

JACKSON ENERGY COOPERATIVE CORPORATION

BOARD POLICY NO. B109

SUBJECT: CONFLICTS OF INTEREST

I. OBJECTIVE

To ensure that the deliberations and decisions of the Cooperative are made in the best interests of its members as a whole, and to protect the interests of the Cooperative when it is contemplating entering into a transaction, contract, or arrangement that might benefit the private interest of an Interested Director, Officer, or Person (as defined herein).

II. POLICY CONTENT

An Interested Director, Officer, or Person may not use his or her position with respect to the Cooperative, or confidential information obtained by him or her relating to the Cooperative, in order to achieve a financial benefit for himself or herself or for a third person, including another nonprofit or charitable organization. This policy supplements and does not replace any applicable laws and/or regulations governing conflicts of interest in nonprofit corporations.

III. DEFINITIONS

- A. **COMPENSATION.** “Compensation” includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.
- B. **FAMILY.** The “family” of any individual is defined as a person who by blood or in-law, including half, foster, step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother or sister.
- C. **FINANCIAL INTEREST.** A person has a “financial interest” if the person has, directly or indirectly, through business, investment, or family:
 - 1. An existing or potential ownership or investment interest in any entity with which the Cooperative has a transaction, contract, or other arrangement; or
 - 2. A compensation arrangement with the Cooperative or with any entity or individual with which the Cooperative has a transaction, contract, or other arrangement; or
 - 3. An existing or potential ownership or investment in, or compensation arrangement with, any entity or individual with

which the Cooperative is negotiating a transaction, contract, or other arrangement; or

4. An existing or potential ownership or investment interest in, or compensation arrangement with, any entity whose business or operation has been or will be directly affected by a decision or action of the Cooperative.

D. **INTERESTED DIRECTOR.** “Interested Director” shall mean any Director of the Cooperative who has a material financial interest, as defined above, or who serves as a Director or Officer of any entity with which the Cooperative has a transaction, contract, or other arrangement.

E. **INTERESTED OFFICER.** “Interested Officer” shall mean any Officer who has a material financial interest, as defined above, or who serves as a Director or Officer of any entity with which the Cooperative has a transaction, contract, or other arrangement.

F. **INTERESTED PERSON.** “Interested Person” shall mean either:

1. Any person currently being compensated by the Cooperative for services rendered to it within the previous twelve months, whether as a full or part time employee, independent contractor, or otherwise; or
2. Any person whose family member, as defined herein, is currently being compensated by the Cooperative for services rendered to it within the previous twelve months, whether as a full or part time employee, independent contractor, or otherwise.

IV. COMMITTEE ON CONFLICTS OF INTEREST

A. To administer and monitor compliance with this Policy, the Board shall create a Committee of the Board on Conflicts of Interest (“Conflicts Committee”), to consist of at least two Directors chosen by the Board.

B. The Conflicts Committee shall require disclosure from each Director and Officer not less frequently than once a year setting forth all business and other affiliations which relate in any way to the business and other activities of the Cooperative.

V. DUTY TO ABSTAIN

A. No Director shall vote on any matter in which he or she has a material and direct financial interest that will be affected by the outcome of the vote.

- B. In the event of such an abstention, the abstaining Director shall state the reason for the abstention, which shall be noted in the minutes of the Board of Directors.

VI. DISCLOSURE BY DIRECTORS AND OFFICERS

- A. When requested by the Conflicts Committee (not less frequently than once a year), each Director and Officer shall promptly submit a statement to the Committee setting forth all business and other affiliations which relate in any way to the business and other affiliations of the Cooperative.
- B. With respect to any particular matter then pending before the Cooperative, each Director and Officer shall disclose to the Conflicts Committee any matter that could reasonably be considered to make the Director or Officer an "Interested Director" or "Interested Officer," as defined above.
- C. With respect to any particular matter then pending before the Cooperative, each Director and Officer shall disclose to the Conflicts Committee any relationship or other factor that could reasonably be considered to cause the Director or Officer to be considered to be an "Interested Person," as defined above.

