated by this policy even when obtained from a lender with which Choptank does business.

D. Gifts

Employees are prohibited, unless disclosed, from accepting favors or gifts in excess of \$100.00 per occurrence from any one agent, supplier, contractor, consultant or other person or entity that, because of the circumstances attending the offer, might reasonably be construed as intended to influence the independent judgment of any Employee. Favor or gift disclosures by Officers and Directors shall be reported to Cooperative counsel.

E. Corporate Opportunity

Employees owe a duty of loyalty to Choptank. As a result, unless prior approval of the Board of Directors is obtained, it is prohibited for Employees to (a) take for personal gain, or for the personal gain of others, opportunities that belong to Choptank or are discovered through the use of corporate property, information or position; (b) use corporate property, information or position for personal gain or for the personal gain of others; (c) compete directly or indirectly with Choptank; or (d) lobby to the detriment of Choptank’s interest.

F. Confidentiality

Employees shall maintain the confidentiality of confidential information entrusted to them by Choptank or its suppliers or members, except when the disclosure is authorized by Choptank or required by applicable laws or legal proceedings. “Confidential Information” includes, but is not limited to, nonpublic information: (a) about Choptank, its members, its Employees, or its prospective Employees; (b) that may be of use to competitors of Choptank; or (c) that may be harmful to Choptank or its members if disclosed. Examples include, but are not limited to, business and marketing plans, databases, records, salary information and any unpublished financial data or reports. The obligation to maintain this information as confidential continues after employment or service with Choptank ends.

Employees are not permitted to use or share Confidential Information for securities trading purposes or for any other purpose other than the legitimate conduct of Choptank's business. To use non-public information for personal financial benefit or to "tip" others who may make an investment decision based on this information is prohibited by this policy and is illegal. Employees shall not discuss or disclose Confidential Information to anyone, including other employees, except where necessary for normal job performance. Employees shall not re-create or remove records or information from the Cooperative without authorization.

Employees shall not access files, work areas, or computer systems of other employees, managers, or supervisors, except as authorized in order to perform their jobs. Files, work areas, and computer systems, including all information, email, or files of any type are the property of the Cooperative and are subject to monitoring, inspection, and access by the Cooperative's management at any time.

Misuse of Confidential Information may result in disciplinary action up to and including termination.

G. Data Privacy and Security

Employees shall comply fully with all privacy and security procedures related to the system of security mechanisms and controls which Choptank has implemented to protect the privacy and security of Cooperative information, especially data that is financial in nature, proprietary or non-public, as well as any data which contains private information about Cooperative Employees or members.

H. Fair Dealing

Employees shall deal fairly with Choptank's members, suppliers, and competitors. They shall not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealings. Employees are prohibited from stealing proprietary information, misusing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies.

I. Record-Keeping and Financial Reporting

Choptank requires honest and accurate recording and reporting of information in order to make responsible business decisions. For example, when using a business expense account, expenses must be accurately documented and recorded.

Choptank's books, records, accounts and financial statements must (a) be maintained in reasonable detail, (b) appropriately reflect Choptank's transactions, and (c) conform to applicable legal requirements, financial reporting, accounting regulations, and Choptank's system of internal controls. Unrecorded or "off the books" funds or assets shall not be maintained unless permitted by applicable law.

Business records and communications often become public, and exaggeration, derogatory remarks, guesswork, or inappropriate characterizations of people and companies that can be misunderstood shall be avoided. This applies equally to email, internal memos, and formal reports. Records shall be retained or destroyed according to Choptank's record retention policies.

Representations by Choptank in periodic financial filings with Rural Utilities Service (RUS), National Rural Utilities Cooperative Finance Corporation (CFC), Independent Auditors, or other entities shall be accurate and timely. Some Employees may be called upon to provide information necessary to ensure that Choptank's financial reports are complete, accurate and understandable. Prompt and accurate answers shall be provided to inquiries related to Choptank's financial disclosure requirements and representations.



