

**SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION**

**POLICY 102**

**DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS**

**I. OBJECTIVE**

To describe the duties and responsibilities of the South Kentucky Rural Electric Cooperative Corporation (“SKRECC”) Board of Directors (“Board”), as well as to describe the standard of conduct expected of individual Board members.

**II. POLICY**

The Board exists to direct the affairs of SKRECC. All of the powers of SKRECC are held solely by the Board, except such powers that have been conferred upon or reserved for the member-owners or others by statute or by SKRECC’s articles of incorporation or bylaws. Ordinarily, the Board may exercise its powers only by acting in a duly convened meeting. The Board may delegate certain but not all of its powers to the President/Chief Executive Officer (“CEO”). However, ultimate responsibility for SKRECC resides in the Board, and certain decisions and actions cannot be delegated.

**III. EXPECTATIONS**

A. **Fiduciary Duty.** The Board and each individual director thereof has a fiduciary duty to SKRECC. The Board and each individual director thereof must give undivided allegiance to SKRECC when making decisions affecting SKRECC. The Board’s and each individual director’s duty is described as follows:

1. The Duty of Care. All directors of the Board are expected to have or acquire the knowledge and skills necessary to effectively direct the affairs of SKRECC; to devote the necessary time to director duties, including attendance at Board meetings, thoroughly reviewing board materials and otherwise preparing for each meeting of the Board and committees; and make inquiry into potential problems or issues when circumstances or events suggest that the Board’s attention is needed or desired. A director of SKRECC shall discharge his or her duties as a director, including his or her duties as a member of a committee:

- a. in good faith;
- b. with that degree of care that an ordinarily prudent person in a like position would exercise under similar circumstances; and
- c. in a manner that the director reasonably believes to be in the best interests of SKRECC.

2. The Duty of Loyalty. A director of SKRECC shall:

- a. place the interests of SKRECC above the director's own personal interests or the interests of another person or organization with which the director is associated; and
  - b. strive to avoid even the appearance of a conflict of interest. (See Policy 301 on Conflict of Interest).
3. The Duty of Obedience. Each director, in accordance with his/her fiduciary duty, shall:
- a. ensure that the Board's actions and those of SKRECC comply with applicable legal requirements, as set forth in federal, state, and local statutes or ordinances, the articles of incorporation, the bylaws, and any other rules, regulations, or contracts of SKRECC; and
  - b. follow the Board's own policies.

**B. Key Responsibilities and Functions of the Board.** In fulfillment of its duties and responsibilities, the Board shall, among other things:

1. Establish and maintain a legal entity;
2. Select and appoint the General Counsel to represent SKRECC;
3. Study and approve (or recommend) necessary and/or prudent revisions and other changes to the bylaws;
4. Review and approve major contracts such as loan agreements, wholesale power contracts, and construction contracts;
5. Approve applications for membership in SKRECC;
6. Ensure that accurate minutes of Board, committee, and membership meetings are prepared, maintained and recorded as read or corrected;
7. Authorize eminent domain proceedings as required.
8. Act as trustees of membership interests by:
  - a. holding Board meetings monthly, or more often if required. The CEO, in consultation with the Board Chairperson, shall develop the preliminary agenda for such meetings, and the agenda will be mailed in advance of the meeting with appropriate supporting information;
  - b. ensuring that members of SKRECC are informed by conducting an annual membership meeting to hear their views, and to promote understanding of the

## POLICY 102

- cooperative's objectives, policies, and programs, and through periodic newsletters and other publications, annual reports, and meetings;
- c. keeping informed about changing member needs;
  - d. assisting new Board members to understand their responsibilities and duties. An orientation will be arranged for new Board members;
  - e. selecting an independent financial auditor;
  - f. establishing investment policies and approving depositories for funds of the cooperative and designating those authorized to sign checks, drafts, notes, contracts, deeds, mortgages, and other instruments on behalf of the cooperative;
  - g. establishing policies governing the payment of travel, out-of-pocket, and other expenses of directors;
  - h. approving the appointment of the cooperative's principal consultants and contracts and agreements for their services;
  - i. approving purchases, transfers, leases and/or sales of real estate; and
  - j. filling vacancies on the Board for any unexpired term of office in accordance with the bylaws.
9. Plan for the long-term health and survival of the cooperative by:
- a. working with the CEO to develop the mission and plans of SKRECC;
  - b. working with the CEO to ensure an adequate, reliable, competitively-priced supply of electric energy; and
  - c. reviewing and adopting proposed policies or policy revisions.
10. Provide operating requirements by:
- a. interviewing candidates (with the advice and assistance of a professional consultant) and selecting and employing a competent CEO. The CEO is delegated responsibility and authority to select personnel and terminate their employment, if such action becomes necessary, within the limitations of Board policy. The CEO is also delegated complete responsibility to direct such employees;
  - b. adopting financial plans and policies essential to maintaining a sound financial structure for the cooperative;
  - c. authorizing the monies and expenditures of such monies through the adoption of budgets necessary to carry out the objectives of the cooperative;

