

**TOUCHSTONE ENERGY COOPERATIVE, INC.**

**POLICY 01**

**DIRECTOR DUTIES, RESPONSIBILITIES, STANDARDS OF CONDUCT, AND  
PROFESSIONAL DEVELOPMENT**

Adopted July 2016; Amended July 2023

**I. OBJECTIVE**

To describe the duties and responsibilities of the board of directors, as well as the standard of conduct and professional development expected of individual board members.

**II. POLICY**

As provided in its articles of incorporation and bylaws, the board of directors shall manage the affairs of Touchstone Energy Cooperative, Inc. (“TSE”). All of the powers of the corporation reside in the board of directors acting as one body, excepting those appropriately delegated by the board to staff and excepting those powers that have been conferred upon or reserved for the members by statute or by the cooperative’s articles of incorporation or bylaws. The board is ultimately responsible and accountable for the corporation’s performance. This policy lists the board’s key duties and responsibilities and establishes the standards by which its powers shall be exercised. TSE expects its directors to gain and maintain the knowledge and skills necessary to function actively and effectively as members of the board of directors.

**III. DUTIES AND REPONSIBILITIES**

**A. Fiduciary Duty**

The TSE board of directors has a fiduciary duty to the corporation and its members. A director of TSE shall discharge his/her duties as a director, including his/her duties as a member of a committee of the board:

1. In good faith;
2. With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
3. In a manner the director reasonably believes to be in the best interests of the corporation.

## B. Key Responsibilities and Functions of the Board

The following is a non-exhaustive list of the board's responsibilities and functions:

1. Set the corporation's mission, purpose(s), and engage, on a regular basis, in strategic planning;
2. Establish the goals and objectives for the corporation and monitor progress towards those goals through direction and feedback to the Executive Director, (who shall be selected by NRECA as provided by the Management Agreement between TSE and NRECA);
3. Approve an annual budget in support of such goals and objectives and review and approve or deny deviations from that budget as may be necessary from time to time;
4. Review, monitor and report to the membership regarding the critical operating and financial performance of the corporation;
5. Ensure effective planning and adequacy of resources;
6. Contract for and approve the selection of a firm to conduct an annual independent financial audit;
7. Provide program oversight and support, including the adoption of policies and monitoring for compliance with legal and regulatory requirements as well as the adequacy of internal controls.

## IV. STANDARDS OF CONDUCT

### A. Conduct with Respect to Fellow Directors

Regardless of any personal differences, directors should at all times:

1. Demonstrate respect for each other and the TSE staff.
2. Allow opportunity for every other director to be heard on any matter being considered by the board.
3. Refrain from revealing to persons other than directors, any differences of opinion among directors on matters that have been considered and acted upon by the board. Provided however, a director may disclose without further explanation the vote he or she took on a board action. This standard does not preclude fair and accurate publication of such differences to the corporation's members related to contests for director elections or other matters to be voted upon by the members. Nor does it

impinge upon a director's right to dissent and to have his/her dissenting vote recorded in the minutes upon his/her request.

4. Recognize that the President has the responsibility and authority to enforce these standards of behavior, and may take such actions as he or she deems necessary, including, without limitation, reminding the director of the standards of conduct and expectations set forth in this policy and elsewhere, and reprimanding a director who has breached these standards.
5. Publicly support decisions of the board, except in such extraordinary circumstances as the director reasonably believes that a decision will bring harm to the corporation or threaten the corporation's survival and therefore the director is compelled to publicly challenge the decision to fulfill his/her fiduciary duty. This does not impinge upon a director's right to dissent and to have his/her dissenting vote recorded in the minutes if he/she so requests.

**B. The Right to Rely on Others**

In the discharge of his/her duties, a director is entitled to rely on management and on board committees of which the director is not a member, to perform their respective responsibilities. A director is entitled to rely upon reports, opinions, information and statements presented by the corporation's management, staff and outside advisors whom the director reasonably believes to be competent and reliable in the matters being presented.

**C. Access to Staff and Information and the Duty to Maintain Confidentiality**

Directors are entitled to reasonable access to the NRECA staff assigned to support the corporation (which staff are selected by NRECA pursuant to the Management Agreement between TSE and NRECA), records, data or other information. A director shall keep confidential all matters involving the corporation that have not been disclosed to the general public until such time as the information becomes public, or the Executive Director or the President approves the disclosure of such information, whichever occurs first.