VII. PROCEDURES IN CONNECTION WITH PROPOSED TRANSACTIONS AND AGREEMENTS

- A. **SCOPE.** This section applies to any proposed transaction, contract, or arrangement in which a Director, Officer, or Interested Person has a material financial interest.
- B. **DUTY TO DISCLOSE.** In connection with any actual or possible conflicts of interest, an Interested Director or Interested Officer must disclose the existence and nature of his or her material financial interest to the Conflicts Committee prior to the consideration of the proposed transaction, contract, or arrangement by the Board or any Committee of the Board.
- C. **DETERMINING WHETHER A CONFLICT OF INTEREST EXISTS.** After disclosure of the financial interest, the disinterested members of the Conflicts Committee shall determine whether a conflict of interest exists. Neither the Board nor any Committee of the Board shall vote upon any proposed transaction, contract, or arrangement in connection with which an actual or possible conflict of interest has been disclosed by an Interested Director until such time as the Conflicts Committee has addressed the actual or possible conflict of interest. For matters pending before the full Board of Directors, a referral to the Conflicts Committee will be required where the Interested Director fully discloses to the Board

his or her financial interest and abstains from participation in the Board's consideration of the proposed transaction, contract, or arrangement.

D. PROCEDURES FOR ADDRESSING A CONFLICT OF INTEREST

1. Where a matter has been referred to the Conflicts Committee and the Conflicts Committee has concluded that a conflict of interest exists, the chairman of the Board or Committee of the Board shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction, contract, or arrangement.
2. After exercising due diligence, the Board or Committee shall determine whether the Cooperative can obtain a more advantageous transaction, contract, or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.
3. If a more advantageous transaction, contract, or other arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the Board or Committee shall determine by a majority vote of the disinterested Directors whether the transaction, contract, or arrangement is in the Cooperative's best interest and for its own benefit and whether it is fair and reasonable to the Cooperative, and shall make its decision as to whether to enter into the transaction, contract, or arrangement in conformity with that determination.

VIII. VIOLATIONS OF THE CONFLICTS OF INTEREST POLICY

- A. If the Conflicts Committee has reasonable cause to believe that a Director or Officer has failed to disclose an actual or possible conflict of interest, it shall inform the Director or Officer of the basis for such belief and afford the Officer or Director an opportunity to explain the alleged failure to disclose.
- B. If, after hearing the response of the Director or Officer and making such further investigation as may be warranted in the circumstances, the Conflicts Committee determines that the Director or Officer has in fact failed to disclose an actual or possible conflict of interest, it shall recommend to the Board of Directors appropriate disciplinary and corrective action.
- C. The violation of this conflicts of interest policy is a serious matter and may constitute "cause" for removal or termination of a Director or Officer,

or the termination of any contractual relationship the Cooperative may have with an Interested Person or other Party.

IX. RECORDS OF PROCEEDINGS

A. The minutes of the Conflicts Committee shall contain:

1. The names of Directors and Officers found to have a material financial interest in connection with an actual or possible conflict of interest; the nature of the financial interest; any action taken to determine whether a conflict of interest was present; and the decision of the Conflicts Committee as to whether a conflict of interest in fact existed.
2. The names of the persons who were present for discussions and votes relating to the actual or potential conflict of interest; the content of the discussion; and a record of any votes taken in connection therewith.

B. In connection with a conflict of interest, the minutes of the Board or other Committee of the Board shall contain the names of the persons who were present for discussions and votes relating to the transaction or arrangement; the content of the discussion, including any alternatives to the proposed transaction or arrangement; and a record of any votes taken in connection therewith.

X. PERIODIC REVIEWS

Each Director and Officer shall affirm that such person:

- A. Has received a copy of the conflicts of interest policy;
- B. Has read and understands the policy;
- C. Has agreed to comply with the policy; and
- D. Understands that the Cooperative is a nonprofit organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

The Conflicts Committee shall periodically consider whether and how this Conflicts of Interest Policy should be revised or amended to better meet its objectives. In connection with any periodic review conducted by the Cooperative to ensure that it operates in a manner consistent with its nonprofit purposes, the Conflicts Committee shall report on the matters referred to it and their resolution.

XI. RESPONSIBILITY

A. The Chairman of the Board will be responsible for the administration of this policy.

B. This policy supersedes and cancels all other existing policies and instructions in conflict with its provisions.


CHAIRMAN OF THE BOARD

ADOPTED: September 12, 2008

REVIEWED: April 6, 2011; May 2, 2013; May 6, 2015; May 9, 2019

REVISED: May 3, 2017; March 3, 2021