- d. determining major state, regional, or national organizations in which the cooperative shall become a member; and
- e. authorizing the construction of major facilities necessary for the efficient operation of the cooperative.

11. Establish controls to appraise the effectiveness of operations by:

- a. reviewing periodic reports from the CEO to either ensure conformity to approved plans and programs or to enable the Board to have sufficient knowledge and understanding to make prudent decisions regarding future plans and programs;
- b. reviewing the annual financial audit and the management letter, with the auditor present, and ensuring that any necessary action is taken. The audit and the management letter shall be sent to the directors prior to the meeting when they are to review it;
- c. reviewing any independent management audit if such an audit is undertaken, and ensuring that Board-approved recommendations are carried out by receiving and reviewing regular progress reports from the CEO;
- d. conducting an annual performance appraisal of the CEO, and determining his or her compensation, as set forth in Board policy; and
- e. conducting periodically a self-appraisal of the Board, with or without outside consulting assistance, to review and improve its effectiveness in fulfilling its duties, as set forth in Board policy.

C. **Conduct with Respect to Fellow Directors.** Regardless of any personal differences, directors should at all times:

- 1. Demonstrate mutual respect;
- 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, the CEO, or the cooperative's General Counsel any differences of opinion among directors on matters considered and acted upon by the Board;
- 4. Recognize that the Board has the responsibility and authority to enforce these standards of behavior, through reminders of the standards and expectations and the issuance of a reprimand to the director who has breached these standards;

POLICY 102

5. Publicly support decisions of the Board except in extraordinary circumstances where the director can demonstrate that a decision and/or action will bring harm to the cooperative or threaten the cooperative's survival.

**D. Access to Cooperative Vice-Presidents and Information and the Duty to Maintain Confidentiality.** Directors are entitled to reasonable access to SKRECC's Vice-Presidents, data or other appropriate information necessary to perform their governance oversight responsibilities. A director shall keep confidential all matters involving SKRECC that are not otherwise in the public domain.

1. Requests for access to information or staff should normally be made to and through the CEO.
2. When a director has sought access to information not generally available to the public or reported to the Board, the CEO shall report on this at the next meeting of the Board to ensure that all Board members have equal access to the information.
3. Information received by a director shall not be disclosed to any other persons unless the director reasonably believes that he or she must do so in order to fulfill his/her fiduciary duty. A director shall consult with his or her personal attorney in determining whether fiduciary duty obligates the director to make such a disclosure.
4. All directors shall execute and have in place a Confidentiality/Non-Disclosure Agreement with SKRECC.

**IV. LIMITATIONS**

**A. 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 cooperative's management, employees, and outside advisors whom the director reasonably believes to be competent and reliable in the matters being presented.

**V. RESPONSIBILITY**

- A. It shall be the responsibility of the Board Chairperson and each director of the Board to see that this policy is adhered to and carried out.
- B. All directors serving on the Board and all candidates, nominees, or appointees for or to the Board shall receive a copy of this policy and shall attest by their signature to having received this policy.
- C. SKRECC's General Counsel shall inform all candidates, nominees, or appointees for or to the Board the terms and conditions of this policy and the personal liability implications resulting from policy violations.

**APPROVED BY THE BOARD OF DIRECTORS**

\_\_\_\_\_  
BOARD CHAIRPERSON

**DATE APPROVED:** \_\_\_\_\_

**DATE(S) REVIEWED:** \_\_\_\_\_

**DATE(S) REVISED:** \_\_\_\_\_

This policy replaced former Policy B, the same having been approved May 13, 2004, and revised November 14, 2013.