J. Protection and Proper Use of Company Assets

Employees are expected to protect Choptank's assets and to ensure their efficient use. Choptank's assets shall be used exclusively for legitimate business purposes. Employees are prohibited from engaging in an outside activity which results in lost time from work.

K. Verbal Assault, Defamation, and Harassment

Verbal assault, defamation, or harassment of employees, customers, members, vendors, managers, supervisors or board members violates Choptank's acceptable standards of conduct. "Defamation" as it applies to this policy means the oral or written publication of a false statement of fact that exposes the person about whom it is made to hatred, contempt, ridicule, or subjects that person to loss of the goodwill and confidence of others, or so harms that person's reputation as to deter others from associating with him or her. This policy seeks to guarantee free speech and open discussion. Such standards are an integral part of Choptank's work environment and are fully encouraged. Acts that restrict the rights and opportunities of others through violence, intimidation, the destruction of property, or verbal assault are to be condemned.

Additional detail related to harassment is contained in Board and Management Policy 116 (Harassment and Discrimination).

L. Reporting Illegal or Unethical Behavior

Employees are encouraged to raise concerns regarding potentially unlawful, unethical, or fraudulent behavior within the Cooperative. Such behavior should be reported pursuant to Board and Management Policy 109 (Whistleblower Reporting and Anti-Retaliation Policy). Choptank will not retaliate against a whistleblower for reporting an activity which that person believes in good faith to be fraudulent, unlawful, or dishonest.

III. RESPONSIBILITY

Compliance with this policy is the responsibility of every Choptank Electric Cooperative, Inc. Director, Officer, and employee.

Disregarding or failing to comply with the standard of ethics and conduct set forth in this policy may result in immediate dismissal at management's discretion or other disciplinary action as deemed appropriate.

Choptank's attorneys are responsible for gathering corporate ethics certificates signed by the applicable Employees on an annual basis.

This policy supersedes all previous versions of the policy and all other instructions dated prior to this policy and in conflict with its provisions.



Jeffrey D. Rathell, Sr.
Chairman



REVISION HISTORY

Revision Number	Effective Date	Description of Changes
1	8/26/08	Original Board Policy 106 document.
2	Various	Reviewed and updated on 9/23/08, 3/2015, 4/21/2015, 1/26/16
3	8/19/20	Updated formatting. General updates. Incorporated Management Policy 210-125 (Corporate Ethics and Acceptable Standards of Conduct), Board Policy 108 (Board of Directors – Conflicts of Interest – Directors, Officers, and Key Employees), Board Policy 232 (Protection of Confidential Information), and Management Policy 210-100 (Protection of Confidential Information). Revised conflict of interest certificates to use the same form (now Appendix 1) for Board members and Choptank employees.

Appendix 1:
CERTIFICATE AS TO CORPORATE ETHICS

I, the undersigned, hereby represent and certify to Choptank Electric Cooperative, Inc. (hereafter "Choptank") and to the Board of Directors of Choptank (hereafter the "Board") as follows:

- I am the _____ of Choptank or a candidate to become the _____ of Choptank.
- I have read and understood Choptank Board and Management Policy 106, titled "Corporate Ethics and Acceptable Standards of Conduct" (hereafter the "Policy"), and I make this certificate pursuant to the Policy.
- I am in compliance with all provisions of the Policy.
- To the best of my knowledge and belief I have no conflicts of interest nor any appearances of a conflict of interest involving Choptank, except as follows (*if "none" so state*):

- During my service as the _____ of Choptank, I agree to disclose, fully and promptly, as provided for more fully in the above-referenced Policy, any situation existing now or that in the future may arise that might involve or appear to involve me in any conflict of interest or the appearance of a conflict of interest with Choptank, and will otherwise scrupulously abide by the provisions of the above-referenced Policy.

Signed: _____ Date: _____, 20____

Witness: _____ Date: _____, 20____