1. Requests for access to information or staff should normally be made to and through the Executive Director. In some instances however, it may be appropriate for directors to seek information directly from other staff or outside consultants or experts. If a director is uncertain whether he or she may appropriately direct an inquiry to staff other than the Executive Director, the director should first consult with the President regarding his/her request.
2. When a director has sought access to information that is: (1) not generally available to the public or reported to the board as a whole and (2) is appropriately for the full board's knowledge, then the Executive Director shall report this information to the board at the next meeting or by other means that ensure that all board members receive the information at the same time so that all directors have equal access to information needed to fulfill their responsibilities.

3. Non-public information received by a director must be treated as confidential and not be disclosed to any other person unless the director reasonably believes that he or she must do so in order to fulfill his/her fiduciary duty. A director is encouraged to consult with his/her personal attorney in determining whether fiduciary duty obligates the director to make such a disclosure.

#### D. Attendance and Participation

All directors are expected to attend meetings and participate actively in the performance of the work of the board and its committees.

1. Meeting dates, times and locations for regular board and board committee meetings will be set far enough in advance to seek to avoid conflicts with other commitments of directors. Therefore, directors are expected to attend each regularly scheduled board and board committee meeting unless: at the time the meeting was scheduled, he/she indicated a prior commitment that precluded his/her attendance, or an unexpected event outside the director's control prevents his/her attendance or is of such importance that the director's greater obligation is elsewhere (e.g. severe storm, sickness or death in the family, business crisis, etc.)
2. Each director will make a best effort to attend special meetings, including those conducted telephonically.
3. In the event that a director must be absent from a meeting, the director should inform the President, or the chair of the board committee, of his/her expected absence and the reason for it as early as practicable.
4. All directors are encouraged to actively participate in board and board committee meetings. Active participation is facilitated by a director's prior review of the advance materials sent to the board before each meeting. Directors are also encouraged to ask questions and seek clarification or additional information to ensure that they are fully informed of all reasonably available information and fully comprehend the matters brought before them.
5. Board meetings will be conducted, as is reasonable and practical, under the most current version of Robert's Rules of Order.

#### E. Term of Office

As provided in the TSE bylaws, Director terms will be three (3) years. At the regular meeting of the Board that immediately follows the annual election of directors, the Board shall review the terms of all Directors to ensure terms are staggered and balanced so that approximately one third (1/3) of the Board stands for election each year as required by the TSE bylaws. The Executive Director, with support from TSE staff and legal counsel, shall

keep records of director terms and make those records available to the Board in order to fulfill its obligation under the TSE bylaws and this policy.

**F. Board Self-Evaluation**

The board of directors shall conduct a self-evaluation at least every five years, preferably at its fall meeting, of its performance and accomplishments in relation to the goals and mission of TSE.

**G. Board Orientation, Training & Development**

1. Upon election to the board of directors, a new director shall receive a thorough orientation into the responsibilities of his/her position conducted by the Executive Director and other staff.
2. Directors are strongly encouraged to participate in training and educational programs, conferences and other activities offered by TSE to improve their skills and knowledge of the corporation, its programs and activities.

**V. RESPONSIBILITY**

- A. All directors serving on the board shall receive a copy of this policy and attest by their signatures to having received the policy.
- B. TSE's legal counsel shall inform all candidates, nominees or appointees to the board regarding the terms of this policy and the personal liability implications resulting from policy violations.
- C. TSE's legal counsel shall review this policy with the board on a periodic basis and discuss any personal liability implications resulting from violations.
- D. The President shall ensure that this policy is followed.

**TOUCHSTONE ENERGY COOPERATIVE, INC.**

**POLICY 04**

**CONFLICT OF INTEREST**

Adopted July 2016; Amended July 2023, November 2023

**I. OBJECTIVE**

This policy describes situations and conditions that can create a conflict of interest to help TSE directors and officers recognize potential conflicts of interest, seek to avoid them, and when unavoidable, understand their obligation to and the procedure for disclosing the potential conflict.

