

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

BOARD OF DIRECTORS

Board Policy No. B-29

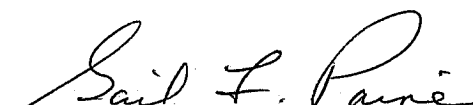
TITLE: Statement on Ethics

ORIGINATION DATE: May 24, 2005

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DATE:

AUTHORIZED:


Secretary, Board of Directors

I. Introduction

Since New Hampshire Electric Cooperative, Inc. ("NHEC") was established in 1939, its employees and directors have had a consistent history of fair, honest and ethical conduct.

The Board of Directors and Management of NHEC believe that high ethical standards are achieved not just through the publication and dissemination of policies, but through open and on-going discussion about ethical issues related to the business and activities of NHEC. Further, this open climate is only achieved when employees and directors understand that they can openly raise questions and concerns without fear of retaliation.

II. Standards of Conduct

Employees and directors are expected to uphold the values of NHEC and to report any situation where the individual reasonably suspects any activity which may be in violation of these values, Board policies or the law. Standards of conduct include:

- A. Directors and employees are expected to deal honestly with members, regulators, suppliers and others having dealings with NHEC.
- B. Directors and employees are prohibited from offering or receiving bribes, kickbacks or other forms of improper payment, direct or indirect, to or from any representative of government, labor union, member, supplier, or others having dealings with NHEC, to obtain a contract, personal or

commercial benefit, government action, or for any other purpose or reason.

- C. Directors and employees are expected to limit their reimbursable expenses to those that are necessary, prudent and business-related.
 - a. Expenses that are not considered business related and therefore not reimbursable include:
 - i. 1st class airfare
 - ii. Travel for companions
 - iii. Tax indemnification and gross up payments
 - iv. Housing allowance or personal residence payments
 - v. Health/social/golf club dues or fees
 - vi. Personal services (e.g. maid, chauffer, chef, spa/salon services, etc.)
 - vii. Personal amusement (e.g., movies, shows, etc.)
- D. The Cooperative does not make personal loans outside defined member programs to current or former directors or employees.
- E. Discretionary spending accounts are not authorized.
- F. Personal charges on the corporate credit card(s) are prohibited.
- G. Directors and employees are prohibited from taking unfair advantage of consumers, suppliers, or other third parties through manipulation, concealment, abuse of privileged information or any other unfair-dealing practice.
- H. Directors and employees shall not ask for or accept anything worth \$100 or more from any person with whom they have official dealings. Plaques or similar gifts of appreciation/recognition for service may be accepted, regardless of value.
- I. Directors and employees shall not ask for or accept anything (regardless of its value) if it is offered in exchange for agreement to perform or not perform an official act on behalf of NHEC.
- J. Directors and employees shall not accept honoraria (money or something of value) for a speech that is in any way related to that person's official duties for the Cooperative.
- K. Directors and employees shall not use their official position(s) to obtain unwarranted privileges or any type of special treatment for themselves or for anyone else.
- L. No director or employee shall make, authorize or approve the contribution or expenditure of Cooperative funds, directly or indirectly, in connection with support of any political party or for the election of any person to any political office, Federal, State or local (including party conventions, primary elections and general elections).

III. Conflicts of Interest

Employees and directors are to be sensitive to situations in which there may be conflicts of interest or appearance of conflicts of interest. A conflict of interest exists when any director or employee is called upon to make or is involved in any

NHEC decision in which the employee or director has a direct or indirect personal interest that could be affected by that decision. Whenever a director shall have a conflict of interest, the situation shall be reported immediately and resolved by the Board of Directors. In any situation where it may be reasonably perceived that there is a conflict of interest, an employee is required to report the potential conflict of interest in accordance with Section VIII of this policy. Conflicts of interest include, but are not limited to:

- A. Directors and employees seeking any personal benefit through any arrangement with vendors, suppliers or other persons that had, have or may have a business relationship with NHEC; and/or
- B. Directors or employees having a financial interest in any entity with which NHEC has done, does or may do business that might create or give the appearance of a conflict of interest.
- C. Directors or employees being a director, officer, employee or volunteer other affiliate position, whether full or part time or per diem, of any other corporation, enterprise, business, or public or private entity of any nature when such position or relationship might create or give the appearance of a conflict of interest.

IV. Confidentiality of Information

Directors and employees are frequently entrusted with confidential and/or commercially sensitive information and are responsible for the scope, manner and timing of any release of such confidential or commercially sensitive information. Such information includes technical or financial information about current or future projects, business plans, personnel information, and other information that, if disclosed, might be of use to competitors or potentially harmful to NHEC and its members. Directors and employees shall:

- A. Use confidential information only for the company's legitimate business purposes.
- B. Not use company information, property or resources for any personal gain or for the gain of others.
- C. Not discuss confidential information with or in the presence of any unauthorized persons.
- D. Not disclose confidential information to third persons unless requested directly from a member of record and is personal information relating only to that person, or such disclosure is required under established policies of the Cooperative.

V. Transparency

NHEC is dedicated to providing information to its membership about its operations. NHEC will respond to information requests made by members and keep them informed of the operations of the Cooperative by:

- A. Providing timely responses to information requests
- B. Publishing its IRS Form 990 filing on the Cooperative website annually
- C. Publishing its audited financials on the Cooperative website annually
- D. Publishing its Ethics and Code of Conduct policies, and other policies as appropriate, on the Cooperative website.
- E. Publishing an annual report to the members which is mailed to all members and posted on the Cooperative website
- F. Publishing a monthly newsletter which is mailed to all members

VI. Financial Reporting & Recordkeeping

NHEC is responsible for adopting sound accounting policies, maintaining an effective system of accounting, safeguarding assets, devising an adequate system of internal controls, and establishing systems designed to ensure compliance with policies, plans, procedures and applicable laws and regulations. NHEC shall:

- A. Design and maintain an effective system of internal controls over financial reporting and be consistent with United States Generally Accepted Auditing Standards (GAAS).
- B. Ensure that all transactions are properly recorded and that material information is available to the Board and management when required.
- C. Ensure that company records and documents are properly retained and secured.
- D. Conduct an annual financial audit to provide an independent, objective review of financial reports and to identify any risks associated with the system of internal controls.

VII. Legal and Regulatory Compliance

NHEC will comply with all local, state and federal laws, rules and regulations applicable to the activities of the company. It will maintain a safe and healthy work environment. Intimidation, harassment, offensive conduct, or discrimination based on race, marital status, sex, sexual orientation, age, color, religion, national origin, veteran's status or handicap disability are not tolerated.

VIII. Reporting of Violations

Every employee and director is responsible for ensuring that violations of high ethical standards are immediately reported and addressed promptly. Reports of suspected violations may be made in person or in writing, confidentially or anonymously, to a Supervisor, Human Resources Manager, the President/CEO, the Chair of the Board Audit Committee, or by use of "MySafeWorkplace" either via the internet ([www. MySafeWorkplace.com](http://www.MySafeWorkplace.com)) or by telephone (800-461-9330).

All such reports will be investigated promptly and appropriate corrective action will be taken as necessary. Any employee or director who makes a report in good faith and on reasonable belief may do so without fear of harassment, retaliation or retribution.

IX. Monitoring and Enforcement

Every director and employee is responsible for monitoring ethics compliance and reporting suspected violations. Directors, officers and employees who violate any laws, rules, regulations or ethics will face appropriate, case-specific disciplinary action, which may include demotion, discharge or sanction by the President/CEO or the Board, as appropriate.

The Audit Committee of the Board will review this policy at least once annually and recommend appropriate modifications.

The President/CEO is charged with the responsibility of articulating and monitoring standards for employees regarding ethical business behavior.