**II. POLICY**

Every director and officer of TSE is expected to uphold the highest ethical standards in performing his/ her duties to the corporation. A conflict of interest exists whenever a director or officer has a personal interest, financial or otherwise, in a matter of such nature and magnitude that the individual is not able to exercise independent and objective judgment on a matter in the best interests of the corporation as opposed to his/her own personal interest. A director or officer's personal interest may not technically involve the director or officer, but may instead involve relatives, business associates, or other persons or organizations with whom he or she is closely associated. Such a conflict may also be expressed as a division of loyalties, which makes it difficult for the director or officer to be completely objective about a decision. Directors and officers should avoid any personal interest that influences their ability to act in the best interests of the corporation or that creates the appearance of conflict of interest.

**III. EXPECTATIONS REGARDING CONFLICTS**

- A. Before committing to serving on multiple boards, directors of TSE should consider whether they have sufficient time and energy necessary to fulfill their duties and responsibilities to multiple organizations.
- B. Confidentiality of Cooperative Information

The complete confidentiality of business information must be respected at all times. Directors and officers are prohibited from knowingly disclosing non-public information to anyone until such time as the information is released to the public by the corporation or the President or the Executive Director expressly notifies the board and officers that such information is no longer confidential. Further, directors and officers are prohibited from using confidential information learned in the course of fulfilling their duties to TSE for personal gain or advancement or to the detriment of TSE.

C. Avoiding Conflicts of Interest

Every director and officer of TSE shall seek to avoid situations which might be construed as conflicts of interest. It is not feasible, however, in a policy statement to describe all the circumstances and conditions that might be or have the potential of being considered conflicts of interest.

D. Disclosure of a Conflict or Potential Conflict

Every director and officer of TSE is expected to disclose any situation, which, in his/her opinion, violates, may violate, or could appear to violate, the intent of this policy. Such disclosures should be made to the President. Conflicts or potential conflicts involving the President should be disclosed to the Vice President or TSE's legal counsel.

IV. LIMITATIONS

A. Gifts and Other Payments or Offers

1. Directors and officers of TSE should not provide, directly or indirectly, any gift of more than nominal value (\$100.00) to any individual or company (including, but not limited to, owners, suppliers and vendors) in consideration for doing business with TSE.
2. Directors and officers of TSE should not accept any gift of more than nominal value (\$100.00) from any individual or company, including, but not limited to suppliers or vendors. No gift should be accepted if the nature of the gift is in conflict with TSE's values (integrity, accountability, innovation and commitment to community) and thus could damage the corporation's reputation.
3. The acceptance of reasonable business meals and entertainment does not violate these policies.

B. Investment or Participation in Other Entities

Directors and officers are prohibited from acquiring or having a substantial financial interest in any supplier, contractor, or consultant business with which TSE transacts or with which TSE competes. This does not prohibit the ownership of securities in a publicly owned company except in such a substantial amount that this ownership position could materially influence or affect a business relationship between TSE and such publicly owned company. This does not prohibit a nondirector officer from being employed by NRECA.

C. Corporate Opportunity

A director or officer may become aware of, through his/her access to confidential

information or otherwise through the performance of his/her duties as a director or officer, or be presented with an opportunity to engage in a business activity that would be of interest or reasonably be expected to be offered to TSE (“Corporate Opportunity”). A director or officer shall not take advantage of a Corporate Opportunity unless the director or officer: (1) first offers the Corporate Opportunity to TSE and (2) discloses to the board the material facts concerning the Corporate Opportunity, and thereafter TSE rejects the Corporate Opportunity, which rejection is fair to the corporation. Such rejection shall be evidenced by a majority vote of disinterested and informed directors.

**V. RESPONSIBILITY**

- A. The President shall ensure the enforcement of this policy.
- B. Each director and officer shall sign the form appended to this policy on an annual basis, stating that he/she has read the policy, understands it, and affirms that he/she has no undisclosed conflicts of interest.
- C. Actions considered inconsistent with this policy shall be reported to the President. If such actions involve the President, then the report shall be made to the Vice President or TSE’s legal counsel. Any such report shall be discussed at the next scheduled board meeting, where all sides of the issue will be heard. If a question remains, legal counsel for TSE shall investigate the matter and report back to the board of directors with recommendations for the board regarding appropriate actions to address the conflict of interest or other violation of this policy.
- D. The minutes of all meetings of the board and relevant board committees should record all disclosures, votes, determinations, and actions made pursuant to this policy.